

**BIRMINGHAM CITY FOOTBALL CLUB PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST AUGUST 2009**



# **BIRMINGHAM CITY FOOTBALL CLUB PLC**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009**

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**BIRMINGHAM CITY FOOTBALL CLUB PLC****DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 2009**

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<b>Directors and Officers.</b>	C Yeung V Hui M Wiseman	(Chairman) (Managing Director)
<b>Company Secretary</b>	W Ip	
<b>Team Manager</b>	A McLeish	
<b>Registered Office:</b>	St Andrew's Stadium Birmingham B9 4RL Tel No 0871-226-1875	
<b>Auditors:</b>	Edwards Chartered Accountants and Registered Auditors Harmony House 34 High Street Aldridge Walsall WS9 8LZ	
<b>Principal Bankers:</b>	HSBC Bank plc PO Box 68 130 New Street Birmingham B2 4JU	
<b>Company Number:</b>	27318	

# **BIRMINGHAM CITY FOOTBALL CLUB PLC**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2009**

The directors present their report and the audited financial statements for the year ended 31st August 2009

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

### **FINANCIAL AND OPERATING REVIEW**

On behalf of the Board of Birmingham City Football Club plc, I present the Company's Annual Report for the year ended 31<sup>st</sup> August 2009. It was extremely pleasing for the football club to regain its Premier League status after just one year in the Football League Championship. The team eventually finished in 2<sup>nd</sup> place in the Football League having spent much of the season fighting for the Championship title.

Turnover for the year to 31 August 2009 was £27.5m, down 44.8% on the 2008 figure (£49.8m) with the loss before taxation at £20.1m (2008 profit £4.3m). The significant decrease in turnover and profitability reflects the Club's relegation from the Premier League at the end of the 2007/8 season.

The principal reason for the loss before taxation during 2009 of £20.5m was the decision taken by the previous members of the Board to retain most of their playing staff from the previous Premier League season. As a result, staff costs for 2009 were £27.1m compared to £26.6m in 2008.

Despite the Club's balance sheet position showing net liabilities of £21.8m at 31 August 2009, the Board are pushing hard to retain our position in the Premier League and can assure Shareholders that the Board and all members of staff are totally committed to the long term future of the Club.

<b>Turnover analysis</b>	<b>2009</b>	<b>2008</b>
Match receipts	5,313,556	7,385,276
Broadcasting	15,807,394	32,491,767
Commercial income	6,388,269	9,958,622
	<hr/>	<hr/>
Total revenue	27,509,219	49,835,665
	<hr/>	<hr/>

Match receipts contain two main revenue resources, gate receipts and season ticket sales. As expected, there has been a decrease in match receipts of c £2m between the two years under review, 2009 in the Championship and 2008 in the Premier League.

Broadcasting income reduced by c £16.7m and the commercial income reduced by c £3.6m, again, as a direct result of relegation from the Premier League.

### **PRINCIPAL ACTIVITY**

The principal activity of the company continued to be that of a Football Club.

### **RESULTS AND DIVIDENDS**

The results for the year are set out in the profit and loss account on page 9.

The loss on ordinary activities before taxation was £20,527,000 (2008 Profit - £4,554,000).

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

# **BIRMINGHAM CITY FOOTBALL CLUB PLC**

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2009**

### **KEY PERFORMANCE INDICATORS**

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

		<b>2009</b>	<b>2008</b>
Revenue levels (football related and other)	£'000	27,509	49,836
Operating profit/(loss)	£'000	(21,586)	87
Staff costs (player related and other)	£'000	27,147	26,567
Average attendance levels	No's	19,053	25,737
Net cash inflow from operations	£'000	825	2,949

The Board monitor these on a quarterly basis. The Company's primary internal performance measure is against budgets. The source information is taken from audited accounts or from the Company's budgets.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

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

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

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

The world is currently experiencing unprecedented events in the financial sector, this will affect us all to a varying degree and football clubs are not immune. Sensible financial governance and management of the business will help stand the company in good stead during these turbulent times.

### **POST BALANCE SHEET EVENTS**

On 6 October 2009, Birmingham City plc, the company's immediate parent undertaking, was acquired by Birmingham International Holdings Limited (formerly Grandtop International Holdings Limited).

