



# Birmingham City plc at the heart of the city

## Report and Financial Statements

for the year ended 31st August 2007

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## 2 Directors, Officers and Advisors

for the year ended 31st August 2007

<b>Directors and Officers:</b>	D. Sullivan K. Brady R. Bannister F.C.C.A. D. Gold R. Gold M. Wiseman B.A. A.C.A.	(Non-Executive Chairman) (Managing Director) (Financial Director) (Non-Executive Director) (Non-Executive Director) (Senior Non-Executive Independent Director)
<b>Company Secretary and Registered Office:</b>	R. Bannister F.C.C.A. St Andrew's Stadium BIRMINGHAM B9 4NH Tel. No. 0844-557-1875	
<b>Financial and Nominated Advisor:</b>	Shore Capital and Corporate Limited Bond Street House 14 Clifford Street LONDON W1S 4JU	
<b>Nominated Broker:</b>	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street LONDON W1S 4JU	
<b>Joint Independent Auditors:</b>	Edwards Chartered Accountants and Registered Auditors 34 High Street Aldridge WALSALL WS9 8LZ	Grant Thornton UK LLP Chartered Accountants and Registered Auditors Centre City Tower 7 Hill Street BIRMINGHAM B5 4UU
<b>Principal Bankers:</b>	HSBC Bank plc PO Box 68 130 New Street BIRMINGHAM B2 4JU	
<b>Principal Solicitors:</b>	Henri Brandman & Co 71 Wimpole Street LONDON W1G 8AY	
<b>Registrars:</b>	Capita IRG plc The Registry 34 Beckenham Road BECKENHAM Kent BR3 4TU	
<b>Company Number:</b>	3304408	
<b>Web Site Address:</b>	<a href="http://www.bcf.com">www.bcf.com</a>	



## Profile of Directors

for the year ended 31st August 2007

### Directors

#### **David Sullivan (58) Non-Executive Chairman**

David Sullivan 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 (38) 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; Karren is also Chairman and non-executive director of Kerrang! Radio; non-executive director of Channel 4, Mothercare and Sport England.

#### **Roger Bannister (60) 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 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. He is also financial director of Sport Newspapers Limited.

#### **David Gold (71) Non-Executive Director**

David Gold became a director of the Club in October 1993. He is the joint chairman of Gold Group International Limited, a company he formed over 40 years ago. Gold Group's activities include publishing, property, retailing and printing. While non-executive, he plays an active roll in promoting the football club.

#### **Ralph Gold (69) Non-Executive Director**

Ralph Gold became a director of the Club in October 1993. Ralph is the joint chairman of Gold Group International Limited which he formed in conjunction with his brother over 40 years ago. Gold Group's activities include printing, publishing, property, and retailing.

#### **Michael Wiseman (52) Non-Executive Director**

Michael Wiseman has been a director of the Company's subsidiary Birmingham City Football Club PLC since 1997 and was appointed as an independent non-executive director on 25th October 2005. He graduated from Sheffield University with a degree in Economics and then qualified as a Chartered Accountant with Touche Ross & Co in 1982. Currently, he is managing director of a property business, Haunch Lane Developments Ltd, a Governor of the Birmingham College of Food, Tourism and Creative Studies and a director of Metal Packaging International Ltd.

## 4 Chairman's Statement

for the year ended 31st August 2007

I am pleased to report that Birmingham City FC, in a difficult and competitive year, has regained its Premier League status at the first attempt. In addition we have made a satisfactory start to the new season.

Steve Bruce, who served as manager for the last 6 years, has left the Club to join Wigan Athletic, with the Club in return securing a £3m compensation package. I would like, on behalf of the Board, to thank Steve for the contribution he made to the Club during his time here.

The Board has appointed only four managers since 1993, and I am delighted to welcome new manager Alex McLeish and his management team to the Club. I am confident that he will take the Club forward in a progressive manner.

I would like to thank our staff, and in particular our management team, who have led us superbly through a very challenging period.

**David Sullivan**

*Chairman*



## Managing Director's Review

for the year ended 31st August 2007

### Financial and Operating Review

Turnover for the year to 31st August 2007 was £25m, down 38% on the 2006 figure (£40m) with the loss on ordinary activities before taxation at £6.5m (2006: profit £2.6m). This largely reflects relegation to the Championship and the consequent material impact on turnover and profits which we forecasted at the half year.

Everyone at the Club is delighted to welcome Alex McLeish who has joined on a three and half year contract, together with his management team of Roy Aitken and Andy Watson.

The impact of a new manager along with the expected squad enhancement in the January transfer window is expected to have a positive impact on the remainder of the season. The main target for the Club this year is to retain Premier League status.

The Club has started the season well. Off the field we continue to maximise all the financial benefits which being in the Premier League offers. We have recorded the highest commercial sales ever made at the Club for our home game against Aston Villa this season. We have opened a number of new facilities, most notably the Carlsberg Jasper Carrot lounge providing a more flexible and varied commercial range of product. In addition we have moved to Umbro as our Technical Sportswear Partner on a 3 year contract; we believe that this partnership will enhance the commercial awareness of our retail product. We are also anticipating a good retail sales period over Christmas.

Significant changes to the structure of the Academy were made during the year, including the appointment of a new Director, reporting directly to myself. This has had a positive effect and we currently have seven players representing their countries at under 16 to under 19 level. Five of these played for the England under 17's. These players represent the future of the Club.

During this year Grandtop International Holdings ("GIH") purchased 29.9% (24,375,975 shares) of the Company's share capital from the Club's directors: David Sullivan, David Gold, Ralph Gold, Roger Bannister and Karren Brady. As shareholders are aware, discussions are continuing with GIH which may or may not lead to a cash offer for the Company; however, at the time of writing this report it seems unlikely that this will happen before the end of 2007. In the event that no general offer is made for the Company, the Board of the Club wish to assure all shareholders that they are fully committed to running the business and taking it forward, as they have done since 1993.

