

**BIRMINGHAM CITY FOOTBALL CLUB PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2010**

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# **BIRMINGHAM CITY FOOTBALL CLUB PLC**

## **FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010**

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**BIRMINGHAM CITY FOOTBALL CLUB PLC****DIRECTORS AND OFFICERS FOR THE PERIOD ENDED 30 JUNE 2010**

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<b>Directors and Officers.</b>	Yeung Ka Sing, Carson Hui Ho Luek, Vico 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>Joint Auditors</b>	Edwards Chartered Accountants and Registered Auditors Harmony House 34 High Street Aldridge Walsall WS9 8LZ  BDO LLP Chartered Accountants and Registered Auditors 125 Colmore Row Birmingham B3 3SD	
<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 PERIOD ENDED 30 JUNE 2010

The directors present their report and the audited financial statements for the 10 month period ended 30 June 2010

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 period ended 30 June 2010. It was extremely pleasing for the football club to retain its Premier League status. The team eventually finished in 9<sup>th</sup> place in the Premier League.

Turnover for the 10 month period to 30 June 2010 was £56.4m, up by 105% on the figure for the year ended 31 August 2009 of £27.5m with profit before taxation of £0.2m (2009 loss £20.1m). The significant increase in turnover and profitability reflects the Club's promotion to the Premier League at the end of the 2008/9 season and subsequent retention of Premier League status at the end of the 2009/10 season.

Despite the Club's balance sheet position showing net liabilities of £6.9m at 30 June 2010, the Board are pushing hard to continue to strengthen 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.

As noted above the Club was delighted to retain its Premier League status for the 2010/2011 season, which will provide a significant level of league and media income for the current season. The Club expects that the excellent performance and league position of last season will continue to support a strong level of support and match day income for the season and is pleased with the season ticket sales for the year and the gates in the early season matches. However, the club also recognises the difficult economic environment and are aware of the potential impact on attendance levels through the season.

Turnover analysis	2010	2009
Match receipts	7,403,736	5,313,556
Broadcasting	41,896,723	15,807,394
Commercial income	7,122,207	6,388,269
	<hr/>	<hr/>
Total revenue	56,422,666	27,509,219
	<hr/>	<hr/>

Match receipts contain two main revenue resources, gate receipts and season ticket sales. Despite being only a 10 month period, there has been an increase in match receipts of c £2.1m between the two periods under review, 2010 in the Premier League and 2009 in the Championship.

Broadcasting income increased by c £26.1m and commercial income increased by c £0.7m, again, as a direct result of promotion to and retention of Premier League status.

### PRINCIPAL ACTIVITY

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

### RESULTS AND DIVIDENDS

The results for the period are set out in the profit and loss account on page 10.

The profit on ordinary activities before taxation was £199,000 (2009 Loss - £20,527,000).

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 PERIOD ENDED 30 JUNE 2010**

### **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>2010</b>	<b>2009</b>
Revenue levels (football related and other)	£'000	56,423	27,509
Operating profit/(loss)	£'000	997	(21,586)
Staff costs (player related and other)	£'000	36,739	27,390
Average attendance levels	No's	25,246	19,053
Net cash inflow from operations	£'000	1,395	825

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 continues to experience 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.

### **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 during the year ended 31 August 2009. 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.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2010**

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**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.

**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 ended 31 August 2009 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.

**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 30 June 2010 were 75 days (31 August 2009: 70 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.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2010**

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**EMPLOYEES (continued)**

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.

**FUTURE TRADING AND LIQUIDITY**

As noted in the section above the company was delighted to retain its Premier League status for the 2010/2011 season, which will provide a significant level of league and media income for the current season. The club expects that the excellent performance and league position of last year will continue to support a strong level of support and match day income for the season and is pleased with the season ticket sales for the year and the gates in the early season matches. However, the club also recognises the difficult economic environment and are aware of the potential impact on attendance levels through the season.

The directors have prepared profit and cash flow forecasts ("the forecasts") for the period to 30 October 2011 as part of longer term forecasts prepared for the company. These forecasts are based on income expected to be generated during the 2011 premier league season which is itself based on the expected placing of the club in the premier league, retention of premier league status, expectations of player and management team costs, current expectations on transfer activities and the general administration costs expected to be incurred. The forecasts show that the company needs funding of around £7.5m from its ultimate parent company in the short term in order for the company to continue to operate within agreed bank facilities. In addition to the forecasts the directors have also prepared a sensitised forecast that shows the cash flows and funding required in the event that the football club does not achieve the forecast position in the premier league but does retain premier league status. This sensitised forecast shows a further requirement for funding of up to £3m in June 2011.

