



2005

Birmingham City plc
Report and Financial Statements
for the year ended 31st August 2005



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2 Directors, Officers and Advisors

for the year ended 31st August 2005

Directors and Officers:	D. Sullivan K. Brady R. Bannister F.C.C.A. D. Gold R. Gold M. Wiseman	(Non-Executive Chairman) (Managing Director) (Financial Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Appointed 25th October 2005)
Company Secretary and Registered Office:	R. Bannister F.C.C.A. St Andrew's Stadium BIRMINGHAM B9 4NH Tel. No. 0871-226-1875	
Financial and Nominated Advisor:	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street LONDON W1S 4JU	
Nominated Broker:	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street LONDON W1S 4JU	
Joint Independent Auditors:	Edwards Chartered Accountants and Registered Auditors 34 High Street Aldridge WALSALL WS9 8LZ	RSM Robson Rhodes LLP Chartered Accountants and Registered Auditors Centre City Tower 7 Hill Street BIRMINGHAM B5 4JU
Principal Bankers:	HSBC Bank plc PO Box 68 130 New Street BIRMINGHAM B2 4JU	
Principal Solicitors:	Henri Brandman & Co 71 Wimpole Street LONDON W1G 8AY	
Registrars:	Capita IRG plc The Registry 34 Beckenham Road BECKENHAM Kent BR3 4TU	
Company Number:	3304408	
Web Site Address:	www.bcfc.com	



Profile of Directors

Directors

David Sullivan (56) Non-Executive Chairman

David Sullivan was the founder of The Sport newspaper and owns 50 percent of Sport Newspapers Ltd, the Club's former principal shareholder. He joined the board of the Club in March 1993. After graduating from Queen Mary College, London in economics (where he won the Sir Edward Stern award), Mr Sullivan founded and developed publishing and film businesses which have grown into a substantial group. He also has significant interests in property and other investments. Whilst non-executive, he plays an active role in overseeing the management of the Club.

Karren Brady (36) Managing Director

Karren Brady joined the Club in March 1993 as Managing Director and is primarily responsible for the day to day running of the Club and its continuing development. She began her career as an executive with Saatchi & Saatchi and subsequently became a sales executive with LBC Radio. She was marketing director of Sport Newspapers Ltd from 1989 to 1993. She has achieved national prominence in her current position and is able to use this to the benefit of the Club in marketing and promotional activities. Under her management, the Club has achieved the highest turnover in its modern history.

Roger Bannister (58) FCCA Finance Director

Roger Bannister joined the Club in September 1994. He is responsible for the Group's accounting functions and financial affairs. He trained with Thornton Baker (now Grant Thornton), qualified as a certified accountant in 1971 and became a fellow of the Association of Chartered Certified Accountants in 1980. He has wide-ranging business experience, having worked for a variety of companies in the manufacturing and distribution sectors, and was divisional finance director of BPCC Labels Limited before joining Sport Newspapers Ltd in March 1993 as chief accountant.

David Gold (69) Non-Executive Director

David Gold, along with his brother Ralph, owns 50 percent of Sport Newspapers Ltd and became a director of the Club in October 1993. He is the chairman of Gold Group International Limited, a company he formed 40 years ago and which has an annual turnover in excess of £145 million. Gold Group's activities include publishing, property, retailing, printing and aircraft chartering.

Ralph Gold (67) Non-Executive Director

Ralph Gold, along with his brother David, owns 50 percent of Sport Newspapers Ltd which in turn is the former principal shareholder of the Club. Ralph is the chairman of Gold Group International Limited which he has developed with David Gold.

Michael Wiseman (50) Non-Executive Director

Michael Wiseman is currently managing director of a property business Haunch Lane Developments Limited. He has been a director of the Company's subsidiary, Birmingham City Football Club plc since 1997. He is also a director of Quickfill Limited. He was appointed as an independent non-executive director on 25th October 2005.

4 Chairman's Statement

for the year ended 31st August 2005

I am pleased to report that 2004/5 was a satisfactory year for Birmingham City, albeit not as good as the previous year.

We achieved a profit after tax of almost £1.6m (2004: £5.8m), giving basic earnings per share of 1.97 pence (2004: 7.22 pence).

The current season has been difficult. We have had an unusual number of injuries to the playing squad, and all our efforts are now concentrated on avoiding relegation. I remain optimistic that we shall retain our Premiership status. I am pleased to note that we are still in the FA Cup.

I would like to take this opportunity to thank everyone at the Club for their hard work during the year and to praise the fan base for their loyal support.

David Sullivan

Chairman

Managing Director's Review

for the year ended 31st August 2005

Financial and Operating Review

Turnover for the year was £42.7m (2004: £45.3m), a decrease of 5.8%. This fall in total income was mainly attributable to two factors: a reduction in the Merit Award payment, £655,000, as we finished two positions lower in the League than in the previous season, and a reduction in television income. The number of television appearances is out of the Club's control and was much reduced from the level of 2003/4, down by £2.8m. These decreases in revenue were offset by a healthy increase in Commercial Revenues, up by over £1m.