Plans to redevelop St Andrews continue with enthusiasm and with the commitment of Birmingham City Council, with whom the Club has an excellent relationship. The redevelopment works at the Training Ground are now complete providing upgraded facilities for all age groups at the Club ranging from the Under 9's to the First Team. We experienced a number of problems with the St Andrews pitch during the year which resulted in the complete relaying of the surface. Thanks to the groundsman and his team's effort and hard work this has successfully eradicated the surface and drainage problems. For the last twelve months the combined expenditure on the Ground and Training facilities stands in excess of £2m.

The Board recognises that, having achieved Premiership status, much hard work is still required but I can assure shareholders that the Board is fully focussed and committed to ensuring that we have a continuous long term membership of the Premier League.

**Karren Brady**

*Managing Director*

## 6 Report of the Directors

for the year ended 31st August 2007

The directors present their report and the audited financial statements for the year ended 31st August 2007.

### **Principal Activities and Business Review**

The principal activity of the company is a holding company.

The principal activity of the group continued to be that of a Football League Club. For the football season 2006/7 the group became a Championship Football League Club for the season and for 2007/8 were promoted to the Premier League. 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 16.

The group loss on ordinary activities before taxation amounted to £6,518,000 (2006: profit £2,633,000).

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

### **Key performance indicators (KPI's)**

Key performance indicators are used to measure and evaluate Group performance against targets and monitor various activities throughout the Company. The main key performance indicators employed in the Company are:

- Revenue levels (football related and other)
- Profit/(loss) levels (gross and net)
- Staff costs (player related and other)
- Attendance levels
- Average ticket prices
- Levels of net debt.

The Board monitor these on a quarterly basis.

### **Principal Risks and Uncertainties**

The Board are aware of risks which affect the group and have sought to minimise those risks.

Relegation to the Football League Championship is a risk all Premiership Clubs face. The Board have taken measures to prepare for the reduction in revenue following relegation. The Chairman's Statement and the Managing Director's Review comment on this and what the Board are trying to achieve.

The acquisition of players and their related payroll costs are deemed the core activity risk and, whilst assisting the Manager in improving the playing squad, the Board is mindful of the pitfalls that are inherent in this area of the business. The aim is therefore to manage these costs whilst being as competitive as possible within the Club's financial constraints.

Risks are also reported on by the FA Premier League and Football League at meetings of their representatives with League clubs. Club management regularly attend meetings which cover club secretarial, financial, commercial and health and safety issues.



## Report of the Directors

for the year ended 31st August 2007

### **Financial Instruments**

The group's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk.

The group does not have material exposures in any of the areas identified above and, consequently does not use derivative instruments to manage these exposures.

The group's principal financial instruments comprise sterling cash and bank deposits, bank loans and overdrafts together with trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the group's financial instruments can be analysed as follows:

#### **Price risk**

The group has no significant exposure to securities price risk, as it holds no listed equity investments.

#### **Foreign currency risk**

The group has no significant exposure in its trading operations to the risk of changes in foreign currency exchange rates.

#### **Credit risk**

The group's principal financial assets are bank balances, cash, and trade debtors.

The group's credit risk is primarily attributable to its trade debtors. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the group's management based on prior experience and their assessment of the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

#### **Liquidity risk**

The group's policy has been to ensure continuity of funding through operating within its overdraft facility and to match borrowing against the useful life of assets purchased.

### **Environment**

The group's policy with regard to the environment is to ensure that we understand and effectively manage the actual and potential environmental impact of our activities. Our operations are conducted such that we comply with all legal requirements relating to the environment in all areas where we carry out our business. During the period covered by this report the group has not incurred any fines or penalties or been investigated for any breach of environmental regulations.

### **Fixed Assets**

Details of changes in fixed assets are set out in notes 8 and 9 to the financial statements.

In the opinion of the directors, the book value of freehold land included in fixed assets (note 9) is significantly less than open market valuation.

## 8 Report of the Directors

for the year ended 31st August 2007

### 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 2007 were as follows:

	31st August 2007			31st August 2006		
	Number	% of Issued Share Capital	Options	Number	% of Issued Share Capital	Options
David Sullivan*	18,924,827	23.22	–	31,000,690	38.39	–
Karren Brady	438,125	0.54	–	16,000	0.02	685,000
Roger Bannister	87,626	0.11	–	16,000	0.02	185,000
David and Ralph Gold**	18,924,827	23.22	–	31,000,690	38.39	–
Michael Wiseman	20,000	0.02	–	20,000	0.02	–

\* Shares are held by 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.

\*\* Shares are held by Gold Group International Limited, a Company in which David Gold and Ralph Gold are directors and shareholders.

### Share Options

Directors' interests in the approved and unapproved share option schemes are as follows:

	Exercise Price	Options held 31st August 2006	Options (Lapsed) Granted in year	Exercised	Options held 31st August 2007	Expiry Date
<b>Approved Scheme</b>						
K Brady	20.5p	60,000	(60,000)	–	–	06.05.2007
R Bannister	20.5p	60,000	(60,000)	–	–	06.05.2007
<b>Unapproved Scheme</b>						
K Brady	11.0p	500,000	–	(500,000)	–	06.04.2010
	20.5p	125,000	(125,000)	–	–	06.03.2007
	11.0p	–	125,000*	(125,000)	–	06.04.2011
R Bannister	20.5p	125,000	(125,000)	–	–	06.03.2007
	11.0p	–	125,000*	(125,000)	–	06.04.2011

\* Granted 7th March 2007.

