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BIRMINGHAM CITY PLC
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2003



BIRMINGHAM CITY PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003

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BIRMINGHAM CITY PLC**DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 2003**

Directors and Officers:	D. Sullivan	(Non-Executive Chairman)
	K. Brady	(Managing Director)
	R. Bannister F.C.C.A.	(Financial Director)
	D. Gold	(Non-Executive Director)
	R. Gold	(Non-Executive Director)
	P Richardson	(Non-Executive Director)
Company Secretary and Registered Office:	R. Bannister F.C.C.A.	
	St Andrew's Stadium	
	BIRMINGHAM	
	B9 4NH	
	Tel. No. 0121-772 0101	
Financial and Nominated Adviser:	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	RSM Robson Rhodes LLP
	Chartered Accountants	Chartered Accountants
	and Registered Auditors	and Registered Auditors
	47 Anchor Road	Centre City Tower
	Aldridge	7 Hill Street
	WALSALL	BIRMINGHAM
	WS9 8PT	B5 4UU
Principal Bankers:	HSBC Bank plc	
	PO Box 68	
	130, New Street	
	BIRMINGHAM	
	B2 5JU	

BIRMINGHAM CITY PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 2003

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

Registrars: Capita IRG plc
Balfour House
390/398 High Road
ILFORD
Essex
IG1 1NQ

Company Number: 3304408

Web Site Address: www.bcfc.com

BIRMINGHAM CITY PLC**PROFILE OF DIRECTORS**

DIRECTORS**David Sullivan (54) Non-Executive Chairman**

David Sullivan was the founder of The Sport newspaper and owns 50 percent of Sport Newspapers Limited, the Club's 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 (34) 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 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 (56) 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 in March 1993 as chief accountant.

David Gold (67) Non-Executive Director

David Gold, along with his brother Ralph, owns 50 percent of Sport Newspapers and became a director of the Club in October 1993. He is the chairman of Gold Group International Limited, a company he formed 35 years ago and which has an annual turnover in excess of £55 million. Gold Group's activities include publishing, property, retailing, printing and aircraft chartering.

Ralph Gold (65) Non-Executive Director

Ralph Gold, along with his brother David, owns 50 percent of Sport Newspapers which in turn is the principal shareholder of the Club. Ralph is the chairman of Gold Group International Limited which he has developed with David Gold. He became a director of the Club in October 1993.

Paul Richardson (44) Non Executive Director

Paul Richardson is Chief Executive of Betta plc, a major privately owned environmental services and waste management group in the Midlands. The group consists of 4 wholly owned subsidiaries and has several other active investments in the fashion, retail and biotech sectors. With an entrepreneurial record spanning over 25 years, Birmingham born Paul also has significant land and property interests in the Midlands.

David Sullivan, David Gold, Ralph Gold and Paul Richardson receive no remuneration from the Group.

BIRMINGHAM CITY PLC**CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31ST AUGUST 2003**

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

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

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

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

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

Financial and Operating Review

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

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

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

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

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

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


D. SULLIVAN
Chairman

Date: 13th February 2004

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

The directors present their report and the audited financial statements for the year ended 31st August 2003.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The directors are 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group is that of a professional Football League Club. A review of the group's business is contained in the Chairman's Statement set out on page 4.

RESULTS AND DIVIDENDS

The results for the year are set out in the consolidated profit and loss account on page 11.

The Group profit on ordinary activities before taxation amounted to £3,341,000 (2002 - loss £6,401,000).

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

There was no movement of the share capital of the company during the year.

BIRMINGHAM CITY PLC**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2003****DIRECTORS AND THEIR INTEREST IN THE SHARE CAPITAL**

The current executive and non-executive directors are set out on page 3.

The interests, as defined in Section 324 of and Schedule 13 to the Companies Act 1985, of the directors, all of which are beneficial within the meaning of Section 346 of the Act in the ordinary share capital of the company, both at the beginning and the end of the year, were:

	31st August 2003			31st August 2002		
	<u>Number</u>	<u>% of Issued Share Capital</u>	<u>Options</u>	<u>Number</u>	<u>% of Issued Share Capital</u>	<u>Options</u>
David Sullivan*	62,001,380	77.50	-	62,001,380	77.50	-
Karren Brady	16,000	0.02	1,375,000	16,000	0.02	1,375,000
Roger Bannister	16,000	0.02	250,000	16,000	0.02	250,000
Ralph Gold*	62,001,380	77.50	-	62,001,380	77.50	-
David Gold*	62,001,380	77.50	-	62,001,380	77.50	-
Paul Richardson	370,370	0.46	-	370,370	0.46	-

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

There have been no movements in the above shareholdings since the year end.