In order to obtain these, and additional funds to provide general working capital and financial support to the group, the ultimate parent company announced to the Hong Kong stock exchange on 24 October 2010 a fully underwritten placing agreement in respect of 450,000,000 shares to raise net funds of HK\$87m (approximately £7.15m) and a 'best efforts' (not underwritten) placing agreement of 1,100,000,000 shares to raise net funds of HK\$212m (approximately £17.5m). The placing of the underwritten and 'best effort' shares are subject to Hong Kong stock exchange approval of the listing of the shares, shareholder approval at an extraordinary general meeting of the allotment and issue of the shares, and the obligations of the placing agent becoming unconditional and not being terminated. In addition, the fund raising in respect of the best effort shares will be subject to a successful placing and take up of shares by the market. The net proceeds from the underwritten shares are expected to be received by the end of November 2010.

The directors of the ultimate parent company have confirmed that £7.5m of these funds are expected to be transferred to the company by the end of November 2010 and have also confirmed that additional funds of up to £3m will be made available to the company from the placing proceeds noted above, later in the year as and if required.

Although subject to the inherent uncertainties of any forecast and the potential need to manage short term fluctuations in cash flow compared to expectations, these forecasts show that if the loan funding required to be received from its ultimate parent company as noted above is received and the football club retains its premier league status then the company will be able to operate within its available bank facility levels for at least 12 months following the date of approval of these accounts. Therefore the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****REPORT OF THE DIRECTORS FOR THE PERIOD ENDED 30 JUNE 2010**

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**DIRECTORS**

The following directors have held office since 1 September 2009

Yeung Ka Sing, Carson	(appointed 13 October 2009)
Hui Ho Luek, Vico	(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)

None of the directors who acted during the year had an interest in the share capital at 31 August 2009 or 30 June 2010. Details of directors' shareholdings in the holding company, Birmingham City plc, are declared within its financial statements

**DISCLOSURE OF INFORMATION TO AUDITORS**

At the date of approval of these financial statements each of the company's directors, as set out above, 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**

During the year, Horwath Clark Whitehill LLP resigned as joint auditors and BDO LLP were appointed. Edwards and BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them and Edwards as joint auditors will be proposed at the annual general meeting.

**APPROVAL**

The report of the directors was approved by the Board on 25 October 2010 and signed on its behalf by



**Hui Ho Luek, Vico**  
**Managing Director**



**BIRMINGHAM CITY 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business,
- 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.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****INDEPENDENT AUDITORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2010**

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**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 10 month period ended 30 June 2010, 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 Part 3 of Chapter 16 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 30 June 2010 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006,

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

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****INDEPENDENT AUDITORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2010**

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

As required by the Companies Act 2006 we note that 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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made
- we have not obtained all the information and explanations that we consider necessary for the purposes of our audit

**Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company requirements for funding from its ultimate parent company in order to continue to operate within its agreed banking facilities and the plans of the ultimate parent company to obtain these funds through an announced placing of shares on the Hong Kong stock exchange. The placing of the shares is subject to the conditions set out in note 1 to the financial statements, the fund raising in respect of the fully underwritten shares is expected to be completed by the end of November 2010 and the fund raising in respect of the best effort shares will be subject to a successful placing and take up of shares by the market. These conditions indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.



**Adrian Stevens**  
(Senior Statutory Auditor)  
for and on behalf of  
Edwards, statutory auditor  
Walsall  
United Kingdom  
25 October 2010



**Thomas Lawton**  
(Senior Statutory Auditor)  
for and on behalf of  
BDO LLP, statutory auditor  
Birmingham  
United Kingdom  
25 October 2010

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305217)

**BIRMINGHAM CITY FOOTBALL CLUB PLC****PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2010**

			<u>Period ended</u> <u>30 June</u> <u>2010</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u>
	<u>Notes</u>	<u>Operations</u> <u>excluding</u> <u>player</u> <u>amortisation</u> <u>and trading</u> <u>£</u>	<u>Player</u> <u>amortisation</u> <u>and trading</u> <u>£</u>	<u>Total</u> <u>£</u>
<b>TURNOVER</b>	2	56,422,666	-	56,422,666
Operating expenses	3	(43,103,180)	(12,322,063)	(55,425,243)
<b>TRADING PROFIT/(LOSS)</b>		<b>13,793,745</b>	<b>(12,322,063)</b>	<b>1,471,682</b>
Exceptional items	4	(474,259)	-	(474,259)
<b>OPERATING PROFIT/(LOSS)</b>	4	<b>13,319,486</b>	<b>(12,322,063)</b>	<b>997,423</b>
Profit on sale of players' registrations	11	-	288,686	288,686
<b>PROFIT/(LOSS) BEFORE INTEREST AND TAXATION</b>		<b>13,319,486</b>	<b>(12,033,377)</b>	<b>1,286,109</b>
Bank interest receivable				2,341
Interest payable	5			(1,089,395)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				<b>199,055</b>
Tax on profit/(loss) on ordinary activities	8			-
<b>PROFIT/(LOSS) FOR THE PERIOD/YEAR 19 &amp; 20</b>				<b>199,055</b>

