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BIRMINGHAM CITY PLC
GROUP FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 1999



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BIRMINGHAM CITY PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999

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BIRMINGHAM CITY PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 1999

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)
	J. Bell	(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
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Financial Nominated Adviser:	Shore Capital and Corporate Bond Street House 14 Clifford Street LONDON W1X 1RE
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Nominated Broker:	Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street LONDON W1X 1RE
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Joint Auditors:	Walter J. Edwards & Co. Chartered Accountants and Registered Auditors 47 Anchor Road Aldridge WALSALL WS9 8PT	RSM Robson Rhodes Chartered Accountants and Registered Auditors Centre City Tower 7 Hill Street BIRMINGHAM B5 4UU
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Principal Bankers:	Midland Bank plc PO Box 66 Bennetts Hill BIRMINGHAM B2 5RJ
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BIRMINGHAM CITY PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 1999

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

S J Berwin & Co
222 Grays Inn Road
LONDON
WC1X 8HB

Registrars: Independent Registrars Group Limited
Balfour House
390/398 High Road
ILFORD
Essex
IG1 1NQ

Company Number: 3304408

BIRMINGHAM CITY PLC

PROFILE OF DIRECTORS

DIRECTORS

David Sullivan (50) 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 (30) 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 (52) 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 Chartered Association of 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 (63) 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 managing director 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 (61) 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.

BIRMINGHAM CITY PLC

PROFILE OF DIRECTORS

DIRECTORS (continued)

John Bell (63) Non Executive Director

John Bell was an executive with Royal Bank of Scotland plc for 39 years. For the last five years of this he was Local Director in London. He is also a non-executive Director of Furlong Homes Group plc.

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

BIRMINGHAM CITY PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1999

I have pleasure in presenting Birmingham City plc's financial results for the year to 31st August 1999.

In the year to 31st August 1999, the Club enjoyed a mixture of successes and disappointments. We finished the 1998/99 season in 4th position (an improvement on 7th position in the previous season) but narrowly missed reaching the play-off final at Wembley as a result of losing on penalties to Watford. At the time of writing, we are 11th in the League table with 20 games to play. Promotion to the Premier League remains our key ambition.

Financial Review

Turnover was £8.43 million (1998 - £8.33 million) and we report a loss after transfer costs of £2.96 million (1998 - £2.01 million). This loss arose as a result of the cost pressures described below.

The push for promotion had an inevitable effect on team costs. During the period, the Club invested heavily in the playing squad, both in transfer fees and wages; net spending in the transfer market during the year was £2.5 million, including the purchase of Simon Marsh, David Holdsworth and after the new season started, Stan Lazaradis. As a result of the Bosman ruling, the Board has also been under pressure to offer improved terms to players reaching the end of their original contracts. During the year we renegotiated terms with a number of senior players to secure their long-term futures with the Club. The Board believes that the Club now has the basis of a team capable of competing in the Premiership.

Moreover, there has been a significant improvement in the contract terms of the team's management staff. Some of this relates to the youth development set-up in which we have invested heavily following the gaining of Academy status; we believe this investment will reduce ongoing transfer expenditure in the long-term. Overall wage costs have increased to £6.23 million (year ended 31st August 1998 - £5.07 million).

Following the opening of the new Railway Stand, our ground capacity is the second highest in the Division. This enabled us to generate higher match receipts with the average League gate up to 20,794 over the year (1998 - 18,752) and 24,759 during the period following the opening of the new stand. I am pleased to report that the commercial income which the Club generated was amongst the highest in the Nationwide League at £3.12 million (1998 - £3.10 million).

Under the new accounting standard FRS10, the Club is now required to capitalise the cost of player registrations and write them off over the life of the relevant contract. Before such amortisation charges and net transfer fees, the operating loss for the year was £212,000 (1998 - profit of £1.169 million). After such costs and interest, the result for the year was an operating loss of £2.89 million (1998 - loss of £1.68 million), equating to a loss per share of 5.63p (1998 - loss of 3.26p on the new accounting basis).

BIRMINGHAM CITY PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1999

The Open Offer to shareholders completed in August 1999 raised £7,404,000 net of offer costs. As set out in the Circular to shareholders, the proceeds were used to repay borrowings from Sport Newspapers of £6.57 million and the balance used as general working capital. As at the balance sheet date, the Group's borrowings were £55,000 (1998 - £6.689 million).

Operating Review

After an excellent start, the performances on the field during the current season have deteriorated. Whilst the team has suffered from injuries, we are not showing the form we would hope for, given the scale of the investment. We hope for a strong promotion run in the second half of the season if we benefit from a full squad becoming available for selection. We were, of course, delighted with our strong performances in the FA Cup.

