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BIRMINGHAM CITY FOOTBALL CLUB PLC
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST AUGUST 2008

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BIRMINGHAM CITY FOOTBALL CLUB PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008

CONTENTS:

	<u>Page</u>
Directors and Officers	1
Five Year Trading Record	2
Directors' Report	3 - 7
Directors' Responsibilities for Preparing the Financial Statements	8
Auditors' Report	9
Profit and Loss Account	10
Balance Sheet	11
Cash Flow Statement	12
Notes Forming Part of the Financial Statements	13 - 31

BIRMINGHAM CITY FOOTBALL CLUB PLC

DIRECTORS AND OFFICERS FOR THE YEAR ENDED 31ST AUGUST 2008

Directors and Officers:

D. Gold	(Chairman)
D. Sullivan	
K. Brady	(Managing Director)
R. Gold	
B. Gold	
H. Brandman	
J.F. Wiseman	
M. Wiseman	

Company Secretary: R. A. Bannister

Team Manager: Alex McLeish

Registered Office: St Andrew's Stadium
Birmingham
B9 4NH
Tel. No. 0871-226-1875

Auditors: Edwards
Chartered Accountants and
Registered Auditors
Harmony House
34 High Street
Aldridge
Walsall
WS9 8LZ

Principal Bankers: HSBC Bank plc
PO Box 68
130 New Street
Birmingham
B2 4JU

Principal Solicitors: Henri Brandman & Co
71 Wimpole Street
London
W1G 8AY

Company Number: 27318

BIRMINGHAM CITY FOOTBALL CLUB PLC**FIVE YEAR TRADING RECORD**

	<u>2008</u>	<u>Re-stated</u> <u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£	£
Match Receipts, F.A. and Football League Distributions	20,921,215	11,379,040	17,913,106	20,869,620	21,476,371
Commercial Activities Including Television and Radio Fees	28,914,450	13,659,940	22,203,780	21,836,315	23,860,447
INCOME	<u>49,835,665</u>	<u>25,038,980</u>	<u>40,116,886</u>	<u>42,705,935</u>	<u>45,336,818</u>
Wages	26,566,595	20,920,927	26,183,954	27,347,929	23,159,177
Other expenses	9,556,110	9,613,224	7,593,946	6,760,492	7,727,292
EXPENDITURE	<u>36,122,705</u>	<u>30,534,151</u>	<u>33,777,900</u>	<u>34,108,421</u>	<u>30,886,469</u>
OPERATING PROFIT/(LOSS) BEFORE AMORTISATION OF PLAYERS AND INTEREST	<u>13,712,960</u>	<u>(5,495,171)</u>	<u>6,338,986</u>	<u>8,597,514</u>	<u>14,450,349</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2008

The directors present their report and the audited financial statements for the year ended 31st August 2008.

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 ending 31st August 2008. It was extremely disappointing for the football club to lose its Premier League status after just one year in the top flight of English football particularly after the significant investment made in the first team squad in the previous close season and in the January 2008 transfer window. The team eventually finished in 19th place in the Premier League having spent much of the second half of the season fighting to avoid relegation. In the domestic cup competitions defeat in the 3rd round of the Carling Cup away to Blackburn was followed by defeat to Huddersfield in the FA Cup. In November 2007 Steve Bruce who had served as manager for six years left to join Wigan Athletic and was replaced by Alex McLeish and his management team. I would like to take this opportunity, on behalf of shareholders, to thank Steve and his staff for all they did for Birmingham City whilst at the Club. In the opinion of the Board we have the right man in place to bring further success to the Club.

Turnover for the year to 31st August 2008 was £49.8m, up 99% on the 2007 figure (£25m) with the profit on ordinary activities before taxation at £5.4m (2007: loss £6.2m). The significant increase in turnover and profitability reflects the Clubs promotion to the Premier League for the season 2007/08 allied to profits earned on the disposal of players.

Turnover analysis:	2008	2007
Match receipts, F.A. and League distributions	20,921,215	11,379,040
Television and radio coverage	18,955,828	6,700,602
Commercial activities	9,958,622	6,959,338
	<hr/>	<hr/>
Total revenue	49,835,665	25,038,980
	<hr/>	<hr/>

Match Receipts contain two main revenue sources, gate receipts and League Distributions. Somewhat disappointingly gate receipts between the two years under review, 2007 in the Championship and 2008 in the Premier League remained almost identical at £7.4m. Television Revenues increased dramatically with facility fees guaranteed for ten matches from BSkyB. Income from Commercial Activities showed a material increase with box and executive package sales, advertising revenues and conference and events income up. Total Commercial Revenues also include a one-off net compensation fee of £2.5m received in relation to Steve Bruce joining Wigan and the appointment of Alex McLeish as Manager of the Club in November 2007.