On 11 November 2009, shares in Birmingham City plc were de-listed from the Alternative Investment Market.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2009**

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**FINANCIAL INSTRUMENTS**

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

The company does not have material exposures in any of the areas identified above and, consequently does not use derivative instruments to manage these exposures. The company took out an interest rate swap on one of its variable rate loans on 17 August 2006 and has capped the interest rate on a £2m bank loan taken out in the year. The company does not hedge account for these derivative financial instruments

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

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

**Price risk**

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

**Foreign currency risk**

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

**Credit risk**

The company's principal financial assets are bank balances, cash, and trade debtors. The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

**Liquidity risk**

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

**Interest rate risk**

The interest on bank loans and overdrafts is at market rate. The company's policy is to keep the overdraft and loans within defined limits, such that the risk that could arise from a change in interest rates would not have a significant impact on cash flows. The directors' took out an interest rate swap on the variable interest rate bank loan in 2006 and have capped the interest rate on the £2m bank loan taken out during the year to reduce the exposure of this risk

**ENVIRONMENT**

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

**BIRMINGHAM CITY FOOTBALL CLUB PLC****REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2009**

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**FIXED ASSETS**

Details of changes in fixed assets are set out in notes 9 and 10 to the financial statements

In the opinion of the directors, the book value of freehold land included in fixed assets (note 10) is significantly less than the open market valuation

**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 2009 were 70 days (2008 67 days)

**EMPLOYEES**

The company places considerable value on the involvement of its employees and recognises the importance of good communication within the workplace

It is the company's policy to give full and fair consideration to all applications from disabled persons, with due consideration being given to respective aptitudes and abilities. The same policy applies in the event of employees who become disabled during employment. Appropriate training is provided where applicable

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

**GOING CONCERN**

After making enquiries, the directors have formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future

Management have prepared cash flow forecasts to August 2011 based on the club retaining its Premier League status. The forecasts include certain assumptions that there are no significant net player signing costs, other than those known at the time the forecasts were prepared. In common with the majority of other football clubs, the current economic conditions create uncertainty, particularly over the attendance levels with potential implications on actual levels of revenues and cash generation. Mr Ka Sing Carson Yeung has indicated that he will make funds available to enable the company to trade within its existing facilities. The company have held discussions with its bankers and other financiers about its future requirements and no matters have been drawn to its attention to suggest renewal may not be forthcoming on acceptable terms

For this reason, they continue to prepare the financial statements on a going concern basis

## **BIRMINGHAM CITY FOOTBALL CLUB PLC**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2009**

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#### **DIRECTORS**

The following directors have held office since 1 September 2008

C Yeung	(appointed 13 October 2009)
V Hui	(appointed 13 October 2009)
M Wiseman	
D Gold	(resigned 9 November 2009)
D Sullivan	(resigned 6 October 2009)
K Brady	(resigned 6 October 2009)
R Gold	(resigned 12 October 2009)
H Brandman	(resigned 13 October 2009)
J F Wiseman	(died 14 August 2009)

None of the directors who acted during the year had an interest in the share capital at 31st August 2008 or 31st August 2009

Details of directors' shareholdings in the holding company, Birmingham City plc, are declared within its financial statements

Ho Luek Vico Hui and Ka Sing Carson Yeung would like to state that they were not appointed during the year which these financial statements relate to

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

At the date of approval of these financial statements each of the company's directors, as set out on page 1, confirm the following

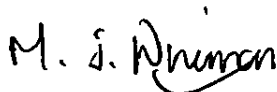
- so far as each director is aware, there is no relevant information needed by the company's auditors in connection with preparing their report of which the company's auditors are unaware, and
- each director has taken all steps that he ought to have taken as a director in order to make himself aware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

#### **AUDITORS**

A resolution to re-appoint Messrs Edwards as auditors will be proposed at the Annual General Meeting

#### **APPROVAL**

The report of the directors was approved by the Board on 15 January 2010 and signed on its behalf by



**Michael Wiseman**  
**Director**



**BIRMINGHAM FOOTBALL CLUB PLC****DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31ST AUGUST 2009**

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

We have audited the financial statements of Birmingham City Football Club plc for the year ended 31 August 2009, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 August 2009 and of its result for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006,

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all of the information and explanations we require for our audit,



**Adrian Stevens**  
Senior Statutory Auditor  
for and on behalf of  
Edwards  
Chartered Accountants  
Registered Auditors  
34 High Street  
Aldridge  
Walsall  
WS9 8LZ

28 January 2010

**BIRMINGHAM CITY FOOTBALL CLUB PLC****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 2009**

			<u>2009</u>	<u>2008</u>
	<u>Notes</u>	<u>Operations excluding player amortisation and trading £</u>	<u>Player amortisation and trading £</u>	<u>Total £</u>
<b>TURNOVER</b>	2	27,509,219	-	27,509,219
Operating expenses	3	(36,615,060)	(12,479,942)	(49,095,002)
<b>OPERATING (LOSS)/PROFIT</b>	4	(9,105,841)	(12,479,942)	(21,585,783)
Profit on sale of players' registrations	1j	-	1,685,427	1,685,427
<b>(LOSS)/PROFIT BEFORE INTEREST AND TAXATION</b>		(9,105,841)	(10,794,515)	(19,900,356)
Bank interest receivable				23,291
Interest payable	5			(650,154)
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				(20,527,219)
Tax on (loss)/profit on ordinary activities	8			822,457
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR 20 &amp; 21</b>				(19,704,762)