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

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 30 JUNE 2010**

	<u>Note</u>	<u>30 June</u> <u>2010</u>	<u>(As re-stated)</u> <u>31 August</u> <u>2009</u>
		£	£
<b>FIXED ASSETS</b>			
Intangible assets	9	27,272,949	20,672,743
Tangible assets	10	13,045,317	13,100,543
		<u>40,318,266</u>	<u>33,773,286</u>
<b>CURRENT ASSETS</b>			
Stocks	11	142,843	327,222
Debtors	12	7,980,117	7,947,807
(including £1,574,148 due in more than one year (2009 - £500,000))			
Cash at bank and in hand		1,321,232	1,297,397
		<u>9,444,192</u>	<u>9,572,426</u>
<b>CREDITORS. Amounts falling due within one year</b>	13	(34,108,013)	(44,643,591)
<b>NET CURRENT LIABILITIES</b>		<u>(24,663,821)</u>	<u>(35,071,165)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>15,654,445</u>	<u>(1,297,879)</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14	(20,555,099)	(20,532,896)
Provisions for liabilities	17	(2,000,000)	-
<b>NET LIABILITIES</b>		<u>(6,900,654)</u>	<u>(21,830,775)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	752,838	752,838
Share premium account	19	207,096	207,096
Capital redemption reserve	19	750	750
Revaluation reserve	19	312,726	312,726
Other reserves	19	14,731,066	-
Profit and loss account	19	(22,905,130)	(23,104,185)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	20	<u>(6,900,654)</u>	<u>(21,830,775)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 25 October 2010

  
Company Number. 27318

Hui Ho Luek, Vico - Director

**BIRMINGHAM CITY FOOTBALL CLUB PLC****CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2010**

	<u>Note</u>	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	24	1,736,391	824,824
Returns on Investments and Servicing of Finance	25(i)	(181,320)	(117,975)
Taxation	25(ii)	29,052	-
Capital Expenditure	25(iii)	(14,415,464)	(5,336,663)
<b>Net Cash Outflow Before Financing</b>		(12,831,341)	(4,629,814)
Financing	25(iv)	11,208,616	1,850,901
<b>DECREASE IN CASH</b>		(1,622,725)	(2,778,913)

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

	<u>Note</u>	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
Decrease in cash in year		(1,622,725)	(2,778,913)
Inception of new bank loan	25(iv)	-	(2,000,000)
Other loans advanced	25(iv)	(12,096,264)	-
Capital repayments of bank loans	25(iv)	878,029	149,099
Capital repayments under finance leases	25(iv)	9,619	-
<b>Change in net debt resulting from cash flows</b>	26	(12,831,341)	(4,629,814)
New finance lease agreements	26	(57,395)	-
Waiver of inter company loan	26	14,731,066	-
Net debt brought forward	26	(16,278,335)	(11,648,521)
Net debt carried forward	26	(14,436,005)	(16,278,335)

# BIRMINGHAM CITY FOOTBALL CLUB PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

### 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) Going Concern**

The balance sheet at this period end shows net current liabilities of £24.7m (2009 net current liabilities of £35.1m) and net liabilities of £6.9m (2009 £21.8m). The company has received loans from Yeung Ka Sing, Carson amounting to £12.1m as at 30 June 2010, and a further £2.8m since the period end and these loans have been confirmed by Yeung Ka Sing, Carson to remain in place for at least the 12 months from the date of signing of these financial statements. The bankers to the company have recently reconfirmed the bank facilities available to the company for at least the period to August 2011 and the directors are not aware of any reason why these facilities will not continue into the future.

The directors have prepared profit and cash flow forecasts ("the forecasts") for the period to 30 October 2011 as part of longer term forecasts prepared for the company. The forecasts are based on income expected to be generated during the 2011 premier league season which is itself based on the expected placing of the club in the premier league, expectations of player and management team costs, current expectations on transfer activities and the general administration costs expected to be incurred. The forecasts show that the company needs funding of around £7.5m from its ultimate parent company in the short term in order for the company to continue to operate within its agreed bank facilities. In addition to the forecasts the directors have also prepared a sensitised forecast that shows cash flows and funding required in the event that the football club does not achieve the forecast position in the premier league but does retain its premier league status. The sensitised forecast shows a further requirement for funding of up to £3m in June 2011. The directors are confident that the football club will retain its premier league status and both forecasts have been prepared on that basis.