Net operating expenses before player transfer and amortisation costs were significantly higher, up from £30.9m to £34.1m. This increase is due entirely to the higher level of staff costs, up £4.2m, of which football management and player salaries increased by £4.0m. Total salaries represented 64% of turnover during the year (2004: 51%). Notwithstanding this increase, we remain determined to balance the requirement to strengthen the playing squad with a prudent fiscal policy. The remaining operating expenses: match and ground and administration expenses were down by almost £1m.

Player amortisation costs showed a £2.4m increase, up by 28.2%. This increase arises from additional transfer fee payments crystallising for players already at the Club as a consequence of performance achievements being met, and from further registration fees payable against players brought to the Club during the year. The Club invested £15.6m in players, including the signings of Mikael Forssell, Jermaine Pennant, Walter Pandiani, Mehdi Nafti and Robbie Blake. Further investment has taken place in the playing squad during the January transfer window, seeing the arrival of Chris Sutton, Dudley Campbell and Martin Latka.

During the year player disposals, including Robbie Savage, Clinton Morrison and Darren Carter, generated a profit contribution from player trading of £4.2m to the Club.

Karren Brady

Managing Director

6 Report of the Directors

for the year ended 31st August 2005

The directors present their report and the audited financial statements for the year ended 31st August 2005.

Principal Activities and Business Review

The principal activity of the group is that of a Premier Football League Club. A review of the group's business is contained in the Chairman's Statement and the Managing Director's Review.

Results and Dividends

The results for the year are set out in the consolidated profit and loss account on page 13.

The Group profit on ordinary activities before taxation amounted to £1,600,000 (2004: £5,640,000).

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 open market valuation.

Share Capital

Details of movement in share capital is set out in note 20 to the financial statements.

Directors and their Interest in the Share Capital

The current executive and non-executive directors are set out on page 2.

The interests of the directors who served during the year, in the ordinary share capital of the company at 31st August 2005 were as follows:

	31st August 2005			31st August 2004		
	Number	% of Issued Share Capital	Options	Number	% of Issued Share Capital	Options
David Sullivan**	31,000,690	38.39	–	62,001,380*	77.50	–
Karren Brady	16,000	0.02	685,000	16,000	0.02	1,375,000
Roger Bannister	16,000	0.02	185,000	16,000	0.02	250,000
Ralph Gold**	31,000,690	38.39	–	62,001,380*	77.50	–
David Gold**	31,000,690	38.39	–	62,001,380*	77.50	–

* David Sullivan, Ralph Gold and David Gold are all directors of Sport Newspapers Limited which held these shares and have direct holdings in that company of 50%, 25% and 25% respectively.

** On 24th September 2004, Sport Newspapers Limited, which is 50% owned by David Sullivan and 50% by David Gold and Ralph Gold, sold its entire interest in the company. The purchasers were Gold Group International Limited, a company in which David Gold and Ralph Gold are directors and shareholders; Roldvale and Associated Pension Scheme, of which David Sullivan is a beneficiary; and Conegate Limited, a company in which David Sullivan is a director and shareholder.

Report of the Directors

Of the 62,001,380 shares (representing 77.5% of the Company at the time of the transaction, being the 24th September 2004) in which Sport Newspapers Limited was interested, 31,000,690 shares in the Company (representing 38.75% of the Company) have been purchased by Gold Group International Limited; 23,000,000 by the Roldvale Pension Scheme (representing 28.75% of the Company); and 8,000,690 by Conegate Limited (representing 10.00% of the Company).

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.

Share Options

K Brady is entitled to share options of 685,000 shares and R Bannister is entitled to share options of 185,000 shares. Directors interests in the approved and unapproved share option schemes are as follows:

	Exercise price	Options held 31st August 2004	Options exercised 26th April 2005	Options held 31st August 2005	Expiry date
Approved scheme					
K Brady	20.5p	60,000	–	60,000	06.05.2007
R Bannister	20.5p	60,000	–	60,000	06.05.2007
Unapproved scheme					
K Brady	21.5p	500,000	–	500,000	20.02.2006
	11.0p	690,000	(690,000)	–	06.03.2008
	20.5p	125,000	–	125,000	06.03.2007
R Bannister	11.0p	65,000	(65,000)	–	06.03.2008
	20.5p	125,000	–	125,000	06.03.2007

At 31st August 2005 the market price of the shares was 23 pence per share. During the year the shares traded between a low of 14 pence and a high of 24 pence. The share options exercised during the year are shown in the above table. As at 28th February 2006, no further share options have been granted to or exercised by the directors.

Substantial Shareholders' Interests

Apart from the shareholding listed below, the directors are not aware of any party interested in 3% or more of the issued ordinary share capital of the company at 28th February 2006.