Since the start of the current year we have signed Marcello and have had Chris Wreh, John Berresford, Richard Knight and Allan Johnston on loan.

We have achieved good Season Ticket sales (we now have 11,800 season ticket holders) and continue to achieve strong commercial revenues. Attendances in the run up to Christmas have proved disappointing, partly no doubt because of our run of indifferent form.

Prospects

The business outlook for the Club for the rest of the year depends strongly on the team coming back to its early season form and contending for promotion right up to the end of the season. We remain optimistic but need to see good results on the field in the next few weeks if this is to be realistic.



D SULLIVAN
Chairman

Date: 21st January 2000

BIRMINGHAM CITY PLC

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST AUGUST 1999

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 9, 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 Mr J Bell 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.

BIRMINGHAM CITY PLC

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST AUGUST 1999

Internal Financial 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 financial 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 financial control for the financial year and the period up to the date of approval of the financial statements.

The company, as permitted by the London Stock Exchange, has complied with Code provisions on internal control by reporting on internal financial control, in accordance with the guidance for directors on internal financial control and financial reporting, which was issued in December 1994.

RISK MANAGEMENT

As part of the overall control of the business, a risk management review is to be undertaken during the current financial year by the operating company, to identify, evaluate and manage key risks. This review aims 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.

COMPLIANCE WITH THE COMBINED CODE

The Group is not required to comply with the Combined Code as an AIM listed company, but seeks to comply with those provisions most appropriate to the Group. We continue to review our corporate governance procedures to ensure they match the needs of the group.

BIRMINGHAM CITY PLC

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST AUGUST 1999

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

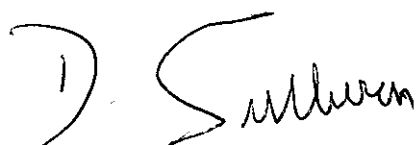
Each executive director's salary is reviewed annually by the Board in the light of the overall performance of the group. In deciding upon appropriate levels of remuneration, the Board has regard to the rates of pay for similar jobs in comparable companies as well as internal factors such as performance. Executive directors' basic salaries were last reviewed on 23rd August 1999.

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 11.

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: 21st January 2000

BIRMINGHAM CITY PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1999

The directors present their report and the audited financial statements for the year ended 31st August 1999.

PRINCIPAL ACTIVITIES

The principal activity of the group is that of a professional Football League Club.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

These topics are dealt with in the Chairman's Statement set out on pages 5 to 6.

DIVIDENDS

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

FIXED ASSETS

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. Book value is after taking into account deferred grant income shown within note 18 to the accounts.

ACCOUNTING POLICIES

There has been a change of policy during the year as we have adopted Financial Reporting Standard Number 10, the new standard proposed by the Accounting Standards Board. This requires us to place the cost of a player's transfer fee into the balance sheet and amortise it into the profit and loss account over the period of the player's initial contract. If we had used our prior method of writing-off all transfer fees at the date they were contracted, then the cost of transfers for 1998/99 would have been £291,000 lower (1997/98 - £1,984,000 greater). In addition, signing-on fees are now charged to the profit and loss account over the contract period following the introduction of FRS12. There is no effect on the financial results arising from this change in accounting policy.

BALANCE SHEET

In August 1999 the Group raised £7,404,000 through an open offer share issue. In addition, the adoption of Financial Reporting Standard Number 10 increased the net assets of the group by £6,780,000 at 31st August 1999 and £7,071,000 at 31st August 1998. As a result of the share issue and losses for the year, the net assets of the group at 31st August 1999 were £11,482,000 compared with £6,988,000 at 31st August 1998.

BIRMINGHAM CITY PLC**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1999****MILLENNIUM**

The Directors fully recognise the potential risks associated with the issue and have reviewed all equipment for compliance, but the complexity of the matter prevents any business offering absolute assurance on the issue. At the date of this report, there are no significant system issues from the year 2000.

DIRECTORS AND THEIR INTEREST IN THE SHARE CAPITAL

The current executive and non-executive directors are set out on pages 3 to 4.

The interests, as defined in Section 324 of and Schedule 13 to the Act, of the directors and of their immediate families, all of which are beneficial, and of connected persons 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.