Overhead analysis:	2008	2007
Match and Ground expenses	6,899,120	6,195,829
Administration expenses	2,145,749	2,933,066
Staff costs	26,566,595	20,920,927
Depreciation, profit on sale of fixed assets and amortisation of capital grants	511,241	484,329
	<hr/>	<hr/>
Total overheads	36,122,705	30,534,151
	<hr/>	<hr/>

The increase in overheads of £5.6m is as a result of an increase in staff costs, up 27% on the previous year. This increase is due almost entirely to an increase in payments to players.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2008

FINANCIAL AND OPERATING REVIEW (continued)

Player amortization rose from £8.4m in 2007 to £13.6m in the year to 31st August 2008 reflecting the write off of additional costs incurred in signing players in the 2007/08 pre-season and the January 2008 transfer window. In total during the period under review 14 senior players were sold or left the Club including Mikael Forssell, Fabrice Muamba and Olivier Kapo. Significant profits were made on the sale of Muamba and Kapo to Wigan Athletic and Matthew Sadler to Watford while additional gains were made on performance targets achieved by players sold in previous years.

Senior players joining the Club during this time include James McFadden, David Murphy, Lee Carsley and Marcus Bent. In addition Kemy Agustien and Quincy Owusu-Abeyie have joined the Club for periods on loan costing the Club in excess of £1.5m.

The current season has started extremely positively with the Club recording its best ever start to a League Campaign. The Club has been in the top two positions in the table since August. Games, particularly those at home have been very hard fought with many teams considering a visit to St Andrews as their biggest game of the season. The Club has already been selected for 8 appearances on Sky this season, the highest number of any Championship team, showing the strength and size of our brand.

The Club is undertaking scheduled major work on the Main Stand during 2008/2009 costing in the region of £1.3m; this will involve a complete restructuring of the Stand and refurbishment of the Wiseman, Captains Club and Trevor Francis areas.

We expect to be pushing hard to regain 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.

PRINCIPAL ACTIVITY

The principal activity of the company continued to be that of a Football Club. For the football season 2007/08 the company was promoted to the Premier League but relegated to the Championship football league for the 2008/9 season.

RESULTS AND DIVIDENDS

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

The profit on ordinary activities before taxation was £4,554,000 (2007: re-stated loss - £6,230,000).

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

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:

		2008	2007
Revenue levels (football related and other)	£'000	49,836	25,039
Operating profit/(loss)	£'000	87	(13,866)
Staff costs (player related and other)	£'000	26,567	20,921
Average attendance levels	No's	25,737	22,449
Average match ticket prices	£	£20.00	£16.42
Net cash inflow from operations	£'000	1,462	8,343

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.

BIRMINGHAM CITY FOOTBALL CLUB PLC**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2008**

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 will not be 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. The company does not hedge account for this derivative financial instrument.

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

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

Liquidity risk

The 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.

BIRMINGHAM CITY FOOTBALL CLUB PLC**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2008**

FINANCIAL INSTRUMENTS (continued)***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 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 8 and 9 to the financial statements.

In the opinion of the directors, the book value of freehold land included in fixed assets (note 9) is significantly less than 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 2008 were 67 days (2007: 60 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.

BIRMINGHAM CITY FOOTBALL CLUB PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST AUGUST 2008

GOING CONCERN (continued)

In common with the majority of other companies, the current economic conditions create uncertainty, particularly over the attendance levels with potential implications on actual levels of revenues and cash generation. The company's trading and forecasts take into account of a range of possible changes in trading performance and show that the group should be able to operate within the existing facilities. The company have held discussions with its bankers 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.

DIRECTORS

The following directors have held office since 1 September 2007:

D. Gold
D. Sullivan
K. Brady
R. Gold
B. Gold
H. Brandman
J. F. Wiseman
M. Wiseman

None of the directors who acted during the year had an interest in the share capital at 31st August 2007 or 31st August 2008.

Details of directors' shareholdings in the holding company, Birmingham City plc, are declared within its financial statements. In accordance with the Articles, B. Gold, R. Gold, H. Brandman and J. F. Wiseman retire by rotation and being eligible, offer themselves for re-election.

