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BIRMINGHAM CITY FOOTBALL CLUB PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1998



BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998

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BIRMINGHAM CITY FOOTBALL CLUB PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 1998

Directors and Officers:

D. Gold	(Chairman)
K. Brady	(Managing Director)
D. Sullivan	
B. Gold	
R. Gold	
H. Brandman	
J.F. Wiseman	
A.G. Jones	
M. Wiseman	(Appointed 23rd December 1997)

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

Team Manager: Trevor Francis

Registered Office:

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

Auditors:

Walter J. Edwards & Co.
Chartered Accountants and
Registered Auditors
47 Anchor Road
Aldridge
WALSALL
WS9 8PT

Principal Bankers:

Midland Bank plc
PO Box 66
Bennetts Hill
BIRMINGHAM
B2 5RJ

Principal Solicitors:

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

Company Number: 27318

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

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
	£	£	£	£	£
Match Receipts F.A. and Football League Distributions	4,984,953	4,464,029	4,624,252	4,616,208	2,584,693
Commercial Activities including television and radio fees	3,351,906	3,158,157	2,712,819	2,325,463	1,178,439
INCOME	<u>8,336,859</u>	<u>7,622,186</u>	<u>7,337,071</u>	<u>6,941,671</u>	<u>3,763,132</u>
Wages	5,069,448	4,900,328	4,791,500	3,677,808	2,694,973
Other expenses	2,099,495	1,985,405	1,742,180	1,739,675	1,556,613
EXPENDITURE	<u>7,168,943</u>	<u>6,885,733</u>	<u>6,533,680</u>	<u>5,417,483</u>	<u>4,251,586</u>
OPERATING PROFIT/(LOSS) BEFORE TRANSFER FEES AND INTEREST	<u>1,167,916</u>	<u>736,453</u>	<u>803,391</u>	<u>1,524,188</u>	<u>(488,454)</u>
NET TRANSFER FEES (PAID)/RECEIVED	<u>(5,165,810)</u>	<u>208,790</u>	<u>(2,680,879)</u>	<u>(1,279,327)</u>	<u>(642,368)</u>
CAPITAL AND RESERVES	<u>(7,244,578)</u>	<u>(3,631,677)</u>	<u>(4,701,239)</u>	<u>(2,833,901)</u>	<u>(3,090,734)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1998

The directors present the financial statements for the year ended 31st August 1998.

DIRECTORS' RESPONSIBILITIES

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- prepared the financial statements on a going concern basis.

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

RESULTS AND DIVIDENDS

The operating profit before transfer fees and interest amounted to £1,167,916 (1997 - £736,453). The loss on ordinary activities before taxation was £3,668,112 as compared to a profit in 1997 of £1,124,773.

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

REVIEW OF BUSINESS

The Board are pleased to report that 1998 has seen an increase in turnover for the year to £8.3m (1997 - £7.62m). The Club has continued to invest in the playing squad, spending a net £5.2m on new players.

During the current year we have seen the launch of our Internet Site and "Out of the Blue" our fortnightly newspaper with a readership of over 20,000. We have introduced a new Banqueting and Hospitality department which, I am delighted to report, has produced additional profits for the Club. In addition, we have re-launched our membership and lottery department which has resulted in better financial returns.

FUTURE DEVELOPMENTS

The completion of the Railway Stand in February 1999 will bring additional commercial opportunities including 16 new executive boxes and executive seating and lounge facilities. The increase in capacity will help us develop greater inroads into encouraging more members of the Birmingham community to become Club supporters.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1998

FUTURE DEVELOPMENTS (continued)

The opening of the new stand will see the introduction of our new Olympic Gallery area which provides lounge, bar and seating facilities for new season ticket holders.. Sales are going well in this new area. We will have a total of 66 boxes when the new 16 are opened at the start of the 1999/2000 season.

We are hoping to launch a financial services arm of the company within the next six months. This will be a joint product with one of the country's leading financial services companies. We continue to look for ways in which to increase revenue, adding new premium rate telephone business to our commercial department.

We are delighted to announce that Paul McCartney has chosen our Club to launch Linda McCartney's food range in February 1999.

PRINCIPAL ACTIVITY

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

INTANGIBLE ASSETS

It is a policy of Birmingham City Football Club not to value playing staff as an asset to be included within the financial statements. It is the opinion of the directors that the valuation of players would eliminate the balance sheet deficit as shown on page 8.