Player amortisation and trading consists primarily of the amortisation of costs of acquiring player registrations and any profit on disposal of player registrations

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

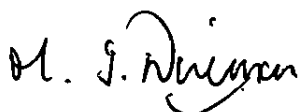
Historical cost profits/(losses) are not materially different to those stated above

All activities are derived from continuing operations

**BIRMINGHAM CITY FOOTBALL CLUB PLC****BALANCE SHEET AS AT 31ST AUGUST 2009**

	<u>Note</u>	<u>2009</u>	<u>Re-stated</u>
		<u>£</u>	<u>2008</u>
		<u>£</u>	<u>£</u>
<b>FIXED ASSETS</b>			
Intangible assets	9	21,196,019	18,281,950
Tangible assets	10	13,100,543	12,890,808
		<u>34,296,562</u>	<u>31,172,758</u>
<b>CURRENT ASSETS</b>			
Stocks	11	327,222	612,166
Debtors	12	7,424,531	12,758,838
(including £Nil due in more than one year (2008 - £500,000))			
Cash at bank and in hand		1,297,397	4,895,435
		<u>9,049,150</u>	<u>18,266,439</u>
<b>CREDITORS</b> Amounts falling due within one year	13	(44,643,591)	(30,335,987)
<b>NET CURRENT LIABILITIES</b>		<u>(35,594,441)</u>	<u>(12,069,548)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,297,879)</u>	<u>19,103,210</u>
<b>CREDITORS</b> Amounts falling due after more than one year	14	(20,532,896)	(21,229,223)
Provisions for liabilities	17	-	-
<b>NET LIABILITIES</b>		<u>(21,830,775)</u>	<u>(2,126,013)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	752,838	752,838
Share premium account	20	207,096	207,096
Capital redemption reserve	20	750	750
Revaluation reserve	20	312,726	312,726
Profit and loss account	20	(23,104,185)	(3,399,423)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	21	<u>(21,830,775)</u>	<u>(2,126,013)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 15 January 2010



Michael Wiseman

Company Number: 27318

**BIRMINGHAM CITY FOOTBALL CLUB PLC****CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 2009**

	<u>Note</u>	<u>2009</u> <u>£</u>	<u>Re-stated</u> <u>2008</u> <u>£</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	25	824,824	2,949,359
<b>Returns on Investments and Servicing of Finance</b>	26(i)	(117,975)	(236,153)
<b>Taxation</b>	26(ii)	-	(7,296)
<b>Capital Expenditure</b>	26(iii)	(5,336,663)	(2,424,706)
<b>Net Cash (Outflow)/Inflow Before Financing</b>		(4,629,814)	281,204
<b>Financing</b>	26(iv)	1,850,901	(110,073)
<b>(DECREASE)/INCREASE IN CASH</b>		(2,778,913)	171,131

**RECONCILIATION OF NET CASH (OUTFLOW)/INFLOW TO MOVEMENT IN NET DEBT**

	<u>Note</u>	<u>2009</u> <u>£</u>	<u>Re-stated</u> <u>2008</u> <u>£</u>
(Decrease)/Increase in cash in year		(2,778,913)	171,131
Inception of new bank loan	26(iv)	(2,000,000)	-
Capital repayment of bank loan	26(iv)	149,099	110,073
<b>(Increase)/Decrease in Net Debt</b>	27	(4,629,814)	281,204
<b>Net debt brought forward</b>	27	(11,648,521)	(11,929,725)
<b>Net debt carried forward</b>	27	(16,278,335)	(11,648,521)

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009**

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**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 Accounting**

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

**(b) Turnover**

Turnover represents income arising from sales to third parties, and excludes transfer fees receivable and value added tax

(i) Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played

(ii) Fixed elements of FA Premier League central broadcasting contracts are recognised over the duration of the football season on a time basis. Appearance fees are accounted for as earned. The merit based payment (over and above the guaranteed payment for 20<sup>th</sup> place which is recognised over the duration of the football league season) in respect of the position achieved in the league table is recognised at the end of the league season, when the final league position is known

(iii) Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate, based on the terms of the contract

(iv) Catering revenues are recognised on an earned basis

(v) Revenue from the sale of branded products is recognised at the point of delivery when significant risks and rewards of ownership is deemed to have been transferred to the buyer

**(c) Investments**

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

**(d) Tangible Fixed Assets Depreciation**

Depreciation has been provided to write off the cost or valuation of tangible fixed assets over their expected useful lives on a straight line basis and, in addition, where there is evidence of impairment, tangible fixed assets will be written down to their recoverable amounts. The following expected useful lives have been used -