Name	Number of Shares	Percentage
Gold Group International Limited	31,000,690	38.39
Roldvale Pension Scheme	23,000,000	28.48
Conegate Limited	8,000,690	9.91

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 2005 were 70 days (2004: 52 days).

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

RSM Robson Rhodes LLP and Edwards were the company's joint auditors during the year. A resolution to reappoint RSM Robson Rhodes LLP and reappoint Edwards as joint auditors will be proposed at the Annual General Meeting.

Approval

The report of the directors was approved by the board on 28th February 2006 and signed on its behalf by:

K. Brady

Managing Director



Corporate Governance Report

for the year ended 31st August 2005

General Principles

As a company listed on the Alternative Investment Market of the London Stock Exchange, Birmingham City plc is not required to comply with the Combined Code on Corporate Governance.

However, the Board recognises the importance of good corporate practice and is committed to conducting the group's operations in accordance with the best principles of corporate governance in so far as it can be applied practically given the size of Birmingham City plc and the nature of its operations. This report, together with the remuneration report on page 10, sets out how some of the principles of good governance and code of best practice identified in the Combined Code issued in 2003 by the Financial Reporting Council are applied to the company.

The Board

The board consists of two executive and three non-independent non-executive directors, all of whom have access to the advice and services of the company secretary, who is also one of the executive directors.

The board meets regularly and is responsible for group strategy and overall financing of the group. It is ultimately responsible for the direction and management of the group, although the managing director is charged with the responsibility for running the group within a defined framework established by the board. There is also a defined schedule of matters reserved for decision by the board.

On 25th October 2005 Michael Wiseman was appointed as an independent non-executive director.

The existing directors submit themselves for re-election every three years in accordance with the company's Articles of Association.

Accountability and Audit

Audit Committee and Audit

The board has established an Audit Committee which, following the appointment of Michael Wiseman, consists of the two executive directors and one non-executive director. The audit committee has written terms of reference which require it to consider and report to the board on such issues as the group's annual report and interim reports, ensuring compliance with accounting policies and satisfying itself as to the adequacy of the group's external audit and internal control procedures. The Committee meets once a year with the group's auditors in attendance.

Internal Control

The board of directors has overall responsibility for the group's systems of internal control. The system is designed to manage rather than eliminate the risk of failing to achieve business objectives and therefore can only provide reasonable, but not absolute, assurance against material misstatement or loss. The key features of the group's system of internal control are as follows:–

- (a) the group operates a detailed and comprehensive budgetary system with annual budgets and plans which are approved by subsidiary and group boards;
- (b) regular consideration by the board of actual results compared with budgets and forecasts;
- (c) compliance by the subsidiary with group operating procedures and policies;
- (d) annual review of the group's insurance cover;
- (e) defined procedures for the appraisal and authorisation of player transfers and capital expenditure; and
- (f) regular reporting of borrowing and facilities to the board.

The board has reviewed the operation and effectiveness of the group's system of internal control for the financial year and the period up to the date of approval of the financial statements. The board has considered the need for an internal audit function and concluded that this would not be appropriate at present due to the size of the group.

A risk management review has again been undertaken during the financial year by the operating company, to identify, evaluate and manage key risks. This review forms the basis of the company's ongoing strategy to achieve a sound system of internal controls based on a thorough and regular evaluation of the nature and extent of risks to which the company is exposed.

Remuneration Report

As an AIM listed company, Birmingham City plc is not required to comply with the Directors' Report Regulations 2002.

The Remuneration Committee is responsible for determining the emoluments of executive directors, and consists of the non-executive directors. The Committee makes recommendations to the board on the company's framework of executive remuneration and its cost.

There are two main elements of the executive directors' remuneration package:

- (a) basic annual salary
- (b) share option incentives

Each executive director's salary is reviewed annually by the Remuneration Committee in the light of the overall performance of the group. In deciding upon appropriate levels of remuneration, the Remuneration Committee has regard to the rates of pay for similar jobs in comparable companies as well as internal factors such as performance. Executive directors' basic salaries were last reviewed in August 2005.

Share Options

The Committee is responsible for supervising the company's Share Option Scheme. Details of share options granted to directors are set out within the report of the directors on page 7.

Non-Executive Directors

The remuneration of the non-executive directors is determined by the Board within the limits set out in the Articles of Association. Non-executive directors cannot participate in any of the company's share option schemes. Non-executive directors do not have a contract of service and are not eligible to join the company's pension scheme.

Disclosure of directors' remuneration is given within note 5 to the financial statements.

D. Sullivan

Chairman of the Remuneration Committee

Date: 28th February 2006

Directors' Responsibilities for Preparing the Financial Statements

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 the group and of the profit or loss of the group 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; and
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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. They are also responsible for ensuring that the Annual Report includes information required by the AIM rules.

12 Independent Auditors' Report

for the year ended 31st August 2005

Independent Auditors' Report to the Shareholders of Birmingham City plc

We have audited the financial statements on pages 13 to 34.