Share Options

Karren Brady is entitled to share options of 1,375,000 shares. These are exercisable at any time between 7 March 2000 and 6 March 2007. 185,000 of the options are exercisable at 20.5 pence per share, with the remaining 1,190,000 options being exercisable at 21.5 pence per share.

Roger Bannister is entitled to share options of 250,000 shares. These are exercisable at any time between 7 March 2000 and 6 March 2007. 185,000 of the options are exercisable at 20.5 pence per share, with the remaining 65,000 options being exercisable at 21.5 pence per share.

No options were granted or lapsed in the year.

The market price of the shares at 31st August 2003 was 14.50 pence per share and the low and high for the year was 10.0 pence and 16.5 pence.

SUBSTANTIAL SHAREHOLDERS INTEREST

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 30th January 2004.

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage</u>
Sport Newspapers Limited	62,001,380	77.5

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

PAYMENT OF SUPPLIERS

The company seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with each supplier when details of each transaction are settled. The company will continue to honour its contractual and other legal obligations and to pay creditors on the dates agreed in contracts and purchase orders.

Transfer fees and similar transactions are such that any calculation of the number of creditor days inclusive of these balances would prove meaningless. However, creditor days excluding transfer fees for the company at 31st August 2003 were 56 days (2002 – 52 days).

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 a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

AUDITORS

On 3rd May 2003, the joint auditors, RSM Robson Rhodes, transferred their business to RSM Robson Rhodes LLP. The resolution to appoint RSM Robson Rhodes LLP and reappoint Edwards will be proposed at the Annual General Meeting.

APPROVAL

The report of the directors was approved by the Board on 13th February 2004 and signed on its behalf by:



K. BRADY
Managing Director

Date: 13th February 2004

BIRMINGHAM CITY PLC**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST AUGUST 2003**

General Principles

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. This report, together with the remuneration report on page 6, sets out how the principles of good governance and code of best practice identified in the Combined Code issued by the London Stock Exchange on 25th June 1998 are applied to the company.

The Board

The Board consists of two executive and four 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, acquisition and divestment policy 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 independent non-executive director is Paul Richardson and he is free from any business or other relationship which could interfere with the exercise of his judgement.

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 consists of the two executive directors and the independent 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 which are designed to 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) detailed 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.

BIRMINGHAM CITY PLC**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST AUGUST 2003**

Risk Management

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

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 Board in the light of the overall performance of the group. In deciding upon appropriate levels of remuneration, the Board 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 2003.

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 6.

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.



D. SULLIVAN
Chairman of the Remuneration Committee

Date: 13th February 2004

BIRMINGHAM CITY PLC**INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 2003****Independent Auditors' Report to the Shareholders of
Birmingham City plc**

We have audited the financial statements on pages 11 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 to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors And Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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, the Directors' Report, 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 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.

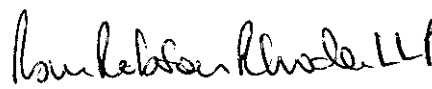
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 2003 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
47 Anchor Road
Aldridge
WALSALL
WS9 8PT



RSM Robson Rhodes LLP
Registered Auditors
Chartered Accountants
Centre City Tower
7 Hill Street
BIRMINGHAM
B5 4UU

Date: 13th February 2004

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

			<u>2003</u>	<u>2002</u>
	<u>Notes</u>	<u>Operations excluding player amortisation and trading £000</u>	<u>Player amortisation and trading £000</u>	<u>Total £000</u>
TURNOVER	2	36,480		15,184
Match and ground expenses		(4,180)		(3,398)
Other operating expenses		(1,413)		(914)
Staff costs	5	(19,737)		(13,206)
Depreciation	1c	(475)		(446)
Player transfer costs including amortisation	3		(7,160)	(3,357)
(Loss)/profit on disposal of fixed assets		(2)		10
Amortisation of deferred capital grants	1k	58		54
Net operating expenses		(25,749)	(7,160)	(21,257)
OPERATING PROFIT/(LOSS)	4	10,731	(7,160)	(6,073)
Loss on sale of players' registrations	1f		(82)	(314)
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION		10,731	(7,242)	(6,387)
Interest receivable	6		18	40
Interest payable	7		(166)	(54)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			3,341	(6,401)
Taxation on profit/(loss) on ordinary activities	8		(3)	54
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	21 and 22		3,338	(6,347)
Earnings/(loss) per Ordinary Share	9			
Basic			4.17p	(7.93p)
Diluted			4.09p	(7.93p)

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.