CREDITORS PAYMENT POLICY

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

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

Trade creditors at the year end amount to 43 days (1997 – 38 days) of average supplies for the year.

YEAR 2000

The "Millennium bug" or "Year 2000 issue" refers to potential problems in the processing of data or operation of electronic equipment affected by the transition from 1999 to 2000.

The Directors fully recognise the potential risks associated with the issue and have reviewed all equipment for compliance. The ticketing system is due for upgrade at the end of this season. Once upgraded, the directors believe that all equipment will be Year 2000 compliant, but the complexity of the matter prevents any business offering absolute assurance on the issue. The costs associated with the transition are not considered significant.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1998

CHANGEOVER TO THE EURO

The Board is fully aware of the implications of the introduction of the Euro. The Group is currently taking measures to identify its likely exposure to Euro currency transactions with its customers and suppliers from 1 January 1999.

DIRECTORS AND THEIR INTEREST IN THE SHARE CAPITAL

The directors who acted during the period are set out on page 1 and the interest in the share capital of those acting at 31st August 1998 was as follows:-

	31st August 1998		31st August 1997	
	<u>Preference</u>	<u>Ordinary</u>	<u>Preference</u>	<u>Ordinary</u>
	<u>No</u>	<u>No</u>	<u>No</u>	<u>No</u>
J F Wiseman	-	-	-	-
D Sullivan	-	-	-	-
K Brady	-	-	-	-
B Gold	-	-	-	-
R Gold	-	-	-	-
D Gold	-	-	-	-
H Brandman	-	-	-	-
A G Jones	-	-	-	-
M Wiseman	-	-	-	-

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

In accordance with the Articles, R Gold and D Gold 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. Walter J. Edwards & Co. as auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


K. BRADY
Managing Director

Date: 25th January 1999

BIRMINGHAM CITY FOOTBALL CLUB PLC

AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 1998

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

We have audited the financial statements on pages 7 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 3, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

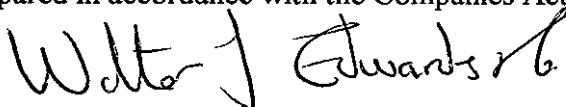
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31st August 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Walter J. Edwards & Co.
Registered Auditors
Chartered Accountants**

**47 Anchor Road
Aldridge
WALSALL
WS9 8PT**

Date: 25th January 1999

BIRMINGHAM CITY FOOTBALL CLUB PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 1998**

	<u>Notes</u>	<u>1998</u> £	<u>1997</u> £
TURNOVER	2	8,336,859	7,622,186
Match and ground expenses		1,191,213	1,055,060
Administration expenses		627,916	649,732
Staff costs	5	5,069,448	4,900,328
Depreciation net of disposals	1b	346,376	346,622
Amortisation of deferred income		(66,010)	(66,009)
Net operating expenses		7,168,943	6,885,733
OPERATING PROFIT BEFORE TRANSFER FEES	3	1,167,916	736,453
Net transfer fees (payable)/receivable	1c	(5,165,810)	208,790
OPERATING (LOSS)/PROFIT AFTER TRANSFER FEES	3	(3,997,894)	945,243
Interest receivable and similar income	6	330,857	194,071
Interest payable and similar charges	7	(1,075)	(14,541)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,668,112)	1,124,773
Taxation on (loss)/profit on ordinary activities	8	55,211	(55,211)
(LOSS)/PROFIT FOR THE YEAR	19 and 20	(3,612,901)	1,069,562

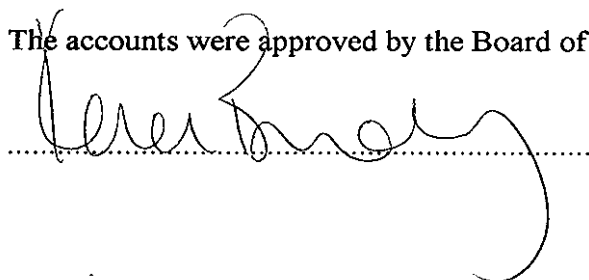
There were no recognised gains or losses other than those reported above. Historical cost (losses)/profits are not materially different to those stated above.

All activities are derived from continuing operations.