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 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 Report of the Directors 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 and other members of the group 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 Chairman's Statement, Managing Directors Review, the Report of the Directors, the Corporate Governance Report, the Remuneration 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 circumstances of the group, 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 and the group as at 31st August 2005 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Edwards

Registered Auditors
Chartered Accountants
34 High Street
Aldridge
WALSALL
WS9 8LZ

RSM Robson Rhodes LLP

Registered Auditors
Chartered Accountants
Centre City Tower
7 Hill Street
BIRMINGHAM
B5 4UU

Date: 28th February 2006

Consolidated Profit and Loss Account

for the year ended 31st August 2005

		2005		2004	
	Note	Operations excluding player amortisation and trading £000	Player amortisation and trading £000	Total £000	Total £000
Turnover	2	42,706	–	42,706	45,337
Match and ground expenses		(4,617)	–	(4,617)	(4,792)
Other operating expenses		(1,650)	–	(1,650)	(2,533)
Staff costs	5	(27,348)	–	(27,348)	(23,159)
Depreciation	1c	(548)	–	(548)	(460)
Player transfer costs including amortisation	3	–	(11,093)	(11,093)	(8,655)
Loss on disposal of fixed assets		(2)	–	(2)	–
Amortisation of deferred capital grants	1k	57	–	57	57
Net operating expenses		(34,108)	(11,093)	(45,201)	(39,542)
Operating profit/(loss)	4	8,598	(11,093)	(2,495)	5,795
Profit/(loss) on sale of players' registrations	1f	–	3,958	3,958	(180)
Profit/(loss) before interest and taxation		8,598	(7,135)	1,463	5,615
Interest receivable	6			169	98
Interest payable	7			(32)	(73)
Profit on ordinary activities before taxation				1,600	5,640
Taxation on profit on ordinary activities	8			(17)	134
Profit for the financial year	21 & 22			1,583	5,774
Earnings per ordinary share	9				
Basic				1.97p	7.22p
Diluted				1.97p	7.07p

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

Historical cost profits/(losses) are not materially different to those stated above.

All activities are derived from continuing operations.

14 Consolidated Balance Sheet

as at 31st August 2005

	Note	2005 £000	2004 £000
Fixed assets			
Intangible assets	10	18,512	18,109
Tangible assets	11	12,856	13,097
		31,368	31,206
Current assets			
Stock	13	194	336
Debtors	14	11,158	5,826
Cash at bank and in hand		6,404	8,774
		17,756	14,936
Creditors: Amounts falling due within one year	15	(32,387)	(30,347)
Net current liabilities		(14,631)	(15,411)
Total assets less current liabilities		16,737	15,795
Creditors: Amounts falling due after more than one year	16	(4,943)	(5,706)
Provisions for liabilities and charges	18	(39)	–
Net assets		11,755	10,089
Capital and reserves			
Called up share capital	20	8,093	8,018
Share premium account	21	10,073	10,065
Revaluation reserve	21	313	313
Merger reserve	21	(2,539)	(2,539)
Profit and loss account	21	(4,185)	(5,768)
Shareholders' funds (including non-equity)	22	11,755	10,089



Company Balance Sheet

as at 31st August 2005

	Note	2005 £000	2004 £000
Fixed assets			
Investments	12	3,518	3,518
Current assets			
Debtors: Due after more than one year	14	14,648	14,565
Net assets		18,166	18,083
Capital and reserves			
Called up share capital	20	8,093	8,018
Share premium account	21	10,073	10,065
Shareholders' funds (including non-equity)	22	18,166	18,083

The financial statements were approved by the board of directors on 28th February 2006 and signed on its behalf by:

R Bannister
Finance Director

K Brady
Managing Director

16 Consolidated Cash Flow Statement

for the year ended 31st August 2005

	Note	2005 £000	2004 £000
Net cash inflow from operating activities	26	3,256	13,473
Returns on Investments and servicing of finance	27(i)	137	25
Taxation	27(ii)	(22)	153
Capital Expenditure	27(iii)	(5,784)	(9,314)
Cash (outflow)/inflow before financing		(2,413)	4,337
Financing	27(iv)	43	(39)
(Decrease)/increase in cash		(2,370)	4,298

Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2005 £000	2004 £000
(Decrease)/increase in cash in year		(2,370)	4,298
Cash to repay bank loan	27(iv)	40	39
(Decrease)/increase in net funds	28	(2,330)	4,337
Net funds at 1st September 2004	28	8,358	4,021
Net funds at 31st August 2005	28	6,028	8,358

Notes to the Financial Statements

for the year ended 31st August 2005

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 accounts and preparation

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.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of Birmingham City plc has not been presented in the financial statements.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking at 31st August 2005. On 15th January 1997, the company acquired the entire share capital of Birmingham City Football Club plc on the basis of a share for share exchange and therefore was treated as a group reconstruction under FRS6 and merger accounting was used.