BIRMINGHAM CITY PLC**CONSOLIDATED BALANCE SHEET AS AT 31ST AUGUST 2003**

	<u>Note</u>	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
FIXED ASSETS			
Intangible assets	10	17,268	11,501
Tangible assets	11	12,813	12,850
		<hr/>	<hr/>
		30,081	24,351
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	13	217	180
Debtors	14	3,016	3,672
Cash at bank and in hand		4,476	2,229
		<hr/>	<hr/>
		7,709	6,081
CREDITORS: Amounts falling due within one year	15	(26,884)	(22,433)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(19,175)	(16,352)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,906	7,999
CREDITORS: Amounts falling due after more than one year	16	(4,227)	(4,600)
		<hr/>	<hr/>
DEFERRED CAPITAL GRANT	17	6,679 (2,364)	3,399 (2,422)
		<hr/>	<hr/>
NET ASSETS		4,315	977
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	20	8,018	8,018
Share premium account	21	10,065	10,065
Revaluation reserve	21	313	313
Merger reserve	21	(2,539)	(2,539)
Profit and loss account	21	(11,542)	(14,880)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS (including non-equity)	22	4,315	977
		<hr/>	<hr/>

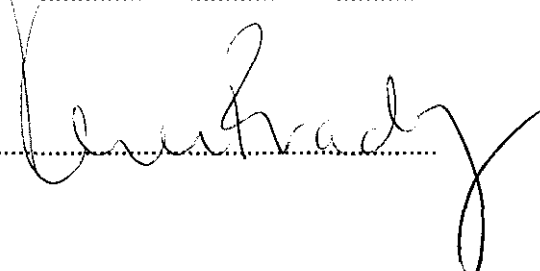
BIRMINGHAM CITY PLC**COMPANY BALANCE SHEET AS AT 31ST AUGUST 2003**

	<u>Note</u>	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
FIXED ASSETS			
<i>Investments</i>	12	3,518	3,518
CURRENT ASSETS			
Debtors: Due after more than one year	14	14,565	14,565
NET ASSETS		<u>18,083</u>	<u>18,083</u>
CAPITAL AND RESERVES			
Called up share capital	20	8,018	8,018
Share premium account	21	10,065	10,065
SHAREHOLDERS' FUNDS (including non-equity)	22	<u>18,083</u>	<u>18,083</u>

The financial statements were approved by the Board of Directors on 13th February 2004 and signed on its behalf by:

..... RABannister

R. Bannister – Finance Director

..... 

K. Brady - Managing Director

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

	<u>Note</u>	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
CASH INFLOW FROM OPERATING ACTIVITIES	26	14,931	11,654
Returns on Investments and Servicing of Finance	27(i)	(148)	(14)
Taxation	27(ii)	97	-
Capital Expenditure	27(iii)	(12,594)	(10,319)
Cash Inflow Before Financing		2,286	1,321
Financing	27(iv)	(39)	456
INCREASE IN CASH		2,247	1,777

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<u>Note</u>	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Increase in cash in year		2,247	1,777
Cash to repay bank loan	27(iv)	36	9
Cash to repay finance leases	27(iv)	3	35
Bank loan	27(iv)	-	(500)
Increase in Net Funds	28	2,286	1,321
Net funds at 1st September 2002	28	1,735	414
Net funds at 31st August 2003	28	4,021	1,735

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

1. ACCOUNTING POLICIES

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

(a) Basis of 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.

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

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 accounts consolidate the accounts of the company and its subsidiary undertaking at 31st August 2003. 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	-	period of lease
Fixtures and equipment	-	between 3 to 5 years
Motor vehicles	-	5 years

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

1. ACCOUNTING POLICIES (continued)**(d) Player Transfer Costs**

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

(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 25b.

(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 based on the number of hits on, and income generated from, the Club's website.

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

1. ACCOUNTING POLICIES (continued)**(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, if the taxable gain will probably be rolled over.