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 13 January 2009 and signed on its behalf by:



K. BRADY

Managing Director

BIRMINGHAM FOOTBALL CLUB PLC

DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for 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 2008**

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

We have audited the financial statements of Birmingham City Football Club plc for the year ended 31st August 2008, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is not consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Five Year Trading Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

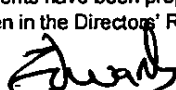
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Policy of the state of affairs of the company as at 31st August 2008 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Edwards
Chartered Accountants
Registered Auditors
34 High Street
Aldridge
Walsall
WS9 8LZ



Date: 13 January 2009

BIRMINGHAM CITY FOOTBALL CLUB PLC**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST AUGUST 2008**

			2008	Re-stated 2007
	<u>Notes</u>	<u>Operations excluding player amortisation and trading £</u>	<u>Player amortisation and trading £</u>	<u>Total £</u>
TURNOVER	2	49,835,665	-	49,835,665
Operating expenses	3	(36,122,705)	(13,625,712)	(49,748,417)
OPERATING PROFIT/(LOSS)	4	13,712,960	(13,625,712)	87,248
Profit on sale of players' registrations	1j	-	4,702,983	4,702,983
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION		13,712,960	(8,922,729)	4,790,231
Bank interest receivable				30,195
Bank interest payable				(266,348)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION				4,554,078
Tax on profit/(loss) on ordinary activities	7			(1,425,837)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR 19 & 20				3,128,241

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.

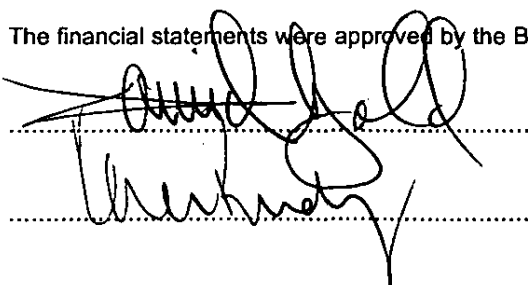
Historical cost profits/(losses) are not materially different to those stated above.

All activities are derived from continuing operations.

BIRMINGHAM CITY FOOTBALL CLUB PLC**BALANCE SHEET AS AT 31ST AUGUST 2008**

	<u>Note</u>	<u>2008</u>	<u>Re-stated</u> <u>2007</u>
		£	£
FIXED ASSETS			
Intangible assets	8	18,281,950	25,817,435
Tangible assets	9	12,890,808	13,137,554
		<u>31,172,758</u>	<u>38,954,989</u>
CURRENT ASSETS			
Stocks	10	612,166	555,039
Debtors	11	12,758,838	14,697,499
(including £500,000 due in more than one year (2007 - £1,750,000))			
Cash at bank and in hand		4,235,435	3,905,179
		<u>17,606,439</u>	<u>19,157,717</u>
CREDITORS: Amounts falling due within one year	12	(29,675,987)	(41,646,007)
NET CURRENT LIABILITIES		<u>(12,069,548)</u>	<u>(22,488,290)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>19,103,210</u>	<u>16,466,699</u>
CREDITORS: Amounts falling due after more than one year	13	(21,229,223)	(21,720,953)
Provisions for liabilities	16	-	-
NET LIABILITIES		<u>(2,126,013)</u>	<u>(5,254,254)</u>
CAPITAL AND RESERVES			
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
Profit and loss account	19	(3,399,423)	(6,527,664)
EQUITY SHAREHOLDERS' FUNDS	20	<u>(2,126,013)</u>	<u>(5,254,254)</u>

The financial statements were approved by the Board of Directors on 13th January, 2009



D. Gold - Chairman

K. Brady - Managing Director

BIRMINGHAM CITY FOOTBALL CLUB PLC**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST AUGUST 2008**

	<u>Note</u>	<u>2008</u> £	<u>2007</u> £
NET CASH INFLOW FROM OPERATING ACTIVITIES	24	2,289,359	8,343,048
Returns on Investments and Servicing of Finance	25(i)	(236,153)	(133,390)
Taxation	25(ii)	(7,296)	-
Capital Expenditure	25(iii)	(2,424,706)	(9,408,223)
Net Cash Outflow Before Financing		(378,796)	(1,198,565)
Financing	25(iv)	(110,073)	837,056
DECREASE IN CASH		(488,869)	(361,509)

RECONCILIATION OF NET CASH OUTFLOW TO MOVEMENT IN NET DEBT

	<u>Note</u>	<u>2008</u> £	<u>2007</u> £
Decrease in cash in year		(488,869)	(361,509)
Loan from holding company	25(iv)	-	(82,500)
Inception of new bank loan	25(iv)	-	(836,000)
Cash to repay bank loan	25(iv)	110,073	81,444
Increase in Net Debt	26	(378,796)	(1,198,565)
Net debt brought forward	26	(11,929,725)	(10,731,160)
Net debt carried forward	26	(12,308,521)	(11,929,725)

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008**

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.