At 31st August 2007 the market price of the shares was 42.0 pence per share. During the year the shares traded between a low of 16.0 pence and a high of 50.0 pence. The share options lapsed and granted during the year are listed in the above table. As at 19th December 2007 no further share options have been granted to or exercised by the directors.



## Report of the Directors

for the year ended 31st August 2007

### 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 19th December 2007.

Name	Number of Shares	Percentage
Gold Group International Limited	18,924,827	23.22
Roldvale Pension Scheme	10,924,137	13.41
Conegate Limited	8,000,690	9.81
Grandtop International Holdings Limited	24,375,975	29.91

### Payment of Suppliers

The group 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 group 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 group at 31st August 2007 were 60 days (2006: 69 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.

The quality and commitment of our people plays a major role in our business success. This has been demonstrated in many ways with them showing flexibility in adapting to changing business requirements and new ways of working. Employees' performance is aligned to group goals through an annual performance review process that is carried out with all employees.

### 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.

## 10 Report of the Directors

for the year ended 31st August 2007

### **Disclosure of Information to Auditors**

At the date of approval of these financial statements each of the company's directors, as set out on page 2, confirm the following:

- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

### **Auditors**

RSM Robson Rhodes LLP and Edwards were the company's joint auditors during the year. RSM Robson Rhodes LLP ("Robson Rhodes") merged its audit practice with that of Grant Thornton UK LLP ("Grant Thornton") with effect from 2 July 2007, with the successor firm being Grant Thornton. Robson Rhodes resigned as auditors on 1 July 2007, creating a casual vacancy which the directors have filled by appointing Grant Thornton. A resolution to reappoint Grant Thornton and reappoint Edwards as joint auditors will be proposed at the forthcoming Annual General meeting.

### **Approval**

The report of the directors was approved by the Board on 19th December 2007 and signed on its behalf by:

**K Brady**

*Managing Director*



## Corporate Governance Report

for the year ended 31st August 2007

### 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 12, sets out how some of the principles of good governance and code of best practice identified in the Combined Code on Corporate Governance issued in 2003 by the Financial Reporting Council, are applied to the company.

### The Board

The Board consists of two executive, three non-independent non-executive directors, and one senior independent non-executive director, 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.

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 joint 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.

## 12 Corporate Governance Report

for the year ended 31st August 2007

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 2007.

### **Share Options**

The Remuneration 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 8.

### **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.

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

### **D Sullivan**

*Chairman of the Remuneration Committee*

Date: 19th December 2007



## Directors' Responsibilities for Preparing the Financial Statements

for the year ended 31st August 2007

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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.

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 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 the maintenance and integrity of the corporate and financial information on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

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.

for the year ended 31st August 2007

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

We have audited the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and notes to the financial statements. These financial statements have been prepared under the accounting policies set out therein.

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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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. The information given in the Directors' Report includes the specific information presented in the Chairman's statement and the Managing Director's Review that is cross referred from the Principal Activities and Business Review section of the Report of the Directors.

In addition, we report to you 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 Report of the Directors', the Chairman's Statement, the Managing Director's Review, the Corporate Governance 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 International Standards on Auditing (UK and Ireland) 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.



## Joint Independent Auditors' Report

for the year ended 31st August 2007

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 in accordance with United Kingdom Generally Accepted Accounting Policy of the state of affairs of the parent company and the group as at 31st August 2007 and of the group's loss for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Report of the Directors is consistent with the financial statements.

### Grant Thornton UK LLP

*Chartered Accountants*

*Registered Auditors*

Centre City Tower

7 Hill Street

BIRMINGHAM

B5 4UU

19th December 2007

### Edwards

*Chartered Accountants*

*Registered Auditors*

34 High Street

Aldridge

WALSALL

WS9 8LZ

19th December 2007

## 16 Consolidated Profit and Loss Account

for the year ended 31st August 2007

		2007		2006	
	Note	Operations excluding player amortisation and trading £000	Player amortisation and trading £000	Total £000	Total £000
<b>Turnover</b>	2	<b>25,039</b>	–	<b>25,039</b>	40,117
Operating expenses		<b>(30,821)</b>	–	<b>(30,821)</b>	(34,391)
Player amortisation		–	<b>(8,371)</b>	<b>(8,371)</b>	(10,084)
Total operating expenses	3	<b>(30,821)</b>	<b>(8,371)</b>	<b>(39,192)</b>	(44,475)
<b>Operating loss</b>	4	<b>(5,782)</b>	<b>(8,371)</b>	<b>(14,153)</b>	(4,358)
Profit on sale of players' registrations	1k	–	<b>7,769</b>	<b>7,769</b>	7,063
<b>(Loss)/profit before interest and taxation</b>		<b>(5,782)</b>	<b>(602)</b>	<b>(6,384)</b>	2,705
Bank interest receivable				<b>62</b>	39
Bank interest payable				<b>(196)</b>	(111)
<b>(Loss)/profit on ordinary activities before taxation</b>				<b>(6,518)</b>	2,633
Tax on (loss)/profit on ordinary activities	6			<b>1,794</b>	(882)
<b>(Loss)/profit for the financial year</b>	20 & 21			<b>(4,724)</b>	1,751
<b>(Loss)/earnings per Ordinary Share</b>	7				
Basic and diluted				<b>(5.84)p</b>	2.17p

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.