	31st August 1999			31st August 1998		
		% of			% of	
	<u>Number</u>	<u>Capital</u>	<u>Options</u>	<u>Number</u>	<u>Capital</u>	<u>Options</u>
David Sullivan	62,546,750*	78.18	-	29,563,236*	58.63	-
Karren Brady	16,000	0.02	1,250,000**	10,000	0.02	750,000**
Roger Bannister	16,000	0.02	125,000**	10,000	0.02	125,000**
Ralph Gold	62,546,750*	78.18	-	29,563,236*	58.63	-
David Gold	62,546,750*	78.18	-	29,563,236*	58.63	-
John Bell	10,000	0.01	-	10,000	0.02	-

* 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.

** 750,000 allocated to Karren Brady and 125,000 allocated to Roger Bannister will be exercisable at 50p per share at any time between 7th March 2000 and 7th March 2004. On 21st February 1999, Karren Brady was granted additional options over 500,000 shares exercisable at 39p per share at anytime between 21st February 2002 and 20th February 2006. The market price of the shares at 31st August 1999 was 31.5 pence and the low and high for the year was 28.5pence and 40.5 pence.

SUBSTANTIAL SHAREHOLDERS INTEREST

Apart from the shareholdings 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 10th January 2000.

<u>Name</u>	<u>Number of Shares</u>	<u>Percentage</u>
Sport Newspapers Limited	62,371,750	77.96

BIRMINGHAM CITY PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 1999

DONATIONS

Charitable donations made by the group amounted to £6,000, including donations of shirts, footballing equipment and player appearances. No political donations were made during the year.

CREDITORS PAYMENT POLICY

It is the Group's policy to pay all suppliers within terms formally agreed on an individual supplier basis. At 31 August 1999 trade creditors outstanding represented nil days (1998 – nil days) for the company and for the group 50 days. (1998 – 43 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.

CORPORATE GOVERNANCE

The Board's formal statement of compliance with the Code of Best Practice is given on pages 7 to 9.

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

A resolution to reappoint Messrs RSM Robson Rhodes and Walter J Edwards & Co will be proposed at the Annual General Meeting.

APPROVAL

The report of the directors was approved by the Board on 21st January 2000 and signed on its behalf by:


K. BRADY
Managing Director

Date: 21st January 2000

BIRMINGHAM CITY PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31ST AUGUST 1999

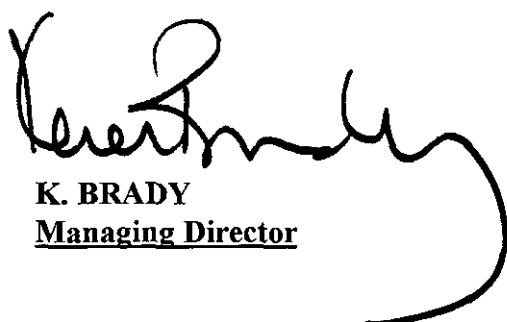
The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 14, is made with a view to describing to shareholders the responsibilities of the Directors in relation to the financial statements.

The directors are required by the Companies Act 1985 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 at the end of the financial year and of the profit or loss of the group for that year.

Following discussions with the auditors, the directors consider that in preparing the financial statements on pages 15 to 40 the company has:

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

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



K. BRADY
Managing Director

Date: 21st January 2000

BIRMINGHAM CITY PLC

AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 1999

Auditors' Report to the Shareholders of Birmingham City plc

We have audited the financial statements on pages 15 to 40 which have been prepared under the accounting policies set out on pages 19 to 21.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 13, the group's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and 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 at 31st August 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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



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

Date: 21st January 2000

BIRMINGHAM CITY PLC**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 1999**

	Notes	<u>1999</u> <u>£000</u>	(As restated) <u>1998</u> <u>£000</u>
TURNOVER	2	8,431	8,337
Match and ground expenses		1,358	1,191
Administration expenses		711	628
Staff costs	5	6,228	5,069
Depreciation	1c	400	346
Amortisation of deferred capital grants	1j	(54)	(66)
Net operating expenses		8,643	7,168
OPERATING (LOSS)/PROFIT BEFORE PLAYERS' TRANSFER COSTS		(212)	1,169
Players' transfer costs	3	(2,752)	(3,182)
OPERATING (LOSS) AFTER PLAYERS' TRANSFER COSTS	4	(2,964)	(2,013)
Interest receivable and similar income	6	96	331
Interest payable and similar charges	7	(22)	(1)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,890)	(1,683)
Taxation on loss on ordinary activities	8	(20)	55
LOSS FOR THE FINANCIAL YEAR	22 and 23	(2,910)	(1,628)
Loss per Ordinary Share	9		
Basic		5.63p	3.26p
Diluted		5.63p	3.26p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Loss for the financial year	(2,910)	(1,628)
Prior year adjustment (as explained in note 1)	7,071	
Total gains and losses recognised since last annual report	4,161	