The cost of the investment is recorded at the nominal value of shares issued by the company plus the fair value of any additional consideration. The difference between this cost and the nominal value of the shares in the subsidiary was taken to reserves in the year of merger.

(c) 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	–	50 years
Fixtures and equipment	–	between 3 to 5 years
Motor vehicles	–	5 years

(d) Player transfer costs

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. These costs are amortised over the period of the players' initial contracts. The amortisation periods are between 1 and 5 years. An impairment review is also carried out on an annual basis, and where there is evidence of impairment, players' registrations are written down to their recoverable amounts.

1. Accounting policies *(continued)***(e) 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.

(f) 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.

(g) Stock

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

(h) 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 straight line over the length of the contract.

(i) 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 that the taxable gain will be rolled over into replacement assets.

(j) Leased assets

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the group'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.

Notes to the Financial Statements

1. Accounting policies *(continued)*

(k) 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.

(l) 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.

(n) Investments

Investments held as fixed assets are stated at cost. Where there is evidence of impairment, investments are written down to their recoverable amount.

2. Turnover

	2005 £000	2004 £000
Turnover which arises in the UK comprises:-		
Match receipts, FA and League distributions	20,870	21,476
Television and radio coverage	13,965	16,725
Commercial activities	7,871	7,136
	42,706	45,337

3. Player transfer costs including amortisation

	2005 £000	2004 £000
Amortisation of transfer fees	11,093	8,655

4 Operating profit/(loss)

	2005	2004
	£000	£000
(a) Operating profit/(loss) is stated after charging/(crediting):-		
Auditors' remuneration:		
Audit services	21	21
Non-audit work	2	2
Depreciation of tangible fixed assets – owned	548	460
Release of deferred income from Football Trust Grants	(57)	(57)
Equipment leased under operating leases	106	78
Premises leased under operating lease	84	84

(b) Analysis of comparative profit and loss account

	2004		
	Operations excluding player amortisation and trading £000	Player amortisation and trading £000	Total £000
Turnover	45,337	–	45,337
Match and ground expenses	(4,792)	–	(4,792)
Other operating expenses	(2,533)	–	(2,533)
Staff costs	(23,159)	–	(23,159)
Depreciation	(460)	–	(460)
Player transfer costs including amortisation	–	(8,655)	(8,655)
Amortisation of deferred capital grants	57	–	57
Net operating expenses	(30,887)	(8,655)	(39,542)
Operating profit/(loss)	14,450	(8,655)	5,795
Loss on sale of players' registrations	–	(180)	(180)
Profit/(loss) before interest and taxation	14,450	(8,835)	5,615

Notes to the Financial Statements

5. Staff costs

	2005 £000	2004 £000
Staff costs, including directors, during the year were made up as follows:-		
Wages, salaries, signing on fees	24,733	21,024
Social security costs	2,615	2,135
	27,348	23,159

The average monthly number of persons, including directors, employed by the Group during the year was as follows:-

	2005 No.	2004 No.
Playing staff	56	53
Training staff	15	16
Training ground staff	16	13
Commercial and fund raising	21	18
Shop	10	11
Administration and other	22	23
	140	134

The group also employs approximately 346 temporary staff on match days (2004: 362)

Directors' remuneration:

	2005 £000	2004 £000
Aggregate directors' emoluments	598	212
Highest paid director	242	160

There is no directors' pension scheme.

During the year 755,000 11p share options were exercised (2004: £Nil). The gain recognised on the exercise of share options was £49,075 at 31st August 2005 (2004: £Nil).

Aggregate directors' emoluments include £52,000 paid to Sport Newspapers Limited for Roger Bannister, £140,000 paid to Roldvale Limited for David Sullivan, and £140,000 paid to Gold Group International Limited in respect of David and Ralph Gold.

6. Interest receivable

	2005 £000	2004 £000
Bank interest receivable	169	98

7. Interest payable

	2005	2004
	£000	£000
Bank loans and overdrafts	32	73

8. Taxation

	2005	2004
	£000	£000
Corporation tax (credit)/charge at 22.2% (2004: 22.2%)	(22)	22
Adjustment in respect of previous years	–	(156)
Current tax	(22)	(134)
Deferred tax	39	–
Total tax charge/(credit) on ordinary activities	17	(134)

The 2004 credit of £156,000 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 2005 amount to approximately £291,000 (2004: £138,000).

Factors affecting the 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:

	2005	2004
	£000	£000
<i>Current tax reconciliation:</i>		
Profit on ordinary activities before taxation	1,600	5,640
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2004: 30%)	480	1,692
Expenses not deductible for tax purposes	13	11
Depreciation for the year in excess of capital allowances	143	121
Use of tax losses brought forward (2004: tax losses carried forward)	46	(1,793)
Player registration timing differences	–	(2)
Roll-over relief for intangible fixed assets	(677)	–
Indexation allowance on gains on intangible assets	(34)	–
Adjustments to charge in respect of previous periods	–	(156)
Reduction in tax due to lower rate of 22.2% applied (2004: 22.2%)	7	(7)
Actual current tax credit	(22)	(134)

Factors that may affect future tax charges

The group 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.