(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.

(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.

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

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	25,818	6,850
Television and radio coverage	4,224	3,273
Commercial activities	6,438	5,061
	<hr/>	<hr/>
	36,480	15,184
	<hr/>	<hr/>

3. PLAYER TRANSFER COSTS INCLUDING AMORTISATION

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Amortisation of transfer fees	7,253	3,336
Net additional (income)/costs for player appearances	(93)	21
	<hr/>	<hr/>
	7,160	3,357
	<hr/>	<hr/>

4. OPERATING PROFIT/(LOSS)

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Operating profit/(loss) is stated after charging/(crediting):-		
Auditors' remuneration:		
Audit services	21	20
Non-audit work	9	14
Depreciation of tangible fixed assets – owned	475	425
Depreciation of tangible fixed assets – financed	-	21
Release of deferred income from Football Trust Grants	(58)	(54)
Equipment leased under operating leases	11	15
Premises leased under operating lease	84	84
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****5. STAFF COSTS**

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Staff costs, including directors, during the year were made up as follows:-		
Wages, salaries, signing on fees	17,851	12,011
Social security costs	1,886	1,195
	<u>19,737</u>	<u>13,206</u>

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

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

Directors' Remuneration:-

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Aggregate directors' emoluments	<u>252</u>	<u>252</u>
Highest paid director	<u>209</u>	<u>204</u>

The above directors' emoluments are the emoluments of Karren Brady and Roger Bannister. Roger Bannister is not paid by the Club. His emoluments are recharged by Sport Newspapers Limited, see note 23. There is no directors' pension scheme.

6. INTEREST RECEIVABLE

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Bank interest receivable	18	38
Other interest receivable	-	2
	<u>18</u>	<u>40</u>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****7. INTEREST PAYABLE**

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Hire purchase interest	-	2
Bank loans and overdrafts	152	41
Interest payable to parent undertaking	7	11
Other interest payable	7	-
	<u>166</u>	<u>54</u>

8. TAXATION

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Corporation tax charge/(credit) at 30.00% (2002 – 30.00%)	3	(54)

The 2002 credit of £54,000 relates to the surrender of losses to Sport Newspapers Limited, the ultimate parent undertaking.

The tax losses not utilised at 31st August 2003 amount to approximately £6m (2002 - £10m).

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:

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Current tax reconciliation:		
Profit/(loss) on ordinary activities before taxation	3,341	(6,401)
Profit/(loss) on ordinary activities multiplied by standard rate of Corporation Tax in the UK of 30% (2002 - 30%)	1,002	(1,920)
Expenses not deductible for tax purposes	7	21
Depreciation for the year in excess of capital allowances	120	115
Use of tax losses brought forward (2002 - tax losses carried forward)	(1,155)	1,691
Player registration timing differences	31	93
Adjustments to charge in respect of previous periods	(2)	(54)
Actual current tax charge/(credit)	<u>3</u>	<u>(54)</u>

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.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****9. EARNINGS/(LOSS) PER SHARE**

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
The earnings/(loss) per ordinary share has been calculated as follows:		
Profit/(loss) on ordinary activities after taxation	3,338	(6,347)
Basic	<u>No.</u>	<u>No.</u>
Weighted average number of ordinary shares in issue during the year	80,000,000	80,000,000
Earnings/(loss) per ordinary share	4.17p	(7.93p)
Diluted	<u>No.</u>	<u>No.</u>
Weighted average number of ordinary shares in issue during the year	81,625,000	80,000,000
Earnings/(loss) per ordinary share	4.09p	(7.93p)

10. INTANGIBLE FIXED ASSETS

Group	<u>Players'</u> <u>Registrations</u> <u>£000</u>
Cost:	
At 1st September 2002	19,803
Additions	13,169
Disposals	(3,695)
At 31st August 2003	29,277
Accumulated Amortisation:	
At 1st September 2002	8,302
Charge for the year	7,253
Eliminated on disposals	(3,546)
At 31st August 2003	12,009
Net Book Value:	
At 31st August 2003	17,268
At 31st August 2002	11,501

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****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 2002	12,833	1,232	2,239	64	16,368
Additions	2	193	197	65	457
Disposals	-	-	-	(51)	(51)
At 31st August 2003	12,835	1,425	2,436	78	16,774
Depreciation:					
At 1st September 2002	1,597	17	1,872	32	3,518
Charge for the year	256	27	178	14	475
Disposals	-	-	-	(32)	(32)
At 31st August 2003	1,853	44	2,050	14	3,961
Net Book Value:					
At 31st August 2003	10,982	1,381	386	64	12,813
At 31st August 2002	11,236	1,215	367	32	12,850

The net book value of tangible fixed assets includes £Nil (2002 - £10,000) in respect of assets held under finance leases.