BIRMINGHAM CITY FOOTBALL CLUB PLC**BALANCE SHEET AS AT 31ST AUGUST 1998**

	<u>Note</u>	<u>1998</u>		<u>1997</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	9		9,182,427		7,859,206
CURRENT ASSETS					
Stocks	10	147,453		142,605	
Debtors	11	1,371,816		2,682,075	
Investments	12	3,000,000		3,750,000	
Cash at bank and in hand		982,318		3,125,635	
		-----		-----	
			5,501,587		9,700,315
CREDITORS: Amounts falling due within one year	13	(5,684,077)		(4,881,269)	
		-----		-----	
NET CURRENT (LIABILITIES)/ASSETS			(182,490)		4,819,046
			-----		-----
TOTAL ASSETS LESS CURRENT LIABILITIES			8,999,937		12,678,252
CREDITORS: Amounts falling due after more than one year	14		(13,784,896)		(13,784,300)
			-----		-----
			(4,784,959)		(1,106,048)
DEFERRED CAPITAL GRANT 15a			(2,459,619)		(2,525,629)
			-----		-----
NET LIABILITIES			(7,244,578)		(3,631,677)
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	16		771,338		771,338
Share premium account	17		207,096		207,096
Capital redemption reserve	18		750		750
Revaluation reserve	19		312,726		312,726
Profit and loss account	20		(8,536,488)		(4,923,587)
			-----		-----
SHAREHOLDERS' FUNDS (including non-equity)	21		(7,244,578)		(3,631,677)
			=====		=====

The accounts were approved by the Board of Directors on 25th January 1999.



K. Brady - Managing Director

BIRMINGHAM CITY FOOTBALL CLUB PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1998**

	<u>Note</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
Cash inflow from operating activities before net transfer fees paid	25	854,290	1,761,042
Net transfer fees paid	25	(2,899,276)	(1,519,125)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES		(2,044,986)	241,917
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26(i)	329,782	179,530
CAPITAL EXPENDITURE	26(ii)	(1,123,943)	(77,096)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(2,839,147)	344,351
Use of liquid resources and management of liquid resources		750,000	(3,750,000)
FINANCING	26(iii)	(54,170)	7,121,932
(DECREASE)/INCREASE IN CASH		<u>(2,143,317)</u>	<u>3,716,283</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>Note</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
(Decrease)/increase in cash in year		(2,143,317)	3,716,283
Loan from holding company	26(iii)	-	(7,161,928)
Cash to repay Football Trust loan	26(iii)	54,170	39,996
Cash (inflow)/outflow from (decrease)/increase in liquid resources		(750,000)	3,750,000
Decrease in net funds/(debt) from cash flow		(2,839,147)	344,351
Inception of finance leases	27	(80,874)	-
Reduction in Net Funds/(Debt)	27	(2,920,021)	344,351
Net debt at 1st September 1997	27	(6,948,661)	(7,293,012)
Net debt at 31st August 1998	27	<u>(9,868,682)</u>	<u>(6,948,661)</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998**

1. ACCOUNTING POLICIES**(a) Basis of Accounts**

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards, as modified by the revaluation of certain freehold land and buildings.

(b) Tangible Fixed Assets Depreciation

Depreciation has been provided to write off the cost or valuation of tangible fixed assets over their expected useful lives on a straight line basis. The following expected useful lives have been used:-

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

(c) Transfer Fees

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

(d) Signing-On Fees

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

(e) Stock

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

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998**

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

Turnover represents match receipts, executive box rentals, sponsorship and other income associated with the continuing principal activity of running a professional football club, and excludes Value Added Tax. Season ticket and sponsorship income received during the year, for the following season, is deferred to the next year.

(g) Deferred Taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Provision for deferred taxation is made only to the extent that it is probable that the liability will become payable in the foreseeable future. Deferred tax on the revaluation of freehold property has not been quantified as it is not considered to be a timing difference.

(h) 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.

(i) Grants

Grants and donations received in respect of safety work and ground developments are credited to deferred grant income and are released to the profit and loss account over the anticipated useful life of the assets to which they relate. Football Trust grants received towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

(j) Pensions

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

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998

2. TURNOVER

	<u>1998</u>	<u>1997</u>
	£	£
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	4,984,953	4,464,029
Television and radio coverage	245,701	329,770
Commercial activities	3,106,205	2,828,387
	-----	-----
	<u>8,336,859</u>	<u>7,622,186</u>