In order to obtain these, and additional funds to provide general working capital and financial support to the company, the ultimate parent company announced to the Hong Kong stock exchange on 24 October 2010 a fully underwritten placing agreement in respect of 450,000,000 shares to raise net funds of HK\$87m (approximately £7.15m) and a 'best efforts' (not underwritten) placing agreement of 1,100,000,000 shares to raise net funds of HK\$212m (approximately £17.5m).

The placing of the underwritten and the 'best effort' shares are subject to Hong Kong stock exchange approval of the listing of the shares, shareholder approval at an extra ordinary general meeting of the allotment and issue of the shares, and the obligations of the placing agent becoming unconditional and not being terminated. In addition, the fund raising in respect of the 'best effort' shares will be subject to a successful placing and take up of shares by the market. The net proceeds from the underwritten shares are expected to be received by the end of November 2010.

The directors of the ultimate parent company have confirmed that £7.5m of the net funds to be received from the placing are expected to be transferred to the company by the end of November 2010 and have also confirmed that additional funds of £3m will be made available to the company from the placing proceeds noted above later in the year as and if required.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

However, given the funding expected to be provided by the ultimate parent company the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

**(c) 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.

## BIRMINGHAM CITY FOOTBALL CLUB PLC

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010

## 1 ACCOUNTING POLICIES (continued)

## (c) Turnover (continued)

(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.

(vi) Sales of players registrations are recorded at the date of signing of the contract for sale. Any costs incurred directly related to the sale are written off against profit on sale of player registrations as incurred. Allowance is made for any contingent fees only to the extent that in management's opinion, the receiving club or player is likely to achieve the requirements to trigger these further receipts. Where the outcome of these contingent payments is uncertain it is not recorded as part of sales of players registrations.

## (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

## (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) 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.



**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****1 ACCOUNTING POLICIES (continued)****(h) 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.

**(i) 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.

**(j) 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.

**(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.

**(l) 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.

**(m) Investments**

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

**(n) Stock**

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

**(o) Agent's fees**

Agent fees incurred relating to services provided to the player but paid on their behalf by the club were previously capitalised as intangible assets. During the current period, the company has changed its accounting policy to reflect industry best practice. As a result all agent fees incurred relating to services provided to the player are now treated as a prepayment and unwound over a period to match the payment terms. This release is to wages and salaries cost within the profit and loss account rather than to player amortisation. This change in accounting policy has led to a restatement of the prior year intangible balance with a brought forward cost and depreciation of £765,627 and £242,352 respectively being reclassified to prepayments. An amount of £236,511 relating to the unwinding of these player agent fees has been reclassified from player amortisation to wages and salaries cost within 2009.

**(p) Corresponding amounts**

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

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****2 TURNOVER**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
Turnover which arises in the UK comprises -		
Match receipts	7,403,736	5,313,556
Broadcasting	41,896,723	15,807,394
Commercial income	7,122,207	6,388,269
	<hr/>	<hr/>
	56,422,666	27,509,219
	<hr/>	<hr/>

**3 OPERATING EXPENSES**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>(As re-stated)</u> <u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
Amortisation of players' registrations (note 9)	12,322,063	12,237,590
Staff costs (note 7)	36,739,183	27,389,708
Depreciation (note 10)	538,568	583,677
Amortisation of deferred capital grants (note 16)	(47,474)	(56,969)
Loss/(profit) on disposal of fixed assets	306	(2,024)
Other operating expenses	5,872,597	8,943,020
	<hr/>	<hr/>
	55,425,243	49,095,002
	<hr/>	<hr/>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****4 OPERATING PROFIT/(LOSS)**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
<b>Operating profit/(loss) is stated after charging/(crediting) -</b>		
Aggregate directors' emoluments (note 6)	(1,306,807)	1,046,137
Fees payable to the company's auditors for the audit of the financial statements	26,500	19,000
Depreciation of tangible fixed assets – owned	530,678	583,677
Depreciation of tangible fixed assets – finance leases	7,890	-
Amortisation of deferred capital grants (note 16)	(47,474)	(56,969)
Equipment leased under operating leases	136,373	142,213
Premises leased under an operating lease	70,000	84,000

The financial statements do not disclose remuneration receivable by auditors for other services  
This information is disclosed in the consolidated financial statements of Birmingham City plc

**Exceptional items**

During the period, the club received net income of £446,326 (31 August 2009 - £Nil) in respect of various matters associated with the purchase of the club by Birmingham International Holdings Limited (formerly Grandtop International Holdings Limited) and the removal of former shareholders and directors