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

Land and Buildings comprises:-	Freehold Properties £000
Cost and valuation 1991	1,154
Additions at cost 1991 to 2003	11,681
	<hr/>
Depreciation	12,835 (1,853)
	<hr/>
At 31st August 2003	10,982
	<hr/>
At 31st August 2002	11,236
	<hr/>

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:-

	<u>2003</u> £000	<u>2002</u> £000
Cost	12,523	12,521
Accumulated depreciation	(1,797)	(1,542)
	<hr/>	<hr/>
	10,726	10,979
	<hr/>	<hr/>

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 and of the votes. Its principal activity is that of a professional Football League Club and is incorporated in Great Britain.

Cost:	<u>Shares</u> £000
As at 1st September 2002 and 31st August 2003	3,518
	<hr/>

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

Group	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Club Shop stock	217	180

14. DEBTORS

	<u>Group</u> <u>2003</u> <u>£000</u>	<u>Group</u> <u>2002</u> <u>£000</u>	<u>Company</u> <u>2003</u> <u>£000</u>	<u>Company</u> <u>2002</u> <u>£000</u>
Trade debtors	2,402	3,087	-	-
Amount owed by group undertaking	-	-	14,565	14,565
Corporation tax	-	97	-	-
Other debtors	54	5	-	-
Prepayments	560	483	-	-
	<u>3,016</u>	<u>3,672</u>	<u>14,565</u>	<u>14,565</u>

Included within trade debtors is £Nil (2002 - £48,000) in respect of transfer fees receivable.

15. CREDITORS: Amounts falling due within one year

	<u>Group</u> <u>2003</u> <u>£000</u>	<u>Group</u> <u>2002</u> <u>£000</u>	<u>Company</u> <u>2003</u> <u>£000</u>	<u>Company</u> <u>2002</u> <u>£000</u>
Obligations under finance leases and hire purchase contracts	-	3	-	-
Bank loan	37	33	-	-
	<u>37</u>	<u>36</u>	<u>-</u>	<u>-</u>
Debt due within one year	37	36	-	-
Trade creditors	5,805	4,681	-	-
Taxation and social - security cost	2,855	1,799	-	-
Corporation tax	3	-	-	-
Other creditors	80	72	-	-
Accruals and deferred income	18,104	15,845	-	-
	<u>26,884</u>	<u>22,433</u>	<u>-</u>	<u>-</u>

Included within creditors is £2,568,000 (2002 - £1,762,000) in respect of transfer fees payable.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****16. CREDITORS: Amounts falling due after more than one year**

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Bank loan	418	458	-	-
Debt due after more than one year	418	458	-	-
Accruals and deferred income	3,809	4,142	-	-
	4,227	4,600	-	-

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

Included within bank loan is £231,000 (2002 - £287,000) due after more than five years repayable in equal instalments by 2012.

Borrowing Analysis

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Due within one year:				
Bank loan	37	33	-	-
Obligations under finance leases and hire purchase contracts	-	3	-	-
	37	36	-	-
Due in one to two years:				
Bank loan	41	37	-	-
Due in two to five years:				
Bank loan	146	134	-	-
Due in more than five years:				
Bank loan	231	287	-	-

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****17. DEFERRED CAPITAL GRANT**

	<u>Group 2003 £000</u>	<u>Group 2002 £000</u>	<u>Company 2003 £000</u>	<u>Company 2002 £000</u>
At 1st September 2002	2,422	2,308	-	-
Grants received during the year	-	168	-	-
	<u>2,422</u>	<u>2,476</u>	<u>-</u>	<u>-</u>
Transfer to the profit and loss account	(58)	(54)	-	-
	<u>(58)</u>	<u>(54)</u>	<u>-</u>	<u>-</u>
At 31st August 2003	<u>2,364</u>	<u>2,422</u>	<u>-</u>	<u>-</u>

As a result of the substantial redevelopment of the stadium, the Directors have reviewed the allocation of grants received. The amount of £2,364,000 relates to those assets remaining at the balance sheet date.