Freehold land	-	Not depreciated
Freehold property	-	50 years
Leasehold improvements	-	shorter of lease and 50 years
Fixtures and equipment	-	between 3 to 5 years
Motor vehicles	-	5 years

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009**

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**1 ACCOUNTING POLICIES (continued)****(e) Leased Assets**

Assets held under finance leases are included in the balance sheet and depreciated in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged in the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

**(f) 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.

**(g) Stock**

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

**(h) Player Transfer Costs**

The costs associated with the acquisition of players' registrations are capitalised as intangible assets. These costs are amortised over the period of the players' initial contracts. The amortisation periods are between 1 and 5 years. An impairment review is also carried out on an annual basis, and where there is evidence of impairment, players' registrations are written down to their recoverable amounts. Under the conditions of certain transfer agreements, further fees will be payable to the vendors in the event of the players concerned making a certain number of first team appearances or on the occurrence of other certain specified future events. Liabilities in respect of these additional transfer fees are shown in trade creditors, when it becomes probable that these conditions will occur.

**(i) Signing-On Fees**

Signing on fees are charged, on a straight-line basis, to the profit and loss account over the period of the player's contract. Prepayments/accruals arising at each period end are included within prepayments and accrued income or accruals within current assets or current liabilities, as appropriate. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against wages and salaries.

**(j) 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.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****1 ACCOUNTING POLICIES (continued)****(k) Deferred Taxation**

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen but not reversed by the balance sheet date, unless such provision is not permitted by FRS19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

In accordance with FRS19, deferred tax is not provided for

- (a) revaluation gains on land and buildings, unless there is a binding agreement to sell them at the balance sheet date,
- (b) gains on the sale of non-monetary assets, whereon the basis of all available evidence it is more likely than not that the taxable gain will be rolled over into replacement assets

**(l) Financial instruments**

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

**(m) Pensions**

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

**(n) Foreign exchange**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**(o) Corresponding amounts**

In certain cases, the directors have re-analysed corresponding amounts in order to make their disclosure more meaningful.

**2 TURNOVER**

	<u>2009</u> £	<u>2008</u> £
Turnover which arises in the UK comprises -		
Match receipts	5,313,556	7,385,276
Broadcasting	15,807,394	32,491,767
Commercial income	6,388,269	9,958,622
	<hr/>	<hr/>
	27,509,219	49,835,665
	<hr/>	<hr/>



**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****3 OPERATING EXPENSES**

	<u>2009</u> £	<u>2008</u> £
Amortisation of players' registrations (note 9)	12,479,942	13,625,712
Staff costs (note 7)	27,147,356	26,566,595
Depreciation (note 10)	583,677	568,361
Amortisation of deferred capital grants (note 16)	(56,969)	(56,970)
Profit on disposal of fixed assets	(2,024)	(150)
Other operating expenses	8,943,020	9,044,869
	<u>49,095,002</u>	<u>49,748,417</u>

**4 OPERATING (LOSS)/PROFIT**

	<u>2009</u> £	<u>2008</u> £
<b>Operating (loss)/profit is stated after charging/(crediting):-</b>		
Aggregate directors' emoluments (note 6)	1,046,137	896,439
Fees payable to the company's auditors for the audit of the financial statements	19,000	19,000
Depreciation of tangible fixed assets – owned	583,677	568,361
Release of deferred income from Football Trust Grants (note 16)	(56,969)	(56,970)
Equipment leased under operating leases	142,213	138,479
Premises leased under an operating lease	84,000	84,000
Exceptional item	1,101,824	-
	<u>1,101,824</u>	<u>-</u>

The exceptional item in the year relates to a provision made for Class 1A NIC payable on player agent's fees. In respect of this amount, interest of £280,449 has been accrued at 31 August 2009 and is included within interest payable. In addition, interest of £228,439 has been accrued in respect of VAT payable on agent's fees provided for in the previous year's financial statements.

**5 INTEREST PAYABLE**

	<u>2009</u> £	<u>2008</u> £
On bank loans and overdrafts	141,266	266,348
Other interest payable	508,888	-
	<u>650,154</u>	<u>266,348</u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****6 DIRECTORS' REMUNERATION (Excluding Pension Contributions)**

	<u>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
Aggregate directors' remuneration	1,046,137	896,439
Highest paid director	466,137	345,590

Aggregate directors' emoluments include £280,000 paid to Roldvale Limited for D Sullivan (2008 - £265,425), and £280,000 paid to Gold Group International Limited in respect of D and R Gold (2008 - £265,425)

The company has not made any contributions to directors' personal pension arrangements in the year (2008 None)

**7 STAFF COSTS**

	<u>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
<b>Staff costs, including directors, during the year were made up as follows:-</b>		
Wages, salaries, signing on fees	23,360,106	23,898,786
Social security costs	3,787,250	2,667,809
	<u>27,147,356</u>	<u>26,566,595</u>