Notes to the Financial Statements

9. Earnings per share

	2005	2004
	£000	£000
The earnings per ordinary share has been calculated as follows:		
Profit on ordinary activities after taxation	1,583	5,774
	No.	No.
Basic		
Weighted average number of ordinary shares in issue during the year	80,262,699	80,000,000
Earnings per ordinary share	1.97p	7.22p
	No.	No.
Diluted		
Weighted average number of ordinary shares in issue during the year	80,127,444	81,625,000
Earnings per ordinary share	1.97p	7.07p

Diluted earnings per share take into consideration the dilutive effect of earnings per share if the outstanding share options were exercised. Other than the share options exercised during the year there were no other exercisable share options in existence during the year that were below the average fair value of 18.24 pence per share of the ordinary shares in issue during the year.

10. Intangible fixed assets

Group	Players' Registrations £000
Cost:	
At 1st September 2004	30,805
Additions	15,651
Disposals	(12,625)
At 31st August 2005	33,831
Accumulated Amortisation:	
At 1st September 2004	12,696
Charge for the year	11,093
Eliminated on disposals	(8,470)
At 31st August 2005	15,319
Net Book Value:	
At 31st August 2005	18,512
At 31st August 2004	18,109

11. Tangible fixed assets

Group	Freehold Land and Buildings £000	Long Leasehold Land and Buildings £000	Fixtures and Equipment £000	Motor Vehicles £000	Total £000
Cost or valuation:					
At 1st September 2004	12,844	1,639	2,957	78	17,518
Additions	89	30	143	64	326
Disposals	–	–	–	(33)	(33)
At 31st August 2005	12,933	1,669	3,100	109	17,811
Depreciation:					
At 1st September 2004	2,118	73	2,202	28	4,421
Charge for the year	257	33	239	19	548
Disposals	–	–	–	(14)	(14)
At 31st August 2005	2,375	106	2,441	33	4,955
Net book value:					
At 31st August 2005	10,558	1,563	659	76	12,856
At 31st August 2004	10,726	1,566	755	50	13,097

The net book value of tangible fixed assets includes £Nil (2004: £Nil) in respect of assets held under finance leases.

Land and buildings comprises:-

	Freehold Properties £000
Cost and valuation 1991	1,154
Additions at cost 1991 to 2005	11,779
	12,933
Depreciation	(2,375)
At 31st August 2005	10,558
At 31st August 2004	10,726

The freehold buildings occupied by the group were revalued on an existing use basis by Messrs Chestertons, Chartered Surveyors.

Notes to the Financial Statements

11. Tangible fixed assets (continued)

If the properties had not been revalued, they would have been included in the balance sheet at the following amounts:–

	2005	2004
	£000	£000
Cost	12,620	12,532
Accumulated depreciation	(2,300)	(2,047)
	10,320	10,485

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

12. Investment in subsidiary undertaking

Company

The company owns 100% of the preference and ordinary share capital of Birmingham City Football Club plc, a company registered in England and Wales. Its principal activity is that of a Premier Football League Club.

	Shares £000
Cost:	
As at 1st September 2004 and 31st August 2005	3,518

13. Stock

	2005	2004
Group	£000	£000
Club shop stock	194	336

14. Debtors

	Group	Group	Company	Company
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade debtors	10,332	4,806	–	–
Amount owed by group undertaking	–	–	14,648	14,565
Other debtors	86	213	–	–
Corporation tax	22	–	–	–
Prepayments	718	807	–	–
	11,158	5,826	14,648	14,565

Included within trade debtors is £1,181,000 (2004: £468,000) in respect of transfer fees receivable.

15. Creditors: Amounts falling due within one year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Bank loan	45	41	–	–
Debt due within one year	45	41	–	–
Trade creditors	9,428	7,878	–	–
Taxation and social security cost	2,279	2,213	–	–
Corporation tax	–	22	–	–
Other creditors	80	88	–	–
Accruals	1,002	648	–	–
Deferred income	19,496	19,400	–	–
Capital grants (deferred credits)	57	57	–	–
	32,387	30,347	–	–

Included within creditors is £6,918,000 (2004: £4,142,000) in respect of transfer fees payable.

16. Creditors: Amounts falling due after more than one year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Bank loan	331	375	–	–
Debt due after more than one year	331	375	–	–
Deferred income	2,419	3,081	–	–
Capital grants (deferred income)	2,193	2,250	–	–
	4,943	5,706	–	–

The bank loan is secured on the land and buildings of the group.

Included within bank loan is £112,000 (2004: £173,000) due after more than five years repayable in equal instalments by 2012.