## Consolidated Balance Sheet

as at 31st August 2007

	Note	2007 £000	2006 £000
<b>Fixed assets</b>			
Intangible assets	8	25,817	14,185
Tangible assets	9	13,138	12,529
		<b>38,955</b>	26,714
<b>Current assets</b>			
Stock	11	555	360
Debtors (including £1.75m due in more than one year (2006: £2.3m))	12	12,069	10,407
Cash at bank and in hand		3,905	4,308
		<b>16,529</b>	15,075
<b>Creditors:</b> Amounts falling due within one year	13	<b>(42,326)</b>	(23,341)
<b>Net current liabilities</b>		<b>(25,797)</b>	(8,266)
<b>Total assets less current liabilities</b>		<b>13,158</b>	18,448
<b>Creditors:</b> Amounts falling due after more than one year	14	<b>(4,311)</b>	(4,950)
Provisions for liabilities and charges	17	–	(10)
<b>Net assets</b>		<b>8,847</b>	13,488
<b>Capital and reserves</b>			
Called up share capital	19	8,150	8,075
Share premium account	20	10,081	10,073
Revaluation reserve	20	313	313
Merger reserve	20	(2,539)	(2,539)
Profit and loss account	20	(7,158)	(2,434)
<b>Equity shareholders' Funds</b>	21	<b>8,847</b>	13,488

## 18 Company Balance Sheet

as at 31st August 2007

	Note	2007 £000	2006 £000
<b>Fixed assets</b>			
Investments	10	<b>3,518</b>	3,518
<b>Current assets</b>			
Debtors: Due after more than one year	12	<b>14,731</b>	14,648
<b>Creditors:</b> Amounts falling due after more than one year	14	<b>(18)</b>	(18)
<b>Net assets</b>		<b>18,231</b>	18,148
<b>Capital and reserves</b>			
Called up share capital	19	<b>8,150</b>	8,075
Share premium account	20	<b>10,081</b>	10,073
<b>Equity shareholders' funds</b>	21	<b>18,231</b>	18,148

The financial statements were approved by the Board of Directors on 19th December 2007 and signed on its behalf by:

**R Bannister**  
*Finance Director*

**K Brady**  
*Managing Director*



## Consolidated Cash Flow Statement

for the year ended 31st August 2007

	Note	2007 £000	2006 £000
<b>Net cash inflow from operating activities</b>	25	<b>8,342</b>	3,779
<b>Returns on Investments and Servicing of Finance</b>	26(i)	<b>(134)</b>	(72)
<b>Taxation</b>	26(ii)	–	–
<b>Capital Expenditure</b>	26(iii)	<b>(9,408)</b>	(5,799)
<b>Cash Outflow Before Financing</b>		<b>(1,200)</b>	(2,092)
<b>Financing</b>	26(iv)	<b>838</b>	(45)
<b>Decrease in cash</b>		<b>(362)</b>	(2,137)

## Reconciliation of Net Cash Flow to Movement in Net Funds

	Note	2007 £000	2006 £000
Decrease in cash in year		<b>(362)</b>	(2,137)
Cash to repay bank loan	26(iv)	<b>81</b>	45
<b>Decrease in Net Funds</b>	27	<b>(281)</b>	(2,092)
Inception of bank loan	27	<b>(836)</b>	–
Reduction in net funds		<b>(1,117)</b>	(2,092)
Net funds at 1st September 2006	27	<b>3,918</b>	6,010
Net funds at 31st August 2007	27	<b>2,801</b>	3,918

for the year ended 31st August 2007

### 1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group'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.

#### Change in accounting policy

The group has changed its accounting treatment for employee share options. Under financial reporting standard (FRS) 20, Share Based Payment, the group is required to recognise an expense for share-based payments in the profit and loss account. Details of the accounting policy are given below. There is no impact as a result of this change in accounting treatment.

#### (b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertaking at 31st August 2007. On 15th January 1996, 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) 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 corporate hospitality 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 on a straight line basis over the length of the contract.

Sponsorship and other similar commercial contracts are recognised over the duration of the contract. Prize money or merit awards are only accounted for when known at the end of the financial season.

TV rights and broadcasting contracts are recognised over the period of the football season as league matches are played.

#### (d) Investments

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



## Notes to the Financial Statements

for the year ended 31st August 2007

### 1. Accounting policies (continued)

#### (e) 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
Leasehold improvements	–	shorter of lease and 50 years
Fixtures and equipment	–	between 3 and 5 years
Motor vehicles	–	5 years

#### (f) 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.

#### (g) 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.

#### (h) Stock

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

#### (i) 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. Under the conditions of certain transfer agreements, further fees will be payable to the vendors in the event of the players concerned making a certain number of first team appearances or on the occurrence of other certain specified future events. Liabilities in respect of these additional transfer fees are shown in trade creditors, when it becomes probable that these conditions will occur.

#### (j) 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 the liability becomes payable.

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

## 22 Notes to the Financial Statements

for the year ended 31st August 2007

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

#### (k) 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.

#### (l) 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.

#### (m) 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.

#### (n) Financial instruments

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

#### (o) Share-based payment

Share based incentive arrangements are provided to employees under the Group's share option schemes. Share based arrangements put in place since 7 November 2002 and invested at transaction date are valued at date of grant and charged to operating profit over the vesting period of the scheme. Share options are valued using an appropriate pricing model.

If the amounts are not material they are not recognised.