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

	<u>2009</u> <u>No</u>	<u>2008</u> <u>No</u>
Playing staff	51	48
Training staff	23	22
Training ground staff	19	18
Commercial and fund raising staff	25	24
Shop staff	7	8
Administration and other staff	27	26
	<u>152</u>	<u>146</u>

The company also employs approximately 361 temporary staff on match days (2008 – 398)

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****8 TAXATION**

	<u>2009</u> £	<u>2008</u> £
United Kingdom Corporation Tax – current tax	(1,070,087)	800,087
Deferred tax (note 17)	247,630	625,750
	<hr/>	<hr/>
Total tax (credit)/charge on ordinary activities	(822,457)	1,425,837
	<hr/>	<hr/>

**Factors affecting the current tax (credit)/charge for the year****Current tax reconciliation:**

	<u>2009</u> £	<u>2008</u> £
<b>(Loss)/profit on ordinary activities before taxation</b>	(20,527,219)	4,554,078
	<hr/>	<hr/>
(Loss)/profit on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 28% (2008 – 29.16%)	(5,747,621)	1,327,969
Effects of		
Expenses not deductible for tax purposes	22,824	42,992
Interest not deductible for tax purposes (note 4)	142,489	-
Difference between capital allowances and depreciation for the year	146,911	7,280
Use of tax losses brought forward	-	(773,275)
Tax losses generated in the year	5,435,258	-
Tax losses carried back adjusted for different tax rates	(1,040,723)	-
Adjustments in respect of previous periods	(29,225)	-
Clawback of tax relief for amortisations of players with rollover relief	-	195,121
	<hr/>	<hr/>
<b>Actual current tax (credit)/charge</b>	(1,070,087)	800,087
	<hr/>	<hr/>

Profits on sale of players' registrations are taxable

**Factors that may affect future tax charges**

At 31 August 2009, the company has trading losses of £15,842,628 (2008 - £Nil) to carry forward and use against future trading profits

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****9 INTANGIBLE FIXED ASSETS**

	<u>Players' Registrations</u> £
<b>Cost:</b>	
At 1st September 2008	34,230,009
Additions	15,394,011
Disposals	(5,685,397)
	<hr/>
At 31st August 2009	43,938,623
	<hr/>
<b>Amortisation:</b>	
At 1st September 2008	15,948,059
Charge for the year	12,479,942
Eliminated on disposals	(5,685,397)
	<hr/>
At 31st August 2009	22,742,604
	<hr/>
<b>Net Book Value:</b>	
At 31st August 2009	21,196,019
	<hr/>
At 31st August 2008	18,281,950
	<hr/>

The figures for cost of player registrations are historic figures for purchased players only. Accordingly, the net book value of player registrations will not, nor is it intended to reflect the current market value of these players.

## BIRMINGHAM CITY FOOTBALL CLUB PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009

## 10 TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Long Leasehold Land and Buildings £	Fixtures and Equipment £	Motor Vehicles £	Total £
<b>Cost or Valuation:</b>					
At 1st September 2008	12,979,534	2,668,629	3,548,235	278,453	19,474,851
Additions	133,845	50,718	609,665	-	794,228
Disposals	-	-	(9,794)	-	(9,794)
At 31st August 2009	13,113,379	2,719,347	4,148,106	278,453	20,259,285
<b>Depreciation:</b>					
At 1st September 2008	3,152,932	240,999	3,095,017	95,095	6,584,043
Charge for the year	260,359	53,533	223,023	46,762	583,677
Eliminated on disposals	-	-	(8,978)	-	(8,978)
At 31st August 2009	3,413,291	294,532	3,309,062	141,857	7,158,742
<b>Net Book Value:</b>					
At 31st August 2009	9,700,088	2,424,815	839,044	136,596	13,100,543
At 31st August 2008	9,826,602	2,427,630	453,218	183,358	12,890,808

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****10 TANGIBLE FIXED ASSETS (continued)**

Freehold Land and Buildings comprise -

	<u>£</u>
Cost and valuation 1991	1,153,807
Additions at cost 1991 to 2009	11,959,572
	<hr/>
	13,113,379
Depreciation	(3,413,291)
	<hr/>
At 31st August 2009	9,700,088
	<hr/>
At 31st August 2008	9,826,602
	<hr/>

The freehold buildings occupied by the company 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>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
Cost	12,800,653	12,666,808
Accumulated depreciation	(3,314,938)	(3,058,899)
	<hr/>	<hr/>
	9,485,715	9,607,909
	<hr/>	<hr/>

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

**11 STOCKS**

	<u>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
Goods for resale	327,222	612,166
	<hr/>	<hr/>

The replacement cost of stocks would not be significantly different from the values stated