3. OPERATING (LOSS)/PROFIT

	<u>1998</u>	<u>1997</u>
	£	£
Operating (loss)/profit is stated after charging:-		
Aggregate directors' emoluments	127,034	125,163
Auditors' remuneration:		
Audit services	9,000	9,000
Non-audit work	9,100	12,325
Depreciation of tangible fixed assets	340,620	343,449
Release of deferred income from Football Trust Grants	(66,010)	(66,009)
Loss on sale of tangible assets	5,756	3,173
Equipment leased under operating leases	17,659	19,924
	-----	-----

4. DIRECTORS' REMUNERATION (Excluding Pension Contributions)

	<u>1998</u>	<u>1997</u>
	£	£
The remuneration of the highest paid director was	<u>92,281</u>	<u>92,536</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998****5. STAFF COSTS**

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Staff costs during the year were made up as follows:-		
Wages, salaries, signing on fees, etc	4,604,815	4,425,201
Social Security costs	450,632	472,927
Other pension costs	14,001	2,200
	-----	-----
	<u>5,069,448</u>	<u>4,900,328</u>

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

	<u>1998</u>	<u>1997</u>
	<u>No.</u>	<u>No.</u>
Playing staff	37	49
Training staff	11	9
Commercial and fund raising	9	9
Shop	8	8
Administration and other	22	20
	-----	-----
	<u>87</u>	<u>95</u>

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Bank interest receivable	327,917	191,837
Other interest receivable	2,940	2,234
	-----	-----
	<u>330,857</u>	<u>194,071</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Bank loans and overdrafts	1,075	14,541
	-----	-----

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998****8. TAXATION**

	<u>1998</u> £	<u>1997</u> £
Corporation Tax at 31% (1997 – 33%)	-	55,211
Amendment to previous year's estimate	(55,211)	-
	<u>(55,211)</u>	<u>55,211</u>

The tax losses not utilised at 31st August 1998 amount to approximately £6,000,000 (1997 - £3,000,000).

9. TANGIBLE FIXED ASSETS

	<u>Freehold Land and Buildings</u> £	<u>Assets under Construction</u> £	<u>Leasehold Land and Buildings</u> £	<u>Fixtures and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
Cost or Valuation:						
At 1st September 1997	7,969,794	-	-	1,495,294	85,357	9,550,445
Additions	54,467	1,363,996	49,235	221,671	19,973	1,709,342
Disposals	-	-	-	-	(68,235)	(68,235)
At 31st August 1998	<u>8,024,261</u>	<u>1,363,996</u>	<u>49,235</u>	<u>1,716,965</u>	<u>37,095</u>	<u>11,191,552</u>
Depreciation:						
At 1st September 1997	463,958	-	-	1,191,986	35,295	1,691,239
Charge for the year	167,909	-	246	163,967	8,498	340,620
Disposals	-	-	-	-	(22,734)	(22,734)
At 31st August 1998	<u>631,867</u>	<u>-</u>	<u>246</u>	<u>1,355,953</u>	<u>21,059</u>	<u>2,009,125</u>
Net Book Value:						
At 31st August 1998	<u>7,392,394</u>	<u>1,363,996</u>	<u>48,989</u>	<u>361,012</u>	<u>16,036</u>	<u>9,182,427</u>
At 31st August 1997	<u>7,505,836</u>	<u>-</u>	<u>-</u>	<u>303,308</u>	<u>50,062</u>	<u>7,859,206</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998****9. TANGIBLE FIXED ASSETS (continued)**

Land and building comprises:-	<u>Freehold Properties</u> £
Cost and valuation 1991	1,153,807
Additions at cost 1991 to 1998	6,870,454

Depreciation	8,024,261 (631,867)

At 31st August 1998	7,392,394
	=====
At 31st August 1997	7,505,836
	=====

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

	<u>1998</u> £	<u>1997</u> £
Cost	7,711,535	7,657,068
Accumulated depreciation	(599,424)	(445,193)
	-----	-----
	7,112,111	7,211,875
	=====	=====

The net book value of tangible fixed assets includes £80,874 (1997 - £Nil) in respect of assets held under finance leases. As the assets were purchased in August 1998, no depreciation is charged in 1998. (1997 - £Nil).