18. DEFERRED TAXATION**Group and Company**

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

19. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise borrowings, cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to finance the 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.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****19. FINANCIAL INSTRUMENTS (continued)****Interest rate risk profile**

The interest rate risk profile of the Group's financial liabilities at 31st August 2003 was:

Sterling	Total £000	Fixed rate financial liabilities £000	Non interest bearing financial liabilities £000	Floating Rate financial liabilities £000
At 31st August 2003	455	455	-	-
At 31st August 2002	491	491	-	-

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

Note 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 2003 was also approximately £455,000 (2002 £491,000). The fair value has been calculated using market interest rates at the balance sheet date.

The weighted average interest rate of the fixed rate financial liabilities is 5.5% (2002 – 5.5%). The weighted average period for which the interest rate is fixed is four years (2002 – five years).

The 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
At 31st August 2003		
- non-interest bearing	4,476	4,476
At 31st August 2002		
- non-interest bearing	2,229	2,229

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****19. FINANCIAL INSTRUMENTS (continued)**

Cash at bank and in hand at 31st August 2003 and 2002 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.

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

Maturity of borrowing facilities

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

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

	<u>2003</u>		<u>2002</u>	
	<u>No'000</u>	<u>£000</u>	<u>No'000</u>	<u>£000</u>
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
	<u>120,040</u>	<u>12,020</u>	<u>120,040</u>	<u>12,020</u>
Allotted, Called Up and Fully Paid				
4.2% redeemable cumulative preference shares of 50p each	37	18	37	18
Ordinary Shares of 10p each	80,000	8,000	80,000	8,000
Called Up Share Capital	<u>80,037</u>	<u>8,018</u>	<u>80,037</u>	<u>8,018</u>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****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. Options over 1,625,000, of which 370,000 are exercisable at 20.5 pence each and 1,255,000 are exercisable at 21.5 pence each. These are exercisable at any time between 7th March 2000 and 6th March 2007 and were outstanding at 31st August 2003 and 2002.

21. RESERVES

Group	<u>Share Premium £000</u>	<u>Revaluation Reserve £000</u>	<u>Merger Reserve £000</u>	<u>Profit and Loss Account £000</u>
At 1st September 2002	10,065	313	(2,539)	(14,880)
Retained profit	-	-	-	3,338
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2003	10,065	313	(2,539)	(11,542)
	<hr/>	<hr/>	<hr/>	<hr/>
 Company				
	<u>Share Premium £000</u>	<u>Revaluation Reserve £000</u>	<u>Merger Reserve £000</u>	<u>Profit and Loss Account £000</u>
At 1st September 2002 and 31st August 2003	10,065	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

The company result for the financial year ended 31st August 2003 was £Nil (2002 - £Nil).

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****22. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

Group	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Profit/(loss) for the financial year	3,338	(6,347)
Opening shareholders' funds	977	7,324
	<hr/>	<hr/>
Closing shareholders' funds	4,315	977
	<hr/>	<hr/>
Non-equity preference shares	18	18
Unpaid preference dividends	2	2
	<hr/>	<hr/>
Non-equity shareholders' funds	20	20
Equity shareholders' funds	4,295	957
	<hr/>	<hr/>
	4,315	977
	<hr/>	<hr/>
Company	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Opening shareholders' funds	18,083	18,083
	<hr/>	<hr/>
Closing shareholders' funds	18,083	18,083
	<hr/>	<hr/>
Non-equity preference shares	18	18
Unpaid preference dividends	2	2
	<hr/>	<hr/>
Non-equity shareholders' funds	20	20
Equity shareholders' funds	18,063	18,063
	<hr/>	<hr/>
	18,083	18,083
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****23. RELATED PARTY TRANSACTIONS**

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

Goods and services to the value of £20,000 (2002 - £15,000) have been supplied by the Club to Betta plc of which Paul Richardson is a director.

Henri Brandman & Co (Henri Brandman – Director of Birmingham City Football Club plc) acted as Solicitors on behalf of the Club during the year with fees amounting to £48,000 (2002 - £17,000).

Sport Newspapers Limited, the ultimate parent undertaking, carried out certain administrative and accounting duties during the year for which it charged £70,000 (2002 - £52,000). Sport Newspapers Limited also charged interest to the Club amounting to £7,000 (2002 - £11,000) on short-term loans provided and repaid during the year.