Historical cost (losses)/profit 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 1999**

	<u>Note</u>	<u>1999</u> <u>£000</u>	(As restated) <u>1998</u> <u>£000</u>
FIXED ASSETS			
Intangible assets	10	6,780	7,071
Tangible assets	11	11,851	9,182
		<hr/>	<hr/>
		18,631	16,253
		<hr/>	<hr/>
CURRENT ASSETS			
Stocks	13	169	147
Debtors	14	1,767	1,372
Investments	15	-	3,000
Cash at bank and in hand		622	982
		<hr/>	<hr/>
		2,558	5,501
CREDITORS: Amounts falling due within one year	16	(5,776)	(5,684)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(3,218)	(183)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		15,413	16,070
		<hr/>	<hr/>
CREDITORS: Amounts falling due after more than one year	17	(1,517)	(6,623)
		<hr/>	<hr/>
		13,896	9,447
DEFERRED CAPITAL GRANT	18	(2,414)	(2,459)
		<hr/>	<hr/>
NET ASSETS		11,482	6,988
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	21	8,018	5,018
Share premium account	22	10,065	5,661
Revaluation reserve	22	313	313
Merger reserve	22	(2,539)	(2,539)
Profit and loss account	22	(4,375)	(1,465)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS (including non-equity)	23	11,482	6,988
		<hr/>	<hr/>

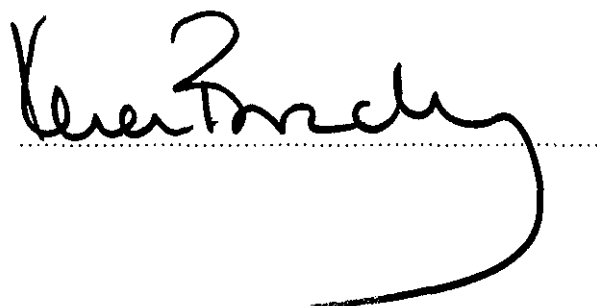
BIRMINGHAM CITY PLC**COMPANY BALANCE SHEET AS AT 31ST AUGUST 1999**

	<u>Note</u>	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
FIXED ASSETS			
Investments	12	3,518	3,518
CURRENT ASSETS			
Debtors: Due after more than one year	14	14,565	7,161
NET ASSETS		18,083	10,679
CAPITAL AND RESERVES			
Called up share capital	21	8,018	5,018
Share premium account	22	10,065	5,661
SHAREHOLDERS' FUNDS			
(including non-equity)	23	18,083	10,679

The financial statements were approved by the Board of Directors on 21st January 2000 and signed on its behalf by:

..... RAB committed

R. Bannister – Finance Director



K. Brady - Managing Director

BIRMINGHAM CITY PLC**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 1999**

	<u>Note</u>	<u>1999</u> <u>£000</u>	(As restated) <u>1998</u> <u>£000</u>
CASH INFLOW FROM OPERATING ACTIVITIES	27	1,265	855
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	28(i)	74	330
CAPITAL EXPENDITURE	28(ii)	(5,469)	(4,024)
CASH (OUTFLOW) BEFORE FINANCING		(4,130)	(2,839)
USE OF LIQUID RESOURCES AND MANAGEMENT OF LIQUID RESOURCES		3,000	750
FINANCING	28(iii)	770	(54)
(DECREASE) IN CASH		(360)	(2,143)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	<u>Note</u>	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
(Decrease) in cash in year		(360)	(2,143)
Repayment of loan from Sport Newspapers	28(iii)	6,572	-
Cash to repay Football Trust loan	28(iii)	40	40
Cash to repay finance leases	28(iii)	22	14
Cash (inflow) from (decrease) in liquid resources	29	(3,000)	(750)
Decrease in net funds/(debt) from cash flow		3,274	(2,839)
Inception of finance leases		-	(81)
Reduction in Net Funds/(Debt)	29	3,274	(2,920)
Net (debt)/funds at 1st September 1998	29	(2,707)	213
Net funds/(debt) at 31st August 1999	29	567	(2,707)

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999**

1. ACCOUNTING POLICIES

There has been a change in accounting policy during the year following the introduction of Financial Reporting Standard Number 10. This standard requires the cost of a player's transfer fee to be capitalised as an intangible asset and amortised over the period of the players' initial contract into the profit and loss account. The effect of the change in this accounting policy is to increase the loss after taxation in the year ended 31 August 1999 by £291,000 (1998 – decrease £1,984,000) and to increase net assets at 31 August 1999 by £6,780,000 (1998 - £7,071,000). In addition, signing-on fees are now charged to the profit and loss account over the contract period following the introduction of FRS12. There is no effect on the financial results arising from this change in accounting policy.