Valuation

The major ground development is now completed. A valuation is not currently available but the directors are of the opinion that the market value of freehold land and buildings is higher than book value, after taking into account deferred grant income attributable to freehold land and buildings.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998****10. STOCK**

	<u>1998</u>	<u>1997</u>
	£	£
Club Shop stock	147,453	142,605
	<u>=====</u>	<u>=====</u>

11. DEBTORS

	<u>1998</u>	<u>1997</u>
	£	£
Trade debtors	1,261,579	2,545,662
Other debtors	1,063	1,450
Prepayments	109,174	134,963
	<u>-----</u>	<u>-----</u>
	1,371,816	2,682,075
	<u>=====</u>	<u>=====</u>

12. INVESTMENTS

	<u>1998</u>	<u>1997</u>
	£	£
Money market deposits	3,000,000	3,750,000
	<u>=====</u>	<u>=====</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998

13. CREDITORS: Amounts falling due within one year

	<u>1998</u>	<u>1997</u>
	£	£
Unsecured loans (note 14)	39,996	39,996
Obligations under finance leases and hire purchase contracts	26,108	-
	-----	-----
Debt due within one year	66,104	39,996
Trade creditors	2,486,305	1,270,191
Other creditors	104,489	15,448
Taxation and social security costs	381,341	581,100
Corporation Tax	-	55,211
Accruals and deferred income	2,645,838	2,919,323
	-----	-----
	<u>5,684,077</u>	<u>4,881,269</u>

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

	<u>1998</u>	<u>1997</u>
	£	£
Unsecured loans	9,999	49,995
Amount due to Sport Newspapers Limited	6,572,377	6,572,377
Amount due to holding company	7,161,928	7,161,928
Obligations under finance leases and hire purchase contracts	40,592	-
	-----	-----
Debt due after more than one year	<u>13,784,896</u>	<u>13,784,300</u>

	<u>1998</u>	<u>1997</u>
	£	£
Repayable:		
Between one and two years	6,608,484	39,996
Between two and five years	14,484	6,582,376
Over five years	7,161,928	7,161,928
	-----	-----
	<u>13,784,996</u>	<u>13,784,300</u>

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

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

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998**

15a. DEFERRED CAPITAL GRANT	<u>1998</u>	<u>1997</u>
	£	£
At 1st September	2,525,629	2,591,638
Grants received during the year	-	-
	-----	-----
	2,525,629	2,591,638
Transfer for profit and loss account	(66,010)	(66,009)
	-----	-----
Balance at 31st August	2,459,619	2,525,629
	=====	=====

As a result of the substantial redevelopment of the stadium, the Directors have reviewed the allocation of grants received. The amount of £2,459,619 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.

15b DEFERRED TAXATION

At 31st August 1997 and 1998 there was no unprovided deferred taxation.

16. SHARE CAPITAL

	<u>1998</u>		<u>1997</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
	-----	-----	-----	-----
	5,040,000	2,520,000	5,040,000	2,520,000
	=====	=====	=====	=====
(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
	-----	-----	-----	-----
	1,542,676	771,338	1,542,676	771,338
	=====	=====	=====	=====

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998****16. SHARE CAPITAL (continued)**

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

17. SHARE PREMIUM ACCOUNT

	<u>1998</u>	<u>1997</u>
	£	£
No movement in year	207,096	207,096
	=====	=====

18. CAPITAL REDEMPTION RESERVE

	<u>1998</u>	<u>1997</u>
	£	£
No movement in year	750	750
	=====	=====

19. REVALUATION RESERVE

	<u>1998</u>	<u>1997</u>
	£	£
No movement in year	312,726	312,726
	=====	=====

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

20. PROFIT AND LOSS ACCOUNT

	<u>1998</u>	<u>1997</u>
	£	£
Accumulated losses brought forward	(4,923,587)	(5,993,149)
Profit/(loss) for the year	(3,612,901)	1,069,562
	-----	-----
Accumulated losses carried forward	(8,536,488)	(4,923,587)
	=====	=====

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
(Loss)/profit for the year	(3,612,901)	1,069,562
New share capital subscribed	-	-
	-----	-----
Net (reduction)/addition to shareholders' funds	(3,612,901)	1,069,562
Opening shareholders' funds	(3,631,677)	(4,701,239)
	-----	-----
Closing shareholders' funds	(7,244,578)	(3,631,677)
	=====	=====
Non-equity preference shares	18,500	18,500
Unpaid preference dividends	2,331	2,331
	-----	-----
Non-equity shareholders' funds	20,831	20,831
Equity shareholders' funds	(7,265,409)	(3,652,508)
	-----	-----
	(7,244,578)	(3,631,677)
	=====	=====