## Notes to the Financial Statements

for the year ended 31st August 2007

### 2. Turnover

	2007 £000	2006 £000
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	11,379	17,913
Television and radio coverage	6,701	13,984
Commercial activities	6,959	8,220
	<b>25,039</b>	40,117

### 3. Operating expenses

	2007 £000	2006 £000
Amortisation of players' registrations (note 8)	8,371	10,084
Staff costs (note 5)	21,209	26,797
Depreciation (note 9)	543	555
Amortisation of deferred grants (note 16)	(57)	(57)
Profit on disposal of fixed assets	(2)	–
Other operating expenses	9,128	7,096
<b>Operating expenses</b>	<b>39,192</b>	44,475

### 4. Operating loss

	2007 £000	2006 £000
<b>Operating loss is stated after charging/(crediting):-</b>		
Fees payable to the company's joint auditors for the audit of the financial statements	12	9
Fees payable to the company's joint auditors for other services:		
Audit of the financial statements of the company's subsidiary	18	15
Other services relating to taxation	5	2
Depreciation of tangible fixed assets – owned	543	555
Release of deferred income from Football Trust Grants (note 16)	(57)	(57)
Equipment leased under operating leases	140	122
Premises leased under operating lease	84	84
Fees paid to Auditors:		
Edwards	26	20
Grant Thornton (UK) LLP	9	6

## 24 Notes to the Financial Statements

for the year ended 31st August 2007

### 5. Staff costs

	<b>2007</b>	2006
	<b>£000</b>	£000
<b>Staff costs, including directors, during the year were made up as follows:-</b>		
Wages, salaries, signing on fees	<b>19,118</b>	24,478
Social security costs	<b>2,091</b>	2,319
	<b>21,209</b>	26,797

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

	<b>2007</b>	2006
	<b>No.</b>	No.
Playing staff	<b>47</b>	59
Training staff	<b>20</b>	18
Training ground staff	<b>18</b>	17
Commercial and fund raising	<b>21</b>	21
Shop	<b>9</b>	10
Administration and other	<b>24</b>	25
	<b>139</b>	150

The group also employs approximately 363 temporary staff on match days (2006: 376).

There are no company employees.

#### Directors' remuneration:

	<b>2007</b>	2006
	<b>£000</b>	£000
Aggregate directors' emoluments	<b>1,361</b>	536
Highest paid director	<b>485</b>	184

The group has not made any contributions to directors' personal pension arrangements in the year. (2006: None).

Aggregate directors' emoluments include £52,000 paid to Sport Newspapers Limited for Roger Bannister, £485,000 paid to Roldvale Limited for David Sullivan, and £485,000 paid to Gold Group International Limited in respect of David and Ralph Gold.

In addition to the emoluments, during the year 750,000 11p share options were exercised (2006: £Nil). The gain recognised on the exercise of share options was £217,500 at 31st August 2007 (2006: £Nil).



## Notes to the Financial Statements

for the year ended 31st August 2007

### 6. Taxation

	<b>2007</b>	2006
	<b>£000</b>	£000
United Kingdom Corporation tax – current tax	<b>(911)</b>	911
Deferred tax (note 17)	<b>(883)</b>	(29)
<b>Total tax (credit)/charge on ordinary activities</b>	<b>(1,794)</b>	882

The tax losses not utilised at 31st August 2007 amount to £2,661,000 (2006: £Nil).

#### Factors affecting the tax (credit)/charge for the year

	<b>2007</b>	2006
	<b>£000</b>	£000
<i>Current tax reconciliation:</i>		
(Loss)/profit on ordinary activities before taxation	<b>(6,518)</b>	2,633
(Loss)/profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2006: 30%)	<b>(1,955)</b>	790
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>33</b>	18
Excess of capital allowances over depreciation for the year	<b>(26)</b>	(47)
Use of tax losses carried back (2006: tax losses brought forward)	<b>798</b>	(87)
Clawback of tax relief for amortisation of players with rollover relief	<b>239</b>	237
<b>Actual current tax (credit)/charge</b>	<b>(911)</b>	911

Profits on sale of players' registrations are taxable.

#### 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.

A deferred tax asset has been recognised on losses carried forward, as the group expects to generate future profits on its promotion to the premiership.

## 26 Notes to the Financial Statements

for the year ended 31st August 2007

### 7. Earnings per share

	<b>2007</b>	2006
	<b>£000</b>	£000
The earnings per ordinary share has been calculated as follows:–		
(Loss)/profit on ordinary activities after taxation	<b>(4,724)</b>	1,751
	<b>No.</b>	No.
<b>Basic</b>		
Weighted average number of ordinary shares in issue during the year	<b>80,849,520</b>	80,755,000
(Loss)/earnings per ordinary share	<b>(5.84)p</b>	2.17p
	<b>No.</b>	No.
<b>Diluted</b>		
Weighted average number of ordinary shares in issue during the year	<b>80,849,520</b>	80,805,238
(Loss)/earnings per ordinary share	<b>(5.84)p</b>	2.17p

There is no dilution in 2007 due to the loss. In 2006, diluted earnings per share take into consideration the dilutive effect of earnings per share if the outstanding share options were exercised.

### 8. Intangible fixed assets

<b>Group</b>	Players' Registrations £000
<b>Cost:</b>	
At 1st September 2006	28,729
Additions	21,137
Disposals	(10,796)
<b>At 31st August 2007</b>	<b>39,070</b>
<b>Accumulated amortisation:</b>	
At 1st September 2006	14,544
Charge for the year	8,371
Eliminated on disposals	(9,662)
<b>At 31st August 2007</b>	<b>13,253</b>
<b>Net book value:</b>	
<b>At 31st August 2007</b>	<b>25,817</b>
At 31st August 2006	14,185