(a) Basis of Accounts

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

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 1999 using merger accounting. 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.

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 is taken to reserves in the year of merger. Profits and losses of subsidiaries joining the group are included for the whole financial year and comparative amounts are presented in the consolidated profit and loss account and balance sheet as if the combination had existed throughout both years.

(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. The following expected useful lives have been used:-

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

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999**

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

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. These costs are amortised over the period of the players' initial contracts. The amortisation periods are between 1 and 5 years.

Additional payments in connection with players' registrations to third parties for achieving appearances are charged to the profit and loss account as they are incurred.

(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 over the contract period. The element of such signing on fees not yet payable is disclosed as a commitment within note 26.

(f) Stock

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

(g) Turnover

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

(h) Deferred Taxation

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

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****1. ACCOUNTING POLICIES (continued)****(i) 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.

(j) Grants

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

(k) Pensions

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

2. TURNOVER

	<u>1999</u>	<u>1998</u>
	<u>£000</u>	<u>£000</u>
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	5,042	4,985
Television and radio coverage	269	246
Commercial activities	3,120	3,106
	<hr/>	<hr/>
	8,431	8,337
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****3. PLAYER TRANSFER COSTS**

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Amortisation of transfer fees	2,988	2,806
Net profit on disposal of players' contracts	(762)	(195)
Net additional costs for player appearances	526	571
	<hr/>	<hr/>
	2,752	3,182
	<hr/>	<hr/>

4. OPERATING LOSS

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Operating loss is stated after charging:-		
Auditors' remuneration:		
Audit services	15	15
Non-audit work	10	9
Depreciation of tangible fixed assets – owned	384	340
Depreciation of tangible fixed assets – financed	16	-
Release of deferred income from Football Trust Grants	(54)	(66)
Loss on sale of tangible fixed assets	-	6
Equipment leased under operating leases	16	18
	<hr/>	<hr/>

5. STAFF COSTS

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Staff costs, including directors, during the year were made up as follows:-		
Wages, salaries, signing on fees, etc	5,652	4,619
Social security costs	576	450
	<hr/>	<hr/>
	6,228	5,069
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****5. STAFF COSTS (continued)**

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

	<u>1999</u> <u>No.</u>	<u>1998</u> <u>No.</u>
Playing staff	41	37
Training staff	13	11
Training ground staff	16	8
Commercial and fund raising	8	9
Shop	7	8
Administration and other	14	14
	<hr/>	<hr/>
	99	87
	<hr/>	<hr/>

Directors' Remuneration:-

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Aggregate directors' emoluments	160	146
Company contributions to Money Purchase Pension Scheme	-	-
	<hr/>	<hr/>

The above directors' emoluments include the emoluments of Karren Brady, John Bell and Roger Bannister. Roger Bannister is not paid by the Club. His emoluments are recharged by Sport Newspapers Limited, see note 24.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Bank interest receivable	76	328
Other interest receivable	20	3
	<hr/>	<hr/>
	96	331
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Hire purchase interest	8	-
Bank loans and overdrafts	14	1
	<hr/>	<hr/>
	22	1
	<hr/>	<hr/>

8. TAXATION

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Corporation tax at 20.58% (1998 – 31%)	20	(55)
	<hr/>	<hr/>

The tax losses not utilised at 31st August 1999 amount to approximately £5.4m (1998 - £6m).

9. LOSS PER SHARE

	<u>1999</u> <u>£000</u>	(As restated) <u>1998</u> <u>£000</u>
The loss per ordinary share have been calculated as follows:		
Loss on ordinary activities after taxation	(2,910)	(1,628)
	<hr/>	<hr/>
	<u>No.</u>	<u>No.</u>
Weighted average number of ordinary shares in issue during the year	51,726,027	50,000,000
	<hr/>	<hr/>
Loss per ordinary share (basic and diluted)	5.63p	3.26p
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****10. INTANGIBLE FIXED ASSETS**