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

24. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS

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

25. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(a) Capital Commitments	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Contracted but not provided for - plant and equipment	122	232

(b) Signing-On Fees Payable

The maximum possible commitments in respect of deferred signing-on fees due to players under contracts at the year end and including contracts renegotiated since the year-end, which are payable on future dates specified in their contracts and not provided for in the accounts, amounted to £1,027,000 (2002 - £1,503,000).

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****25. CAPITAL AND OTHER FINANCIAL COMMITMENTS****(c) Lease Commitments**

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

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Expiring:		
Within one year	-	-
Between one and five years - (plant and equipment)	11	11
Over five years - (land and buildings)	84	84
	<hr/> 95	<hr/> 95

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

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
Operating profit/(loss) after amortisation of players	3,571	(6,073)
Player transfer costs including amortisation	7,160	3,357
Depreciation	475	446
Loss/(profit) on disposal of fixed assets	2	(10)
Amortisation of deferred income	(58)	(54)
(Increase)/decrease in stocks	(37)	2
Decrease/(increase) in debtors	511	(1,759)
Increase in creditors	3,307	15,745
Net Cash Inflow from Operating Activities	<hr/> 14,931	<hr/> 11,654

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

27. GROSS CASH FLOWS	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>
(i) Returns on Investments and Servicing of Finance		
Interest received	18	40
Interest paid (note 7)	(166)	(54)
	<u>(148)</u>	<u>(14)</u>
(ii) Taxation		
Corporation Tax received	97	-
	<u>97</u>	<u>-</u>
(iii) Capital Expenditure		
Payments to acquire tangible fixed assets	(457)	(1,257)
Grant received towards fixed asset additions	-	168
Receipts from sales of tangible fixed assets	17	10
Purchase of players' registrations	(12,270)	(9,526)
Sale of players' registrations	116	286
	<u>(12,594)</u>	<u>(10,319)</u>
(iv) Financing		
Receipt of loan from holding company	2,300	1,000
Repayment of loan from holding company	(2,300)	(1,000)
Capital repayment of bank loan	(36)	(9)
Capital element of finance lease payments	(3)	(35)
Bank loan	-	500
	<u>(39)</u>	<u>456</u>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2003****28. ANALYSIS OF CHANGES IN NET FUNDS**

	<u>01.09.02</u> <u>£000</u>	<u>Cash Flows</u> <u>£000</u>	<u>31.08.03</u> <u>£000</u>
Cash in hand and at bank	2,229	2,247	4,476
	<hr/>	<hr/>	<hr/>
Loans	(491)	36	(455)
Finance leases	(3)	3	-
	<hr/>	<hr/>	<hr/>
Borrowings	(494)	39	(455)
	<hr/>	<hr/>	<hr/>
Net Funds	1,735	2,286	4,021
	<hr/>	<hr/>	<hr/>

29. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Sport Newspapers Limited, a company registered in England and Wales, number 1994074. The accounts of this company can be obtained from 840 Melton Road, Thurmaston, Leicester, LE4 8BE. Sport Newspapers Limited is the only undertaking that consolidates the results of Birmingham City plc.

BIRMINGHAM CITY PLC**FIVE YEAR TRADING RECORD – BIRMINGHAM CITY PLC**

	<u>2003</u> <u>£000</u>	<u>2002</u> <u>£000</u>	<u>2001</u> <u>£000</u>	<u>2000</u> <u>£000</u>	<u>1999</u> <u>£000</u>
Match Receipts F.A. and Football League Distributions	25,818	6,850	7,228	5,830	5,167
Commercial Activities including television and radio fees	10,662	8,334	6,059	4,297	3,989
INCOME	<u>36,480</u>	<u>15,184</u>	<u>13,287</u>	<u>10,127</u>	<u>9,156</u>
Wages	19,737	13,206	9,264	7,772	6,228
Other expenses	6,012	4,694	4,065	3,382	3,140
EXPENDITURE	<u>25,749</u>	<u>17,900</u>	<u>13,329</u>	<u>11,154</u>	<u>9,368</u>
OPERATING PROFIT/(LOSS) BEFORE AMORTISATION OF PLAYERS AND INTEREST	<u>10,731</u>	<u>(2,716)</u>	<u>(42)</u>	<u>(1,027)</u>	<u>(212)</u>