## Notes to the Financial Statements

for the year ended 31st August 2007

**9. Tangible fixed assets**

Group	Freehold Land and Buildings £000	Long Leasehold Land and Buildings £000	Fixtures and Equipment £000	Motor Vehicles £000	Total £000
<b>Cost or valuation:</b>					
At 1st September 2006	12,933	1,799	3,198	109	18,039
Additions	47	828	177	110	1,162
Disposals	–	–	(19)	–	(19)
<b>At 31st August 2007</b>	<b>12,980</b>	<b>2,627</b>	<b>3,356</b>	<b>219</b>	<b>19,182</b>
<b>Depreciation:</b>					
At 1st September 2006	2,634	139	2,682	55	5,510
Disposal	–	–	(9)	–	(9)
Charge for the year	260	49	213	21	543
<b>At 31st August 2007</b>	<b>2,894</b>	<b>188</b>	<b>2,886</b>	<b>76</b>	<b>6,044</b>
<b>Net book value:</b>					
<b>At 31st August 2007</b>	<b>10,086</b>	<b>2,439</b>	<b>470</b>	<b>143</b>	<b>13,138</b>
At 31st August 2006	10,299	1,660	516	54	12,529

**Land and Buildings comprises:–**

	Freehold Properties £000
Cost and valuation 1991	1,154
Additions at cost 1991 to 2007	11,826
	12,980
Depreciation	(2,894)
<b>At 31st August 2007</b>	<b>10,086</b>
At 31st August 2006	10,299

The freehold buildings occupied by the group 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:–

	2007 £000	2006 £000
Cost	12,667	12,620
Accumulated depreciation	(2,806)	(2,552)
	<b>9,861</b>	10,068

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.

## 28 Notes to the Financial Statements

for the year ended 31st August 2007

### 10. Investment in subsidiary undertakings

#### 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 was that of a Championship Football League Club for the football season 2006/07 and it became a Premier Football League Club for the season 2007/08.

	Shares £000
<b>Cost:</b>	
As at 1st September 2006 and 31st August 2007	3,518

### 11. Stock

<b>Group</b>	<b>2007</b> <b>£000</b>	2006 £000
Goods for resale	<b>555</b>	360

### 12. Debtors

	<b>Group</b> <b>2007</b> <b>£000</b>	Group 2006 £000	<b>Company</b> <b>2007</b> <b>£000</b>	Company 2006 £000
Trade debtors	<b>10,329</b>	9,651	–	–
Amount owed by group undertaking	–	–	<b>14,731</b>	14,648
Other debtors	<b>79</b>	43	–	–
Corporation tax	<b>22</b>	–	–	–
Deferred tax (note 17)	<b>873</b>	–	–	–
Prepayments	<b>766</b>	713	–	–
	<b>12,069</b>	10,407	<b>14,731</b>	14,648

Included within trade debtors is £6,775,000 (2006: £6,611,000) in respect of transfer fees, of which £1,750,000, (2006: £2,300,000) is not due until after more than one year.



## Notes to the Financial Statements

for the year ended 31st August 2007

### 13. Creditors: Amounts falling due within one year

	<b>Group 2007 £000</b>	Group 2006 £000	<b>Company 2007 £000</b>	Company 2006 £000
Bank loan (note 15)	105	49	–	–
Bank overdraft (note 15)	–	41	–	–
Trade creditors	16,855	7,719	–	–
Taxation and social security cost	3,567	3,013	–	–
Corporation tax	–	889	–	–
Other creditors	156	5	–	–
Accruals	430	797	–	–
Deferred income	21,156	10,771	–	–
Capital grants (deferred income) (note 16)	57	57	–	–
	<b>42,326</b>	23,341	–	–

Included within creditors is £9,611,000 (2006: £5,471,000) in respect of transfer fees payable.

### 14. Creditors: Amounts falling due after more than one year

	<b>Group 2007 £000</b>	Group 2006 £000	<b>Company 2007 £000</b>	Company 2006 £000
Bank loan	981	282	–	–
Preference share capital	18	18	18	18
Net debt due after more than one year	999	300	18	18
Deferred income	1,233	2,514	–	–
Capital grants (deferred income) (note 16)	2,079	2,136	–	–
	<b>4,311</b>	4,950	18	18

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

Included within the bank loan is £471,000 (2006: £47,000) due after more than five years repayable in equal instalments.

#### Preference share capital

	2007		2006	
	No. '000	£000	No. '000	£000
<b>Authorised</b>				
4.2% redeemable cumulative preference shares of 50p each	40	20	40	20
<b>Allotted, called up and fully paid</b>				
4.2% redeemable cumulative preference shares of 50p each	37	18	37	18

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.

for the year ended 31st August 2007

**15. Debt obligations**

The borrowing of the group relates to bank borrowings and preference shares, the maturity of which are analysed below:

	<b>Group 2007 £000</b>	Group 2006 £000	<b>Company 2007 £000</b>	Company 2006 £000
<b>Borrowings repayable:</b>				
Within one year	<b>105</b>	90	–	–
More than one year but not more than two years	<b>115</b>	53	–	–
More than two years but not more than five years	<b>395</b>	182	–	–
After five years	<b>489</b>	65	<b>18</b>	18
<b>Total borrowings</b>	<b>1,104</b>	390	<b>18</b>	18

**16. Deferred capital grant**

Included within creditors is £2,136,000 (2006: £2,193,000) 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.

**17. Provision for liabilities and charges**

	<b>Group 2007 £000</b>	<b>Company 2007 £000</b>
Deferred taxation		
At 1st September 2006	<b>10</b>	–
Amount credited to profit and loss account (note 6)	<b>(883)</b>	–
<b>At 31st August 2007 (note 12)</b>	<b>(873)</b>	–
Deferred taxation comprises:		
	<b>Group 2007 £000</b>	<b>Company 2007 £000</b>
Excess of depreciation over capital allowances	<b>(315)</b>	–
Roll-over relief for intangible assets	<b>187</b>	–
Losses	<b>(745)</b>	–
<b>(Asset)/liability at 31st August 2007</b>	<b>(873)</b>	–



## Notes to the Financial Statements

for the year ended 31st August 2007

### 18. Financial instruments

The group's policies as regards to financial instruments are set out in the accounting policies in note 1(n).