Group	Players' Registrations £000
Cost:	
At 1st September 1998 (as restated)	11,576
Additions	3,354
Disposals	(1,674)
	<hr/>
At 31st August 1999	13,256
	<hr/>
Accumulated Amortisation:	
At 1st September 1998 (as restated)	4,505
Charge for the year	2,988
Eliminated on disposals	(1,017)
	<hr/>
At 31st August 1999	6,476
	<hr/>
Net Book Value:	
At 31st August 1999	6,780
	<hr/>
At 31st August 1998 (as restated)	7,071
	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****11. TANGIBLE FIXED ASSETS**

Group	Freehold Land and Buildings £000	Buildings under Construction £000	Leasehold Land and Buildings £000	Fixtures and Equipment £000	Motor Vehicles £000	Total £000
Cost or Valuation:						
At 1st September 1998	8,024	1,364	49	1,717	37	11,191
Additions	2,899	-	36	134	-	3,069
Reclassification	1,364	(1,364)	-	-	-	-
Disposals	-	-	-	-	-	-
At 31st August 1999	12,287	-	85	1,851	37	14,260
Depreciation:						
At 1st September 1998	632	-	-	1,356	21	2,009
Charge for the year	216	-	2	178	4	400
Disposals	-	-	-	-	-	-
At 31st August 1999	848	-	2	1,534	25	2,409
Net Book Value:						
At 31st August 1999	11,439	-	83	317	12	11,851
At 31st August 1998	7,392	1,364	49	361	16	9,182

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****11. TANGIBLE FIXED ASSETS (continued)**

Land and Buildings comprises:-	Freehold Properties £000
Cost and valuation 1991	1,154
Additions at cost 1991 to 1999	11,133
	<hr/>
	12,287
Depreciation	(848)
	<hr/>
At 31st August 1999	11,439
	<hr/>
At 31st August 1998	7,392
	<hr/>

The freehold buildings occupied by the group were revalued on an existing use basis.

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

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Cost	11,975	7,712
Accumulated depreciation	(810)	(600)
	<hr/>	<hr/>
	11,165	7,112
	<hr/>	<hr/>

The net book value of tangible fixed assets includes £64,000 (1998 - £81,000) in respect of assets held under finance leases.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****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> <u>£000</u>
As at 1st September 1998 and 31st August 1999	3,518

13. STOCK

Group	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Club Shop stock	169	147

14. DEBTORS

	<u>Group</u> <u>1999</u> <u>£000</u>	<u>Group</u> <u>1998</u> <u>£000</u>	<u>Company</u> <u>1999</u> <u>£000</u>	<u>Company</u> <u>1998</u> <u>£000</u>
Trade debtors	1,659	1,262	-	-
Amount owed by group undertaking	-	-	14,565	7,161
Other debtors	6	1	-	-
Prepayments	102	109	-	-
	<u>1,767</u>	<u>1,372</u>	<u>14,565</u>	<u>7,161</u>

The amount owed to group undertakings is recoverable after more than one year.

15. INVESTMENTS

	<u>Group</u> <u>1999</u> <u>£000</u>	<u>Group</u> <u>1998</u> <u>£000</u>	<u>Company</u> <u>1999</u> <u>£000</u>	<u>Company</u> <u>1998</u> <u>£000</u>
Money market deposits	-	3,000	-	-

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****16. CREDITORS: Amounts falling due within one year**

	Group <u>1999</u> <u>£000</u>	Group <u>1998</u> <u>£000</u>	Company <u>1999</u> <u>£000</u>	Company <u>1998</u> <u>£000</u>
Unsecured loans (note 17)	10	40	-	-
Obligations under finance leases and hire purchase contracts	28	26	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	38	66	-	-
Trade creditors	1,580	2,486	-	-
Taxation and social security costs	469	381	-	-
Corporation tax	20	-	-	-
Other creditors	77	105	-	-
Accruals and deferred income	3,592	2,646	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	5,776	5,684	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****17. CREDITORS: Amounts falling due after more than one year**

	Group <u>1999</u> <u>£000</u>	Group <u>1998</u> <u>£000</u>	Company <u>1999</u> <u>£000</u>	Company <u>1998</u> <u>£000</u>
Trade creditors	1,500	-	-	-
Unsecured loans	-	10	-	-
Amount due to Sport Newspapers Ltd	-	6,572	-	-
Obligations under finance leases and hire purchase contracts	17	41	-	-
Debt due after more than one year	<u>1,517</u>	<u>6,623</u>	<u>-</u>	<u>-</u>
Repayable:				
Between one and two years	767	6,609	-	-
Between two and five years	750	14	-	-
	<u>1,517</u>	<u>6,623</u>	<u>-</u>	<u>-</u>

The unsecured loans relate to a Football Trust loan which is interest free.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****18. DEFERRED CAPITAL GRANT**