During the period, the club made further provision for PAYE and NIC payable on player agent's fees, image rights and termination payments amounting to £920,585 (31 August 2009 - £1,101,824) In respect of these amounts, interest of £623,456 (31 August 2009 - £280,449) had been accrued during the period and is included within interest payable

**5 INTEREST PAYABLE**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
On bank loans and overdrafts	178,930	141,266
On finance lease agreements	4,731	-
Accrued interest on HMRC tax liabilities	671,677	508,888
Interest on other loans	234,057	-
	<u>1,089,395</u>	<u>650,154</u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****6 DIRECTORS' REMUNERATION (Excluding Pension Contributions)**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
Aggregate directors' remuneration	(1,306,807)	1,046,137
Highest paid director	724,855	466,137

Aggregate directors' emoluments include £940,831 received from Roldvale Limited for D Sullivan (31 August 2009 - £280,000 paid), £1,090,830 received from Gold Group International Limited in respect of D and R Gold (31 August 2009 - £280,000 paid) and £699,372 compensation for loss of office in respect of former director, K Brady

The company has not made any contributions to directors' personal pension arrangements in the period (31 August 2009 - None)

**7 STAFF COSTS**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>(As re-stated)</u> <u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
<b>Staff costs, including directors, during the year were made up as follows:-</b>		
Wages, salaries, signing on fees	32,272,489	23,602,458
Social security costs	4,466,694	3,787,250
	<u>36,739,183</u>	<u>27,389,708</u>

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

	<u>No</u>	<u>No</u>
Playing staff	53	51
Training staff	27	23
Training ground staff	20	19
Commercial and fund raising staff	27	25
Shop staff	7	7
Administration and other staff	28	27
	<u>162</u>	<u>152</u>

During the period ended 30 June 2010, the company also employed approximately 510 temporary staff on match days (year ended 31 August 2009 – 361)

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****8 TAXATION**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
United Kingdom Corporation Tax – current tax	-	(1,070,087)
Deferred tax (note 17)	-	247,630
	<hr/>	<hr/>
Total tax credit on ordinary activities	-	(822,457)
	<hr/>	<hr/>

**Factors affecting the current tax credit for the period/year**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	199,055	(20,527,219)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 28% (2009 – 28%)	55,735	(5,747,621)
Effects of		
Expenses not deductible for tax purposes	216,149	22,824
Interest not deductible for tax purposes	189,370	142,489
Difference between capital allowances and depreciation for the year	6,047	146,911
Use of tax losses brought forward	(467,301)	-
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)
	<hr/>	<hr/>
<b>Actual current tax credit</b>	-	(1,070,087)
	<hr/>	<hr/>

**Factors that may affect future tax charges**

At 30 June 2010, the company has trading losses of £14,173,696 (31 August 2009 - £15,842,628) to carry forward and use against future trading profits

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****9 INTANGIBLE FIXED ASSETS**

	<u>Players'</u> <u>Registrations</u> <u>£</u>
<b>Cost</b>	
At 1 September 2009 (as re-stated)	43,172,995
Additions	19,031,307
Disposals	(11,040,583)
	<hr/>
At 30 June 2010	51,163,719
	<hr/>
<b>Amortisation</b>	
At 1 September 2009 (as re-stated)	22,500,252
Charge for the period	12,322,063
Eliminated on disposals	(10,931,545)
	<hr/>
At 30 June 2010	23,890,770
	<hr/>
<b>Net Book Value</b>	
At 30 June 2010	27,272,949
	<hr/>
At 31 August 2009 (as re-stated)	20,672,743
	<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.

Re-statement of cost and amortisation at 1 September 2009 is explained further in accounting policy 1(p).

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****10 TANGIBLE FIXED ASSETS**

	<u>Freehold Land and Buildings</u> £	<u>Long Leasehold Land and Buildings</u> £	<u>Fixtures and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
<b>Cost or Valuation.</b>					
At 1 September 2009	13,113,379	2,719,347	4,148,106	278,453	20,259,285
Additions	12,267	204,434	229,963	45,844	492,508
Disposals	-	-	-	(9,999)	(9,999)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2010	13,125,646	2,923,781	4,378,069	314,298	20,741,794
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Depreciation.</b>					
At 1 September 2009	3,413,291	294,532	3,309,062	141,857	7,158,742
Charge for the period	218,661	45,522	231,582	42,803	538,568
Eliminated on disposals	-	-	-	(833)	(833)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2010	3,631,952	340,054	3,540,644	183,827	7,696,477
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Book Value.</b>					
At 30 June 2010	9,493,694	2,583,727	837,425	130,471	13,045,317
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 August 2009	9,700,088	2,424,815	839,044	136,596	13,100,543
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The net book value of fixed assets includes £49,505 (31 August 2009 – £Nil) in respect of assets held under finance lease agreements, the depreciation on which is shown in note 4