22. TRANSACTIONS WITH DIRECTORS AND RELATED PARTY TRANSACTIONS

Gold Star Textile Printers Limited, owned by D Gold and R Gold (directors), supplied goods to the Club during the year to the value of £1,146 (1997 - £731) which were sold through the Club Shop. Also, Henri Brandman & Co (Henri Brandman - Director) acted as Solicitors on behalf of the Club during the year with fees amounting to £12,250. (1997 - £40,410)

Sport Newspapers Limited, the former holding company, carried out certain administrative and accounting duties during the year for which it charged £52,667. (1997 - £62,144)

All transactions were of a commercial nature. There were no substantial balances owing at 31 August 1998, other than the unsecured loan due to Sport Newspapers Limited. (Note 14)

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998****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 1998 is £1,092,500 (1997 - £1,847,500). Since the year end and to the date of approval of these accounts, the transfer fee commitments charged have amounted to £541,542.

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

	<u>1998</u>	<u>1997</u>
	£	£
Contracted but not provided for	2,436,004	20,247
	<u>=====</u>	<u>=====</u>

(b) Signing-On Fees Payable

The maximum commitments in respect of deferred signing-on fees due to players under contracts at the year-end, which are payable on completion of their original contract term, and not provided in the accounts, amounted to £1,174,000 (1997 - £730,083).

(c) Lease Commitments

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

	<u>1998</u>	<u>1997</u>
	£	£
Expiring:		
Within one year	3,000	3,881
Between two and five years	11,821	6,100
Over five years	-	-
	<u>-----</u>	<u>-----</u>
	14,821	9,981
	<u>=====</u>	<u>=====</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998

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

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Operating profit before transfer fees	1,167,916	736,453
Depreciation	340,620	343,449
Amortisation of deferred income	(66,010)	(66,009)
Loss on sale of fixed assets	5,756	3,173
(Increase)/decrease in stocks	(4,848)	25,518
(Increase)/decrease in debtors	(78,869)	231,820
(Decrease)/increase in creditors	(510,275)	486,638
	-----	-----
NET CASH INFLOW FROM OPERATING ACTIVITIES BEFORE TRANSFER FEES	854,290	1,761,042
Net transfer fees (payable)/receivable	(5,165,810)	208,790
Decrease/(increase) in transfer fee debtors	1,389,128	(528,200)
Increase/(decrease) in transfer fee creditors	877,406	(1,199,715)
	-----	-----
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	(2,044,986)	241,917
	=====	=====

26. GROSS CASH FLOWS

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
(i) Returns on Investments and Servicing of Finance		
Interest received	330,857	194,071
Interest paid	(1,075)	(14,541)
	-----	-----
	329,782	179,530
	=====	=====
(ii) Capital Expenditure		
Payments to acquire tangible fixed assets	(1,163,688)	(230,096)
Receipts from sales of tangible fixed assets	39,745	153,000
	-----	-----
	(1,123,943)	(77,096)
	=====	=====

BIRMINGHAM CITY FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1998

26. GROSS CASH FLOWS (continued)

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
(iii) Financing		
Loan from holding company	-	7,161,928
Repayment of Football Trust loan	(39,996)	(39,996)
Capital element of finance lease payments	(14,174)	-
	-----	-----
	<u>(54,170)</u>	<u>7,121,932</u>

27. ANALYSIS OF CHANGES IN NET DEBT

	<u>01.09.97</u>	<u>Cash Flows</u>	<u>Inception of</u>	<u>31.08.98</u>
	<u>£</u>	<u>£</u>	<u>Finance</u>	<u>£</u>
			<u>Leases</u>	
			<u>£</u>	
Cash in hand and at bank	3,125,635	(2,143,317)	-	982,318
Current assets investments	3,750,000	(750,000)	-	3,000,000
	-----	-----	-----	-----
	6,875,635	(2,893,317)	-	3,982,318
	-----	-----	-----	-----
Loans	(13,824,296)	39,996	-	(13,784,300)
Finance leases	-	14,174	(80,874)	(66,700)
	-----	-----	-----	-----
Borrowings	<u>(13,824,296)</u>	<u>54,170</u>	<u>(80,874)</u>	<u>(13,851,000)</u>
	-----	-----	-----	-----
Net Funds/(Debt)	<u>(6,948,661)</u>	<u>(2,839,147)</u>	<u>(80,874)</u>	<u>(9,868,682)</u>

28. ULTIMATE HOLDING COMPANY

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