Maturity of financial liabilities

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Borrowings repayable:				
Within one year	45	41	–	–
More than one year but not more than two years	49	45	–	–
More than two years but not more than five years	170	157	–	–
After five years	112	173	–	–
Total borrowings	376	416	–	–

Notes to the Financial Statements

17. Deferred capital grant

Included within creditors is £2,250,000 (2004: £2,307,000) 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.

18. Deferred taxation

Deferred taxation has been provided as follows:

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Excess of depreciation over capital allowances	(551)	–	–	–
Roll-over relief for intangible assets	677	–	–	–
Losses	(87)	–	–	–
	39	–	–	–

The unprovided deferred tax asset is as follows:

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Excess of depreciation over capital allowances	–	(475)	–	–
Roll-over relief for intangible assets	–	–	–	–
Losses	–	(41)	–	–
	–	(516)	–	–

19. Financial instruments

The group's policies as regards to financial instruments are set out in the accounting policies on page 19.

The group's financial instruments comprise borrowings, cash 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 group's operations.

It is, and has been throughout the year under review, the group'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.

28 Notes to the Financial Statements

for the year ended 31st August 2005

19. Financial instruments (continued)

Interest rate risk profile

The interest rate risk profile of the group's financial liabilities at 31st August was:

Sterling	Total £000	Fixed rate financial liabilities £000	Non interest bearing financial liabilities £000	Floating Rate financial liabilities £000
At 31st August 2005	376	376	–	–
At 31st August 2004	416	416	–	–

Note 28 sets out the analysis of the movement in net funds during the year.

The fair values of the fixed rate financial liabilities at 31st August 2005 was also approximately £376,000 (2004: £416,000). 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% (2004: 5.5%). The weighted average period for which the interest rate is fixed is two years (2004: three years).

The maturity of the financial liabilities are set out at note 16.

The interest rate risk profile of the group's financial assets at 31st August was:

Sterling	Total £000	Cash at Bank and in hand £000	Short-term Deposits £000
At 31st August 2005			
– non-interest bearing	164	164	–
– floating rate	1,515	–	1,515
– fixed rate	4,725	–	4,725
	6,404	164	6,240
At 31st August 2004			
– non-interest bearing	58	58	–
– floating rate	4,904	–	4,904
– fixed rate	3,812	–	3,812
	8,774	58	8,716

Notes to the Financial Statements

19. Financial instruments (continued)

Cash at bank and in hand at 31st August 2005 and 2004 are 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.

Fair value

The fair value of the financial assets and liabilities is equal to the book value above.

Borrowing facilities

The group has an overdraft facility of £3m (2004: £Nil) due for review in July 2006. The undrawn committed facilities at 31st August 2005 in respect of which all conditions have been met at that date were £3m (2004: £Nil).

Currency risk

The group has no significant exposures to foreign currencies.

Liquidity risk

The maturity profiles of the group's borrowings are set out at note 16.

20. Share capital

	2005		2004	
	No. '000	£000	No. '000	£000
Authorised				
4.2% redeemable cumulative preference shares of 50p each	40	20	40	20
Ordinary shares of 10p each	120,000	12,000	120,000	12,000
	120,040	12,020	120,040	12,020
Allotted, called up and fully paid				
4.2% redeemable cumulative preference shares of 50p each	37	18	37	18
Ordinary shares of 10p each	80,755	8,075	80,000	8,000
Called up share capital	80,792	8,093	80,037	8,018

for the year ended 31st August 2005

20. Share capital (continued)

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.

Options over ordinary shares have been granted under the company's share ownership scheme, of which 370,000 are exercisable at 20.5 pence each and 500,000 are exercisable at 21.5 pence each. These are exercisable at any time between 7th March 2004 and 6th March 2008 and were outstanding at 31st August 2005.

During the year options over 755,000 were exercised at 11p each. All options outstanding at 31st August 2005 were outstanding at 2004 together with the options exercised during the year ended 31st August 2005.

21. Reserves

Group	Share Premium £000	Revaluation Reserve £000	Merger Reserve £000	Profit and Loss Account £000
At 1st September 2004	10,065	313	(2,539)	(5,768)
Retained profit	–	–	–	1,583
Premium on shares issued	8	–	–	–
At 31st August 2005	10,073	313	(2,539)	(4,185)

Company	Share Premium £000	Revaluation Reserve £000	Merger Reserve £000	Profit and Loss Account £000
At 1st September 2004	10,065	–	–	–
Premium on shares issued	8	–	–	–
At 31st August 2005	10,073	–	–	–

The company result for the financial year ended 31st August 2005 was £Nil (2004: £Nil).