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****10 TANGIBLE FIXED ASSETS (continued)**

Freehold Land and Buildings comprise -

	£
Cost and valuation 1991	1,153,807
Additions at cost 1991 to 2010	11,971,839
	<hr/>
Depreciation	13,125,646 (3,631,952)
	<hr/>
At 30 June 2010	9,493,694
	<hr/>
At 31 August 2009	9,700,088
	<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>30 June</u> <u>2010</u> £	<u>31 August</u> <u>2009</u> £
Cost	12,812,920	12,800,653
Accumulated depreciation	(3,571,196)	(3,314,938)
	<hr/>	<hr/>
	9,241,724	9,485,715
	<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>30 June</u> <u>2010</u> £	<u>31 August</u> <u>2009</u> £
Goods for resale	142,843	327,222
	<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 PERIOD ENDED 30 JUNE 2010****12 DEBTORS**

	<u>30 June</u> <u>2010</u> £	<u>(As re-stated)</u> <u>31 August</u> <u>2009</u> £
Trade debtors	1,910,595	5,466,615
Other debtors	2,073	97,599
Amounts due from group undertakings	2,247,199	-
Corporation tax	-	29,052
Prepayments	3,820,250	2,354,541
	<u>7,980,117</u>	<u>7,947,807</u>

Included within trade debtors is £500,000 (31 August 2009 - £500,000) in respect of transfer fees receivable, of which £Nil (31 August 2009 - £Nil) is receivable after more than one year. Included within prepayments is £1,853,677 (31 August 2009 - £1,242,163) in respect of signing on fees, of which £1,574,148 (31 August 2009 - £Nil) is receivable after more than one year.

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

	<u>30 June</u> <u>2010</u> £	<u>(As re-stated)</u> <u>31 August</u> <u>2009</u> £
Bank loan	1,382,468	1,457,676
Bank overdraft	1,646,560	-
Net obligations under finance lease agreements	14,624	-
	<u>3,043,652</u>	<u>1,457,676</u>
Debt due within one year (note 15)	3,043,652	1,457,676
Trade creditors	16,039,821	13,182,625
Other creditors	89,982	40,008
Corporation tax	-	-
Taxation and social security costs	5,456,667	6,121,559
Accruals	5,910,260	2,177,434
Deferred income	3,510,662	21,607,320
Capital grants (deferred income) (note 16)	56,969	56,969
	<u>34,108,013</u>	<u>44,643,591</u>

Included within trade creditors is £17,440,931 (31 August 2009 - £12,226,141) in respect of actual and contingent transfer fees payable and agent's fees payable, of which £4,836,648 (31 August 2009 - £2,450,000) is payable after more than one year. Included within accruals is £1,862,302 (31 August 2009 - £486,935) in respect of signing on fees payable, of which £1,087,500 (31 August 2009 - £Nil) is payable after more than one year.

Net obligations under finance lease agreements are secured on the assets to which they relate.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****14 CREDITORS Amounts falling due after more than one year**

	<u>30 June</u> <u>2010</u> £	<u>31 August</u> <u>2009</u> £
Amount due to holding company	-	14,731,066
Bank loan	565,669	1,368,490
Preference share capital	18,500	18,500
Other loans	12,096,264	-
Net obligations under finance lease agreements	33,152	-
	<hr/>	<hr/>
Debt due after more than one year (note 15)	12,713,585	16,118,056
Trade creditors	4,836,648	2,450,000
Accruals	1,087,500	-
Deferred income	-	-
Capital grants (deferred income) (note 16)	1,917,366	1,964,840
	<hr/>	<hr/>
	20,555,099	20,532,896
	<hr/> <hr/>	<hr/> <hr/>

The bank borrowings are secured on the company's land and buildings and are fully repayable within five years

The other loans reflect amounts received by the club during the year from Yeung Ka Sing, Carson, who has confirmed that none of this amount will be required to be repaid for at least 12 months from the date of approval of these accounts. The loans bear interest at 5%. Yeung Ka Sing, Carson advanced additional loans of £2.8m subsequent to the period end.