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****12 DEBTORS**

	<u>2009</u> £	<u>2008</u> £
Trade debtors	5,466,615	10,354,529
Other debtors	97,599	35,796
Corporation tax	29,052	29,052
Deferred taxation (note 17)	-	247,630
Prepayments	1,831,265	2,091,831
	<u>7,424,531</u>	<u>12,758,838</u>

Included within trade debtors is £500,000 (2008 - £6,475,000) in respect of transfer fees receivable, of which £Nil (2008 - £500,000) is receivable after more than one year

**13 CREDITORS: Amounts falling due within one year**

	<u>2009</u> £	<u>Re-stated</u> <u>2008</u> £
Bank loan (note 15)	1,457,676	114,881
Bank overdraft (note 15)	-	819,125
	<u>1,457,676</u>	<u>934,006</u>
Debt due within one year	1,457,676	934,006
Trade creditors	14,382,625	9,413,484
Other creditors	40,008	60,902
Corporation Tax	-	1,070,087
Taxation and social security costs	4,921,559	4,306,724
Accruals	2,177,434	2,333,011
Deferred income	21,607,320	12,160,804
Capital grants (deferred income) (note 16)	56,969	56,969
	<u>44,643,591</u>	<u>30,335,987</u>

Included within trade creditors is £12,226,141 (2008 - £8,595,389) in respect of actual and contingent transfer fees payable, of which £2,450,000 (2008 - £3,055,800) is payable after more than one year

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****14 CREDITORS: Amounts falling due after more than one year**

	<u>2009</u> £	<u>2008</u> £
Amount due to holding company	14,731,066	14,731,066
Bank loan (note 15)	1,368,490	860,384
Preference share capital	18,500	18,500
	<hr/>	<hr/>
Debt due after more than one year	16,118,056	15,609,950
Trade creditors	2,450,000	3,055,800
Deferred income	-	541,664
Capital grants (deferred income) (note 16)	1,964,840	2,021,809
	<hr/>	<hr/>
	20,532,896	21,229,223
	<hr/>	<hr/>

The bank borrowings are secured on the company's land and buildings

Included within the bank loan is £Nil (2008 - £400,758) due after more than five years repayable in equal instalments

**Preference share capital**

	<u>No</u>	<u>2009</u> £	<u>No</u>	<u>2008</u> £
<b>Authorised</b>				
4 2% redeemable cumulative preference shares of 50p each	40,000	20,000	40,000	20,000
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Allotted, Called Up and Fully Paid</b>				
4 2% redeemable cumulative preference shares of 50p each	37,000	18,500	37,000	18,500
	<hr/>	<hr/>	<hr/>	<hr/>

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.



**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****15 DEBT OBLIGATIONS**

The borrowing of the company relates to bank borrowings, an amount due to holding company and preference shares, the maturity of which is analysed below

	<u>2009</u> £	<u>2008</u> £
<b>Borrowings repayable:</b>		
Within one year	1,457,676	934,006
More than one year but not more than two years	800,657	125,192
More than two years but not more than five years	567,833	334,434
After five years	14,749,566	15,150,324
	<hr/>	<hr/>
Total borrowings	17,575,732	16,543,956
	<hr/> <hr/>	<hr/> <hr/>

**16 DEFERRED CAPITAL GRANT**

Included within creditors is £2,021,809 (2008 - £2,078,778) relating to deferred capital grants

The grant is in respect of the substantial redevelopment of the stadium. The grant has been treated as a deferred capital grant and is being amortised in line with the depreciable assets to which it relates

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****17 PROVISIONS FOR LIABILITIES**

	£
Excess of depreciation over capital allowances	
At 1st September 2008	(247,630)
Amount charged to profit and loss account (note 8)	247,630

At 31st August 2009 (note 12)

-

	<u>Potential</u>	<u>2009</u>	<u>Provision</u>	<u>Potential</u>	<u>2008</u>	<u>Provision</u>
	<u>Asset</u>		<u>Made</u>	<u>Asset</u>		<u>Made</u>
	£		£	£		£
Excess of depreciation over capital allowances	331,515		-	247,630		247,630
Losses	4,435,936		-	-		-

The potential asset and provision are based on a corporation tax rate of 28% (2008 – 28%) No deferred tax asset has been recognised at 31 August 2009 in accordance with FRS 19 Deferred Tax on the basis that future recoverability of such an asset is uncertain

**18 FINANCIAL INSTRUMENTS**

The company's policy in respect of financial instruments is set out in the accounting policies

The company'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 company's operations.

It is, and has been throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken.