	Group <u>1999</u> <u>£000</u>	Group <u>1998</u> <u>£000</u>	Company <u>1999</u> <u>£000</u>	Company <u>1998</u> <u>£000</u>
At 1st September 1998	2,459	2,525	-	-
Grants received during the year	9	-	-	-
	<u>2,468</u>	<u>2,525</u>	<u>-</u>	<u>-</u>
Transfer to the profit and loss account	(54)	(66)	-	-
	<u>2,414</u>	<u>2,459</u>	<u>-</u>	<u>-</u>
Balance at 31st August 1999	<u>2,414</u>	<u>2,459</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 £2,414,000 relates to those assets remaining at the balance sheet date.

19. DEFERRED TAXATION**Group and Company**

At 31st August 1998 and 1999 there was no unprovided deferred taxation.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****20. 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 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 1999 was:

	Total	Fixed rate financial liabilities	Non interest bearing financial liabilities
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Sterling			
At 31st August 1999	55	45	10
	<hr/>	<hr/>	<hr/>
At 31st August 1998	6,689	67	6,622
	<hr/>	<hr/>	<hr/>

All of the Group's creditors falling due within one year (other than loans and obligations under finance leases and hire purchase contracts) and trade creditors due after more than one year, 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 29 sets out the analysis of the movement in net debt during the year.

The fair values of the fixed rate financial liabilities at 31st August 1999 was also approximately £45,000 (1998 £67,000). The fair value has been calculated using market interest rates at the balance sheet date.

The maturity of the financial liabilities are set out at note 17.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****20. FINANCIAL INSTRUMENTS (continued)**

The interest rate risk profile of the Group's financial assets at 31st August 1999 was:

	Total	Cash at bank And in hand	Short term deposits
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Sterling At 31st August 1999			
- non-interest bearing	622	622	-
- floating rate	-	-	-
	<u>622</u>	<u>622</u>	<u>-</u>
Sterling At 31st August 1998			
- non-interest bearing	982	982	-
- floating rate	3,000	-	3,000
	<u>3,982</u>	<u>982</u>	<u>3,000</u>

Cash at bank and in hand at 31st August 1999 is made up of uncleared funds and cash requirements which could not be placed on deposit.

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

Maturity of borrowing facilities

The group has an overdraft facility of £2million due for review in July 2000.

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 17.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****21. SHARE CAPITAL**

	<u>1999</u>		<u>1998</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	70,000	7,000
	<u>120,040</u>	<u>12,020</u>	<u>70,040</u>	<u>7,020</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	50,000	5,000	50,000	5,000
Ordinary Shares issued in year for cash	30,000	3,000	-	-
	<u>80,000</u>	<u>8,000</u>	<u>50,000</u>	<u>5,000</u>
Called Up Share Capital	80,037	8,018	50,037	5,018

On 10th August 1999, as a result of an open offer, a further 30,000,000 ordinary shares of 10 pence each were issued for 25 pence per share.

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 875,000 at 50 pence each are exercisable at any time between 7th March 2000 and 7th March 2004 and were outstanding at 31st August 1999. (1998 - 875,000 options at 50 pence). Additional options were granted during the year over 500,000 shares at 39 pence each exercisable at any time between 21st February 2002 and 20th February 2006. These options were outstanding at 31st August 1999.

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****22. 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 1998 (as previously stated)	5,661	313	(2,539)	(8,536)
Prior year adjustment	-	-	-	7,071
At 1st September 1998 (as restated)	5,661	313	(2,539)	(1,465)
Retained (loss)	-	-	-	(2,910)
Premium on shares issued	4,500	-	-	-
Expenses of share issue	(96)	-	-	-
At 31st August 1999	10,065	313	(2,539)	(4,375)

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 1998	5,661	-	-	-
Premium on shares issued	4,500	-	-	-
Expenses of share issue	(96)	-	-	-
At 31st August 1999	10,065	-	-	-

The company result for the financial year ended 31st August 1999 was £Nil (1998 - £Nil).