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.

#### Interest rate risk profile

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

<b>Sterling</b>	<b>Total £000</b>	<b>Fixed rate financial liabilities £000</b>	<b>Non interest bearing financial liabilities £000</b>	<b>Floating rate financial liabilities £000</b>
<b>At 31st August 2007</b>	<b>1,104</b>	<b>1,086</b>	<b>18</b>	<b>–</b>
At 31st August 2006	390	331	18	41

Note 27 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 2007 were approximately £1,086,000 (2006: £331,000). 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% (2006: 5.5%). The weighted average period for which the interest rate is fixed is 5 years (2006: one year).

The floating rate financial liabilities bear interest at the bank base rate of HSBC plc plus 1.5%.

The maturity of the financial liabilities are set out at note 15.

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

<b>Sterling</b>	<b>Total £000</b>	<b>Cash at bank and in hand £000</b>	<b>Short-term deposits £000</b>
At 31st August 2007			
– non-interest bearing	770	770	–
– floating rate	3,135	–	3,135
	<b>3,905</b>	<b>770</b>	<b>3,135</b>

## 32 Notes to the Financial Statements

for the year ended 31st August 2007

### 18. Financial instruments (continued)

<b>Sterling</b>	<b>Total £000</b>	<b>Cash at bank and in hand £000</b>	<b>Short-term deposits £000</b>
At 31st August 2006			
– non-interest bearing	52	52	–
– floating rate	4,256	–	4,256
	<b>4,308</b>	<b>52</b>	<b>4,256</b>

Cash at bank and in hand at 31st August 2007 and 2006 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 £5.00m (2006: £5.00m) due for review in July 2008. The undrawn committed facilities at 31st August 2007 in respect of which all conditions have been met at that date were £5.00m (2006: £4.96m).

#### 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 15.

### 19. Share capital

	<b>2007</b>		<b>2006</b>	
	<b>No. '000</b>	<b>£000</b>	<b>No. '000</b>	<b>£000</b>
<b>Authorised</b>				
Ordinary shares of 10p each	<b>120,000</b>	<b>12,000</b>	120,000	12,000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 10p each	<b>81,505</b>	<b>8,150</b>	80,755	8,075

During the year options over 370,000 Ordinary shares at 20.5p each lapsed and options over 250,000 Ordinary shares at 11.0p each were granted.

During the year options over 750,000 were exercised at 11p each.

No options were outstanding at 31st August 2007.

The fair value of employee services provided in exchange for the gain of share options has not been recognised as it is not material to the financial statements.

Preference shares are disclosed in Note 14 of these financial statements.



## Notes to the Financial Statements

for the year ended 31st August 2007

### 20. Reserves

<b>Group</b>	Share Premium £000	Revaluation Reserve £000	Merger Reserve £000	Profit and Loss Account £000
At 1st September 2006	10,073	313	(2,539)	(2,434)
Loss for the period	–	–	–	(4,724)
Premium on shares issued	8	–	–	–
<b>At 31st August 2007</b>	<b>10,081</b>	<b>313</b>	<b>(2,539)</b>	<b>(7,158)</b>

<b>Company</b>	Share Premium £000	Revaluation Reserve £000	Merger Reserve £000	Profit and Loss Account £000
At 1st September 2006	10,073	–	–	–
Premium on shares issued	8	–	–	–
<b>At 31st August 2007</b>	<b>10,081</b>	<b>–</b>	<b>–</b>	<b>–</b>

The company result for the financial year ended 31st August 2007 was £Nil (2006: £Nil).

### 21. Reconciliation of movement in equity shareholders' funds

<b>Group</b>	<b>2007 £000</b>	2006 £000
(Loss)/profit for the financial year	<b>(4,724)</b>	1,751
New share issue	<b>83</b>	–
	<b>(4,641)</b>	1,751
Opening shareholders' funds	<b>13,488</b>	11,737
Closing shareholders' funds	<b>8,847</b>	13,488
<b>Company</b>	<b>2007 £000</b>	2006 £000
New share issue	<b>83</b>	–
Opening shareholders' funds	<b>18,148</b>	18,148
Closing shareholders' funds	<b>18,231</b>	18,148

for the year ended 31st August 2007

## 22. Related party transactions

Goods and services to the value of £Nil (2006: £3,360) have been supplied by the Club to Nettcollex Limited in which D Sullivan (director) has an interest. At the balance sheet date £Nil was due from Nettcollex Limited to the group.

Goods and services to the value of £556 (2006: £981) 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 £Nil was due from Gold Group International to the group.

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 £46,750 (2006: £31,500). At the balance sheet date £Nil was due from the group to Henri Brandman & Co.

Sport Newspapers Limited, which is owned by D Sullivan, D Gold and R Gold, carried out certain administrative duties (note 5) during the year for which it charged £52,000 (2006: £52,000). At the balance sheet date £52,000 was due from the group to Sport Newspapers Limited.

## 23. Contingent liabilities and post balance sheet events

### (a) Player transfer costs

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum that could be payable in respect of transfers to 31st August 2007 is £5,453,991 (2006: £5,771,250). Since the year end and to the approval of these accounts £Nil of this has crystallised.

### (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 £3,156,534 (2006: £3,280,426).

### (c) HM Revenue & Customs

HM Revenue & Customs has issued an assessment for repayment of £1,013,771 (2006: £608,000) of input VAT previously recovered which relates to payments made under the contractual arrangements between the group and certain football agents. A VAT tribunal decision published in May 2007 found some individual cases in favour of the group and some against. The group considers the VAT concerned has been properly recovered and, accordingly, an appeal has been lodged against the tribunal decision, consequently no provision has been made within these accounts. The group awaits the outcome of the appeal.