22. Reconciliation of movement in shareholders' funds

Group	2005	2004
	£000	£000
Profit for the financial year	1,583	5,774
Ordinary shares issued	83	–
	1,666	5,774
Opening shareholders' funds	10,089	4,315
Closing shareholders' funds	11,755	10,089
Non-equity preference shares	18	18
Unpaid preference dividends	2	2
Non-equity shareholders' funds	20	20
Equity shareholders' funds	11,735	10,069
	11,755	10,089
	2005	2004
	£000	£000
Company		
Ordinary shares issued	83	–
Opening shareholders' funds	18,083	18,083
Closing shareholders' funds	18,166	18,083
Non-equity preference shares	18	18
Unpaid preference dividends	2	2
Non-equity shareholders' funds	20	20
Equity shareholders' funds	18,146	18,063
	18,166	18,083

23. Related party transactions

Goods and services to the value of £7,500 (2004: £9,934) 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 £7,500 (2004: £434) was due to Gold Air International Limited from the company.

Goods and services to the value of £21,268 (2004: £18,545) 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 £19,000 (2004: £Nil) was due from Gold Group International to the company.

Henri Brandman & Co (Henri Brandman – director of Birmingham City Football Club plc) acted as Solicitors on behalf of the Club during the year with fees amounting to £9,500 (2004: £62,000). At the balance sheet date £Nil (2004: £Nil) 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 for which it charged £52,000 (2004: £1,052,000). At the balance sheet date £52,000 (2004: £52,000) was due from the company to Sport Newspapers Limited.

24. 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 2005 is £10,729,000 (2004: £7,234,000). Since the year end and to the approval of these accounts £420,000 of this has crystallised and additional transfer fees payable have amounted to £1,178,000 with transfer receivables of £100,000.

(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, which are payable on future dates specified in their contracts and not provided for in the accounts, amounted to £5,305,000 (2004: £4,985,000).

(c) HM Customs & Excise

HM Customs & Excise has issued an assessment for repayment of £157,000 of input VAT previously recovered and which relates to payments made under the contractual arrangements between the company and certain football agents. The company considers the VAT concerned has been properly recovered and, accordingly, an appeal has been lodged against the assessment, consequently no provision has been made within these accounts.

Notes to the Financial Statements

25. Capital and other financial commitments

(a) Capital commitments	2005	2004
	£000	£000
Contracted but not provided for – plant and equipment	–	–

(b) Lease commitments

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

	2005	2004
	£000	£000
Expiring:		
Within one year	–	–
Between one and five years – (plant and equipment)	123	93
Over five years – (land and buildings)	84	84
	207	177

26. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2005	2004
	£000	£000
Operating (loss)/profit	(2,495)	5,795
Player transfer costs including amortisation	11,093	8,655
Depreciation	548	460
Loss on disposal of fixed assets	2	–
Amortisation of deferred income	(57)	(57)
Decrease/(increase) in stocks	142	(119)
Increase in debtors	(4,597)	(2,342)
(Decrease)/increase in creditors	(1,380)	1,081
Net cash inflow from operating activities	3,256	13,473

27. Gross cash flows

	2005	2004
	£000	£000
(i) Returns on Investments and Servicing of Finance		
Interest received	169	98
Interest paid (note 7)	(32)	(73)
	137	25
(ii) Taxation		
Group relief received	–	156
Corporation tax paid	(22)	(3)
	(22)	153
(iii) Capital expenditure		
Payments to acquire tangible fixed assets	(326)	(744)
Receipts from sales of tangible fixed assets	17	–
Purchase of players' registrations	(12,875)	(10,411)
Sale of players' registrations	7,400	1,841
	(5,784)	(9,314)
(iv) Financing		
Proceeds from issue of ordinary share capital	83	–
Capital repayment of bank loan	(40)	(39)
	43	(39)

28. Analysis of net funds

	01.09.04	Cash Flows	31.08.05
	£000	£000	£000
Cash in hand and at bank	8,774	(2,370)	6,404
Loans	(416)	40	(376)
Net Funds	8,358	(2,330)	6,028



Five Year Trading Record

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	2005 £000	2004 £000	2003 £000	2002 £000	2001 £000
Match receipts F.A. and Football League distributions	20,870	21,476	16,823	6,850	7,228
Commercial activities including television and radio fees	21,836	23,861	19,657	8,334	6,059
Income	42,706	45,337	36,480	15,184	13,287
Wages	27,348	23,159	19,994	13,206	9,264
Other expenses	6,760	7,728	5,755	4,694	4,065
Expenditure	34,108	30,887	25,749	17,900	13,329
Operating profit/(loss) before amortisation of players and interest	8,598	14,450	10,731	(2,716)	(42)

36 Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Birmingham City Plc will be held in the Gold Suite, St Andrews, Birmingham B9 4NH on 5th April 2006 at 4.00 p.m. The following resolutions will be proposed as ordinary resolutions.

Agenda

1. To receive and adopt the Directors' report and the audited accounts for the year ended 31st August 2005.
2. To re-elect R Gold as director.
3. To re-elect R Bannister as director.
4. To re-elect M Wiseman as director.
5. To re-appoint the Auditors.
6. Any other business.

By order of the Board

R A Bannister

Secretary

Registered Office: St Andrews Stadium, Birmingham B9 4NH.