**Preference share capital**

	<u>30 June</u> <u>2010</u>		<u>31 August</u> <u>2009</u>	
	No	£	No	£
<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 PERIOD ENDED 30 JUNE 2010****15 DEBT OBLIGATIONS**

The borrowing of the company relates to bank borrowings, other loans, obligations under finance leases, amounts due to holding company and preference shares, the maturity of which is analysed below

	<u>30 June</u> <u>2010</u> £	<u>31 August</u> <u>2009</u> £
<b>Borrowings repayable:</b>		
Within one year	3,043,652	1,457,676
More than one year but not more than two years	582,927	800,657
More than two years but not more than five years	15,894	567,833
After five years	12,114,764	14,749,566
	<hr/>	<hr/>
Total borrowings	15,757,237	17,575,732
	<hr/>	<hr/>

**16 DEFERRED CAPITAL GRANT**

Included within creditors is £1,974,335 (31 August 2009 - £2,021,809) relating to deferred capital grants

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

**17 PROVISIONS FOR LIABILITIES**

	£
At 1 September 2009	-
Amount charged to profit and loss account	2,000,000
	<hr/>
At 30 June 2010	2,000,000
	<hr/>

In common with many other football clubs, the company has received a number of assessments from HMRC in respect of indirect taxes. The directors have sought professional advice in respect of these matters and have reserved for a level of cost to cover the potential amounts due. The amounts reserved are included within either creditors due within one year or within provisions above.

The directors continue to strongly challenge the position and hope to settle any liabilities due at amounts less than those provided for within these accounts.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****17 PROVISIONS FOR LIABILITIES (Continued)**

	<u>30 June 2010</u>		<u>31 August 2009</u>	
	<u>Potential Asset</u>	<u>Provision Made</u>	<u>Potential Asset</u>	<u>Provision Made</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Excess of depreciation over capital allowances				
At 1 September 2009		-		-
Amount charged to profit and loss account		-		-
At 30 June 2010 (note 12)		-		-
Excess of depreciation over capital allowances	254,815	-	331,515	-
Losses	3,826,898	-	4,435,936	-

The potential asset and provision are based on a corporation tax rate of 27% (31 August 2009 – 28%). No deferred tax asset has been recognised at 30 June 2010 in accordance with FRS 19 Deferred Tax on the basis that future recoverability of such an asset is uncertain

**18 SHARE CAPITAL**

	<u>30 June 2010</u>		<u>31 August 2009</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
<b>Allotted, Called Up and Fully Paid</b>				
Ordinary shares of 50p each	1,505,676	752,838	1,505,676	752,838

**19 RESERVES**

	<u>Share Premium Account</u>	<u>Capital Redemption Reserve</u>	<u>Revaluation Reserve</u>	<u>Other Reserves</u>	<u>Profit and Loss Account</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1 September 2009	207,096	750	312,726	-	(23,104,185)
Capital contribution	-	-	-	14,731,066	-
Retained profit for the period	-	-	-	-	199,055
At 30 June 2010	207,096	750	312,726	14,731,066	(22,905,130)

During the period, the club's parent company, Birmingham City plc, waived a loan of £14,731,066 previously included in creditors falling due after more than one year

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>30 June</u> <u>2010</u> £	<u>31 August</u> <u>2009</u> £
Profit/(loss) for the financial year	199,055	(19,704,762)
Capital contribution	14,731,066	-
Opening shareholders' funds	(21,830,775)	(2,126,013)
	<hr/>	<hr/>
Closing shareholders funds	(6,900,654)	(21,830,775)
	<hr/>	<hr/>

**21 RELATED PARTY TRANSACTIONS**

During the period, the Club was charged management fees of £280,000 by Roldvale Limited, a company of which D Sullivan is a director. In addition, the Club recovered £1,250,000 relating to management charges incorrectly invoiced to the Club in previous years. There were no amounts payable by or to the Club at 30 June 2010 in respect of these management charges.

During the period, the Club was charged management fees of £280,000 by Gold Group International Limited, a company of which D Gold and R Gold are directors. In addition, the Club recovered £1,400,000 relating to management charges incorrectly invoiced to the Club in previous years. There were no amounts payable by or to the Club at 30 June 2010 in respect of these management charges.

Henri Brandman & Co (Henri Brandman – former director) acted as Solicitors on behalf of the Club during the period with fees amounting to £Nil (31 August 2009 - £219,229). At the balance sheet date £Nil (31 August 2009 - £11,500) was due from the company to Henri Brandman & Co.

During the period, the Club was advanced £12,096,264 (2009 - £Nil) in the form of a long term loan from C Yeung, director. Interest of £234,057 (2009 - £Nil) was charged to the Club by C Yeung during the period. At the balance sheet date, £12,096,264 (31 August 2009 - £Nil) was due from the Club to C Yeung and is included in creditors falling due after more than one year and £234,057 (31 August 2009 - £Nil) was due from the Club to C Yeung in respect of interest and is included in creditors falling due within one year. The loan carries interest at 5% and has no fixed repayment date.