## Notes to the Financial Statements

for the year ended 31st August 2007

**24. Capital and other financial commitments****(a) Capital commitments**

	<b>2007</b>	2006
	<b>£000</b>	£000
Contracted but not provided for:-		
Leasehold land and buildings	<b>70</b>	706

**(b) Lease commitments**

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

	<b>2007</b>	2006
	<b>£000</b>	£000
Expiring:		
Within one year (plant and equipment)	<b>40</b>	97
Between one and five years – (plant and equipment)	<b>90</b>	45
Over five years – (land and buildings)	<b>84</b>	84
	<b>214</b>	226

**25. Reconciliation of operating loss to net cash inflow from operating activities**

	<b>2007</b>	2006
	<b>£000</b>	£000
Operating loss	<b>(14,153)</b>	(4,358)
Amortisation of players' registrations	<b>8,371</b>	10,084
Depreciation	<b>543</b>	555
Profit on disposal of fixed assets	<b>(2)</b>	–
Amortisation of deferred grant	<b>(57)</b>	(57)
Increase in stocks	<b>(195)</b>	(166)
(Increase)/decrease in debtors	<b>(603)</b>	6,159
Increase/(decrease) in creditors	<b>14,438</b>	(8,438)
<b>Net Cash Inflow from Operating Activities</b>	<b>8,342</b>	3,779

## 36 Notes to the Financial Statements

for the year ended 31st August 2007

### 26. Gross cash flows

	2007 £000	2006 £000
<b>(i) Returns on investments and servicing of finance</b>		
Bank interest received	62	39
Bank interest paid	(196)	(111)
	<b>(134)</b>	( 72)
<b>(ii) Taxation</b>		
Corporation tax paid	–	–
<b>(iii) Capital expenditure</b>		
Payments to acquire tangible fixed assets	<b>(1,162)</b>	(228)
Receipts from sales of tangible fixed assets	12	–
Purchase of players' registrations	<b>(16,997)</b>	(12,671)
Sale of players' registrations	<b>8,739</b>	7,100
	<b>(9,408)</b>	(5,799)
<b>(iv) Financing</b>		
Proceeds from issue of ordinary share capital	83	–
Inception of new bank loan	836	–
Capital repayment of bank loan	(81)	(45)
	<b>838</b>	(45)

### 27. Analysis of net funds

	01.09.06 £000	Cash Flows £000	Inception of Bank Loan £000	31.08.07 £000
Cash in hand and at bank	4,308	(403)	–	<b>3,905</b>
Bank overdraft	(41)	41	–	–
Cash and cash equivalents	4,267	(362)	–	<b>3,905</b>
Bank loan	(331)	81	(836)	<b>(1,086)</b>
Preference shares	(18)	–	–	<b>(18)</b>
Debt	(349)	81	(836)	<b>(1,104)</b>
<b>Net Funds</b>	<b>3,918</b>	<b>(281)</b>	<b>(836)</b>	<b>2,801</b>



## Five Year Trading Record

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for the year ended 31st August 2007

	<b>2007</b>	2006	2005	2004	2003
	<b>£000</b>	£000	£000	£000	£000
Match Receipts F.A. and Football League Distributions	<b>11,379</b>	17,913	20,870	21,476	16,823
Commercial Activities including television and radio fees	<b>13,660</b>	22,204	21,836	23,861	19,657
<b>Income</b>	<b>25,039</b>	40,117	42,706	45,337	36,480
Wages	<b>21,209</b>	26,797	27,348	23,159	19,994
Other expenses	<b>9,612</b>	7,594	6,760	7,728	5,755
<b>Expenditure</b>	<b>30,821</b>	34,391	34,108	30,887	25,749
<b>Operating (loss)/profit before amortisation of players and interest</b>	<b>(5,782)</b>	5,726	8,598	14,450	10,731

## 38 Notice of Annual General Meeting

for the year ended 31st August 2007

Notice is hereby given that the Annual General Meeting of Birmingham City Plc will be held in the Gold Suite, St Andrew's, Birmingham B9 4NH on 20th February 2008 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 2007.
2. To re-elect D. Sullivan as director.
3. To re-elect K. Brady as director.
4. To re-appoint the Auditors.

By order of the Board

**R A Bannister**

*Secretary*

Registered Office: St Andrew's Stadium, Birmingham B9 4NH.



# Form of Proxy

for the year ended 31st August 2007

I/We .....

of .....

being holders of ordinary shares of the above named Company, hereby appoint the Chairman of the Meeting (see note 1) as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 20th February 2008 and at any adjournment thereof. I/We direct my/our proxy to vote on the resolutions set out as follows (see note 2):

Number	Ordinary Resolutions	For	Against
1	To receive the Directors' Report and Audited Statement of Accounts for the year ended 31 August 2007		
2	To re-elect D. Sullivan as Director		
3	To re-elect K. Brady as Director		
4	To re-appoint Edwards and Grant Thornton UK LLP as Auditors		

Signature ..... Date.....

### Notes:

1. If the appointor wishes to appoint a different proxy, the words "the chairman of the meeting" should be deleted and the proxy's name and address in block letters should be inserted in the space provided.
2. Please indicate with an X how you wish to vote. If you do not indicate how the proxy shall vote, he will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.
3. The person appointed as a proxy need not be a member of the Company.
4. In the case of the holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
5. The form of proxy to be valid must be lodged at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.



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**BIRMINGHAM CITY plc**  
**ST ANDREW'S STADIUM**  
**BIRMINGHAM B9 4NH**

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**Birmingham City plc**

St Andrew's Stadium

BIRMINGHAM

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