**Short term debtors and creditors**

Short term debtors and creditors (all of which are denominated in sterling) have been excluded from the following disclosures

**Interest rate risk profile**

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

	<u>Total</u>	<u>Floating Rate</u>	<u>Fixed Rate</u>	<u>Non interest</u>
	<u>£</u>	<u>Financial</u>	<u>Financial</u>	<u>Bearing</u>
	£	<u>Liabilities</u>	<u>Liabilities</u>	<u>Financial</u>
	£	£	£	<u>Liabilities</u>
	£	£	£	£
<b>Sterling</b>				
At 31st August 2009	17,575,732	2,165,152	661,014	14,749,566
At 31st August 2008	16,543,956	1,045,026	749,364	14,749,566

Note 27 sets out the analysis of the movement in net debt during the year

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****18 FINANCIAL INSTRUMENTS (continued)**

The fair values of the fixed rate financial liabilities at 31st August 2009 were approximately £661,000 (2008 – £749,000) 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% (2008 – 5.5%)

The weighted average period for which the interest rate is fixed is three years (2008 – four years)

The floating rate financial liabilities bear interest at the bank base rate of HSBC plc plus 1.5% (bank overdraft) and plus 1.5% (bank loan) The new bank loan advanced in the year bears interest at a capped 3% above LIBOR

The maturity of the financial liabilities is set out at note 15

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

	<u>Total</u>	<u>Cash at Bank</u>	<u>Short-term</u>
<b>Sterling</b>	<u>£</u>	<u>and in hand</u>	<u>Deposits</u>
		<u>£</u>	<u>£</u>
At 31st August 2009			
- non-interest bearing	97,397	97,397	-
- floating rate	1,200,000	-	1,200,000
	<u>1,297,397</u>	<u>97,397</u>	<u>1,200,000</u>
<b>Sterling</b>			
At 31st August 2008			
- non-interest bearing	35,411	35,411	-
- floating rate	4,860,024	-	4,860,024
	<u>4,895,435</u>	<u>35,411</u>	<u>4,860,024</u>

Cash at bank and in hand at 31st August 2009 and 2008 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

**Fair value**

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

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****18 FINANCIAL INSTRUMENTS (continued)****Borrowing facilities**

The company had an overdraft facility at 31 August 2009 of £7 00m (2008 - £7 00m). The facility was renegotiated on 26 October 2009 to £8 50m and returned to £7 00m on 29 December 2009. The overdraft facility is due for review in 31 August 2010. The undrawn committed facilities at 31st August 2009 in respect of which all conditions have been met at that date were £7 00m (2008 - £6 18m).

**Currency risk**

The company has no significant exposures to foreign currencies.

**Liquidity risk**

The maturity profiles of the company's borrowings are set out at note 15.

**19 SHARE CAPITAL**

	<u>2009</u>		<u>2008</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
<b>(a) Authorised</b>				
Ordinary shares of 50p each	5,000,000	2,500,000	5,000,000	2,500,000
<b>(b) Allotted, Called Up and Fully Paid</b>				
Ordinary shares of 50p each	1,505,676	752,838	1,505,676	752,838

**20 RESERVES**

	<u>Share Premium Account</u> <u>£</u>	<u>Capital Redemption Reserve</u> <u>£</u>	<u>Revaluation Reserve</u> <u>£</u>	<u>Profit and Loss Account</u> <u>£</u>
At 1st September 2008	207,096	750	312,726	(3,399,423)
Sustained loss for the year	-	-	-	(19,704,762)
At 31st August 2009	207,096	750	312,726	(23,104,185)

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
(Loss)/profit for the financial year	(19,704,762)	3,128,241
Opening shareholders' funds	(2,126,013)	(5,254,254)
	<hr/>	<hr/>
Closing shareholders funds	(21,830,775)	(2,126,013)
	<hr/>	<hr/>

**22 RELATED PARTY TRANSACTIONS**

During the year, the Club was advanced £2,500,000 in the form of a short term loan from Roldvale Limited, a company of which D Sullivan is a director. Interest was charged on this loan at 0.5% and amounted to £19,397. The loan and interest were re-paid in full by 31 August 2009.

During the year, the Club was advanced £2,500,000 in the form of a short term loan from Gold Group International Limited, a company of which D Gold and R Gold are directors. Interest was charged on this loan at 0.5% and amounted to £20,630. The loan and interest were re-paid in full by 31 August 2009.

Henri Brandman & Co (Henri Brandman - director) acted as Solicitors on behalf of the Club during the year with fees amounting to £219,229 (2008 - £62,500). At the balance sheet date £11,500 (2008 - £Nil) was due from the company to Henri Brandman & Co.

Goods and services to the value of £Nil (2008 - £43,272) have been supplied by the club to Grandtop International Holdings Limited ("Grandtop") of which C Yeung is a director. In addition, a contribution of £49,988 was made by Grandtop to the club for legal and professional fees incurred by the club in respect of the takeover by Grandtop. At the balance sheet date £Nil (2008 - £29,125) was due from Grandtop to the company.