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****23. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

Group	(As restated)	
	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Loss for the financial year	(2,910)	(1,628)
Ordinary shares issued net of expenses	7,404	-
	<hr/>	<hr/>
Opening shareholders' funds	4,494 6,988	(1,628) 8,616
	<hr/>	<hr/>
Closing shareholders' funds	11,482	6,988
	<hr/>	<hr/>
Non-equity preference shares	18	18
Unpaid preference dividends	2	2
	<hr/>	<hr/>
Non-equity shareholders' funds	20	20
Equity shareholders' funds	11,462	6,968
	<hr/>	<hr/>
	11,482	6,988
	<hr/>	<hr/>
Company		
	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Ordinary shares issued on placing net of expenses	7,404	-
Opening shareholders' funds	10,679	10,679
	<hr/>	<hr/>
Closing shareholders' funds	18,083	10,679
	<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	10,659
	<hr/>	<hr/>
	18,083	10,679
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****24. TRANSACTIONS WITH DIRECTORS AND RELATED PARTY TRANSACTIONS**

Gold Star Textile Printers Limited, owned by D Gold and R Gold (directors), supplied goods to the Club during the year to the value of £10,000 (1998 - £1,000) which were sold through the Club Shop. Also, 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 £12,000. (1998 - £12,000)

The open offer share issue in August 1999 was underwritten by Sport Newspapers Limited. No fees or commissions were payable.

Sport Newspapers Limited, the ultimate holding company, carried out certain administrative and accounting duties during the year for which it charged £52,000. (1998 - £52,000)

All transactions were of a commercial nature. In August 1999, the loan of £6,572,000 from Sport Newspapers was repaid following the issue of new ordinary shares. There were no substantial balances owing at 31 August 1999.

25. 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 1999 is £1,007,000 (1998 - £1,092,000). Since the year end and to the approval of these accounts £10,000 of this has crystallised and additional transfer fee payables have amounted to £525,000 with transfer receivables of £250,000.

26. CAPITAL AND OTHER FINANCIAL COMMITMENTS

(a) Capital Commitments	<u>1999</u>	<u>1998</u>
	<u>£000</u>	<u>£000</u>
Contracted but not provided for	207	2,436

(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 £1,459,000 (1998 - £1,174,000).

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****26. CAPITAL AND OTHER FINANCIAL COMMITMENTS****(c) Lease Commitments**

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

	<u>1999</u> <u>£000</u>	<u>1998</u> <u>£000</u>
Expiring:		
Within one year	-	3
Between one and five years	16	12
Over five years	-	-
	<hr/>	<hr/>
	16	15
	<hr/>	<hr/>

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

	<u>1999</u> <u>£000</u>	(As restated) <u>1998</u> <u>£000</u>
Operating (loss)/profit before players' transfer costs	(212)	1,169
Depreciation	400	340
Amortisation of deferred income	(54)	(66)
Loss on sale of fixed assets	-	6
(Increase) in stocks	(22)	(5)
(Increase) in debtors	(194)	(79)
Increase/(Decrease) in creditors	1,347	(510)
	<hr/>	<hr/>
NET CASH INFLOW FROM OPERATING ACTIVITIES	1,265	855
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999**

28. GROSS CASH FLOWS	1999	(As restated) 1998
	<u>£000</u>	<u>£000</u>
(i) Returns on Investments and Servicing of Finance		
Interest received	96	331
Interest paid	(22)	(1)
	<hr/>	<hr/>
	74	330
	<hr/>	<hr/>
(ii) Capital Expenditure		
Payments to acquire tangible fixed assets	(3,488)	(1,164)
Receipts from sales of tangible fixed assets	-	40
Purchase of players' contracts	(3,395)	(5,157)
Sale of players' contracts	1,414	2,257
	<hr/>	<hr/>
	(5,469)	(4,024)
	<hr/>	<hr/>
(iii) Financing		
Proceeds from issue of ordinary share capital	7,500	-
Costs of issue	(96)	-
Repayment of loan from Sport Newspapers	(6,572)	-
Repayment of Football Trust loan	(40)	(40)
Capital element of finance lease payments	(22)	(14)
	<hr/>	<hr/>
	770	(54)
	<hr/>	<hr/>

BIRMINGHAM CITY PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 1999****29. ANALYSIS OF CHANGES IN NET DEBT**

	<u>1st Sept 1998</u>	<u>Cash Flows</u>	<u>31st Aug 1999</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cash in hand and at bank	982	(360)	622
Current assets investments	3,000	(3,000)	-
	<u>3,982</u>	<u>(3,360)</u>	<u>622</u>
Loans	(6,622)	6,612	(10)
Finance leases	(67)	22	(45)
Borrowings	<u>(6,689)</u>	<u>6,634</u>	<u>(55)</u>
Net Funds/(Debt)	<u>(2,707)</u>	<u>3,274</u>	<u>567</u>

30. ULTIMATE HOLDING COMPANY

The ultimate holding company 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. The accounts of Sport Newspapers Limited consolidate the results of Birmingham City plc.