During the period, the Club paid expenses on behalf of its ultimate parent undertaking Birmingham International Holdings Limited (formerly known as Grandtop International Holdings Limited) amounting to £2,533,175. At the balance sheet date, £2,247,199 (31 August 2009 - £Nil) was due to the Club from Birmingham International Holdings Limited and is included in debtors, amounts due from group undertakings.

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****22 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 30 June 2010 is £1,614,751 (31 August 2009 - £1,082,687). 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 £Nil (31 August 2009 - £480,000). The amounts are payable on future dates specified in their contracts and are not provided for in the accounts.

**23 CAPITAL AND OTHER FINANCIAL COMMITMENTS****(a) Capital Commitments**

	<u>30 June</u> <u>2010</u> £	<u>31 August</u> <u>2009</u> £
Contracted but not provided for -		
Leasehold land and buildings	-	-
Fixtures and equipment	54,200	-
	<u>54,200</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>30 June</u> <u>2010</u> £	<u>31 August</u> <u>2009</u> £
Expiring		
Within one year - (plant and equipment)	79,860	97,486
Between two and five years - (plant and equipment)	25,823	24,324
Over five years - (land and buildings)	84,000	84,000
	<u>189,683</u>	<u>205,810</u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****24 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>Period ended</u> <u>30 June</u> <u>2010</u> <u>£</u>	<u>(As re-stated)</u> <u>Year ended</u> <u>31 August</u> <u>2009</u> <u>£</u>
Operating profit/(loss)	997,423	(21,585,783)
Amortisation of player registrations	12,322,063	12,479,942
Depreciation	538,568	583,677
Loss/(profit) on disposal of fixed assets	306	(2,024)
Amortisation of deferred capital grants	(47,474)	(56,969)
Decrease in stocks	184,379	284,944
Increase in debtors	(186,362)	(763,323)
(Decrease)/increase in creditors	(14,072,512)	9,884,360
Increase in provisions	2,000,000	-
<b>Net Cash Inflow from Operating Activities</b>	<b>1,736,391</b>	<b>824,824</b>

**25 GROSS CASH FLOWS**

	<u>£</u>	<u>£</u>
<b>(i) Returns on Investments and Servicing of Finance</b>		
Bank interest received	2,341	23,291
Bank interest paid	(178,930)	(141,266)
Finance lease interest paid	(4,731)	-
	<u>(181,320)</u>	<u>(117,975)</u>
<b>(ii) Taxation</b>		
Corporation Tax received	29,052	-
	<u>29,052</u>	<u>-</u>
<b>(iii) Capital Expenditure</b>		
Payments to acquire tangible fixed assets	(435,113)	(794,228)
Receipts from sales of tangible fixed assets	8,860	2,840
Payments for purchases of players' contracts	(14,511,935)	(12,080,702)
Receipts from sales of players' contracts	522,724	7,535,427
	<u>(14,415,464)</u>	<u>(5,336,663)</u>
<b>(iv) Financing</b>		
Inception of new bank loan	-	2,000,000
Other loans advanced	12,096,264	-
Capital repayments under finance leases	(9,619)	-
Capital repayments of bank loans	(878,029)	(149,099)
	<u>11,208,616</u>	<u>1,850,901</u>

**BIRMINGHAM CITY FOOTBALL CLUB PLC****NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2010****26 ANALYSIS OF CHANGES IN NET DEBT**

	<u>1 September</u> <u>2009</u> <u>£000</u>	<u>Cash Flows</u> <u>£000</u>	<u>Non-cash</u> <u>Changes</u> <u>£000</u>	<u>30 June</u> <u>2010</u> <u>£000</u>
Cash at bank and in hand	1,297,397	23,835	-	1,321,232
Bank overdraft	-	(1,646,560)	-	(1,646,560)
<b>Net funds</b>	<b>1,297,397</b>	<b>(1,622,725)</b>	<b>-</b>	<b>(325,328)</b>
Preference shares	(18,500)	-	-	(18,500)
Bank loans	(2,826,166)	878,029	-	(1,948,137)
Finance leases	-	9,619	(57,395)	(47,776)
Other loans	-	(12,096,264)	-	(12,096,264)
Loan from holding company	(14,731,066)	-	14,731,066	-
<b>Debt</b>	<b>(17,575,732)</b>	<b>(11,208,616)</b>	<b>14,673,671</b>	<b>(14,110,677)</b>
<b>Net debt</b>	<b>(16,278,335)</b>	<b>(12,831,341)</b>	<b>14,673,671</b>	<b>(14,436,005)</b>

**27 ULTIMATE PARENT UNDERTAKING**

The ultimate parent undertaking during the period from 1 September 2009 to 6 October 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 Birmingham International Holdings Limited (formerly known as Grandtop International Holdings Limited), a company incorporated in the Cayman Islands.