**23 CONTINGENT LIABILITIES****(a) Player Transfer Costs**

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum that could be payable in respect of transfers to 31st August 2009 is £1,082,687 (2008 - £2,474,125). Since the year end and to the approval of these accounts £Nil of this has crystallised.

**(b) Image Rights Payable**

The maximum possible commitments in respect of image rights due to players under contracts at the year end, contingent on whether they continue to play for next and future seasons, amounted to £480,000 (2008 - £786,000). The amounts are payable on future dates specified in their contracts and are not provided for in the accounts.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****24 CAPITAL AND OTHER FINANCIAL COMMITMENTS****(a) Capital Commitments**

	<u>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
Contracted but not provided for -		
Leasehold land and buildings	-	-
Fixtures and equipment	-	26,701
	<u>          </u>	<u>          </u>

**(b) Lease Commitments**

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

	<u>2009</u> <u>£</u>	<u>2008</u> <u>£</u>
Expiring		
Within one year - (plant and equipment)	97,486	51,161
Between two and five years - (plant and equipment)	24,324	66,600
Over five years - (land and buildings)	84,000	84,000
	<u>          </u>	<u>          </u>
	205,810	201,761
	<u>          </u>	<u>          </u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****25 RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>2009</u> £	<u>Re-stated</u> <u>2008</u> £
Operating (loss)/profit	(21,585,783)	87,248
Amortisation of player registrations	12,479,942	13,625,712
Depreciation	583,677	568,361
Profit on disposal of fixed assets	(2,024)	(150)
Amortisation of deferred grant	(56,969)	(56,970)
Decrease/(increase) in stocks	284,944	(57,127)
(Increase)/decrease in debtors	(763,323)	1,020,207
Increase/(decrease) in creditors	9,884,360	(12,237,922)
	<hr/>	<hr/>
<b>Net Cash Inflow from Operating Activities</b>	<b>824,824</b>	<b>2,949,359</b>
	<hr/>	<hr/>

**26 GROSS CASH FLOWS**

	<u>2009</u> £	<u>2008</u> £
<b>(i) Returns on Investments and Servicing of Finance</b>		
Bank interest received	23,291	30,195
Bank interest paid	(141,266)	(266,348)
	<hr/>	<hr/>
	(117,975)	(236,153)
	<hr/>	<hr/>
<b>(ii) Taxation</b>		
Corporation Tax paid	-	(7,296)
	<hr/>	<hr/>
<b>(iii) Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(794,228)	(340,615)
Receipts from sales of tangible fixed assets	2,840	19,150
Payments for purchases of players' contracts	(12,080,702)	(13,012,961)
Receipts from sales of players' contracts	7,535,427	10,909,720
	<hr/>	<hr/>
	(5,336,663)	(2,424,706)
	<hr/>	<hr/>
<b>(iv) Financing</b>		
Inception of new bank loan	2,000,000	-
Capital repayment of bank loan	(149,099)	(110,073)
	<hr/>	<hr/>
	1,850,901	(110,073)
	<hr/>	<hr/>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2009****27 ANALYSIS OF CHANGES IN NET DEBT**

	<u>1 September</u> <u>2008</u> <u>Re-stated</u> <u>£000</u>	<u>Cash Flows</u>  <u>£000</u>	<u>Non-cash</u> <u>Changes</u>  <u>£000</u>	<u>31 August</u> <u>2009</u>  <u>£000</u>
Cash at bank and in hand	4,895,435	(3,598,038)	-	1,297,397
Bank overdraft	(819,125)	819,125	-	-
<b>Net funds</b>	<b>4,076,310</b>	<b>(2,778,913)</b>	<b>-</b>	<b>1,297,397</b>
Preference shares	(18,500)	-	-	(18,500)
Bank loans	(975,265)	(1,850,901)	-	(2,826,166)
Loan from holding company	(14,731,066)	-	-	(14,731,066)
<b>Debt</b>	<b>(15,724,831)</b>	<b>(1,850,901)</b>	<b>-</b>	<b>(17,575,732)</b>
<b>Net debt</b>	<b>(11,648,521)</b>	<b>(4,629,814)</b>	<b>-</b>	<b>(16,278,335)</b>

**28 POST BALANCE SHEET EVENTS**

On 6 October 2009, Birmingham City plc, the company's immediate parent undertaking, was acquired by Birmingham International Holdings Limited (formerly Grandtop International Holdings Limited)

On 11 November 2009, shares in Birmingham City plc were de-listed from the Alternative Investment Market

**29 ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking during the year to 31 August 2009 was Birmingham City plc, a company registered in England and Wales, number 3304408. The accounts of this company can be obtained from St Andrew's Stadium, Birmingham, B9 4NH. On 6 October 2009 the ultimate parent undertaking became Grandtop International Holdings Limited, a company incorporated in the Cayman Islands.