Trade creditors for the year ended 31 August 2007 have been re-stated to accurately disclose transfer fees payable by the company after more than 12 months from the balance sheet date.

There has been a change in accounting policy during the year in respect of signing on fees which are now accounted for on an accruals basis. Previously, signing on fees were charged to the profit and loss account on a payments basis. The effect of this change in accounting policy is to reduce the profit after taxation for the year ended 31 August 2008 by £168,000 (2007 – reduce the loss after taxation by £202,000) and reduce the deficit on the company's profit and loss account at 1 September 2007 by £631,000.

(b) Turnover

Turnover represents match receipts, executive box rentals, sponsorship and other income associated with the continuing principal activity of running a professional football club, and excludes Value Added Tax.

Season ticket and corporate hospitality received during the year, for the following season, is deferred to the next year.

Income received for internet rights is credited to the profit and loss account on a straight line basis over the length of the contract.

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

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

(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 2008**

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 the profit/(loss) on disposal of players' registrations in the period in which the disposal is recognised.

(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 2008****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.

2. TURNOVER

	<u>2008</u> £	<u>2007</u> £
Turnover which arises in the UK comprises:-		
Match receipts, F.A. and League distributions	20,921,215	11,379,040
Television and radio coverage	18,955,828	6,700,602
Commercial activities	9,958,622	6,959,338
	<hr/>	<hr/>
	49,835,665	25,038,980
	<hr/>	<hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****3. OPERATING EXPENSES**

	<u>2008</u>	<u>Re-stated</u>
	<u>£</u>	<u>2007</u>
		<u>£</u>
Amortisation of players' registrations (note 8)	13,625,712	8,370,508
Staff costs (note 6)	26,566,595	20,920,927
Depreciation (note 9)	568,361	543,392
Amortisation of deferred capital grants (note 15)	(56,970)	(56,970)
Profit on disposal of fixed assets	(150)	(2,093)
Other operating expenses	9,044,869	9,128,895
	<u>49,748,417</u>	<u>38,904,659</u>

4. OPERATING PROFIT/(LOSS)

	<u>2008</u>	<u>2007</u>
	<u>£</u>	<u>£</u>
Operating profit/(loss) is stated after charging/(crediting):-		
Aggregate directors' emoluments	896,439	1,383,742
Fees payable to the company's auditors for the audit of the financial statements	14,000	13,500
Fees payable to the company's auditors for other services relating to taxation	5,000	5,150
Depreciation of tangible fixed assets – owned	568,361	543,392
Release of deferred income from Football Trust Grants (note 15)	(56,970)	(56,970)
Equipment leased under operating leases	138,479	139,988
Premises leased under an operating lease	84,000	84,000

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****5. DIRECTORS' REMUNERATION (Excluding Pension Contributions)**

	<u>2008</u> £	<u>2007</u> £
Aggregate directors' remuneration	896,439	1,383,742
	<u> </u>	<u> </u>
Highest paid director	345,590	485,425
	<u> </u>	<u> </u>

Aggregate directors' emoluments include £265,425 paid to Roldvale Limited for D. Sullivan (2007 - £485,425), and £265,425 paid to Gold Group International Limited in respect of D. and R. Gold (2007 - £485,425).

The company has not made any contributions to directors' personal pension arrangements in the year. (2007: None)

6. STAFF COSTS

	<u>2008</u> £	<u>Re-stated</u> <u>2007</u> £
Staff costs, including directors, during the year were made up as follows:-		
Wages, salaries, signing on fees	23,898,786	18,829,947
Social security costs	2,667,809	2,090,980
	<u> </u>	<u> </u>
	26,566,595	20,920,927
	<u> </u>	<u> </u>

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

	<u>2008</u> No.	<u>2007</u> No.
Playing staff	48	47
Training staff	22	20
Training ground staff	18	18
Commercial and fund raising	24	21
Shop	8	9
Administration and other	26	24
	<u> </u>	<u> </u>
	146	139
	<u> </u>	<u> </u>

The company also employs approximately 398 temporary staff on match days (2007 - 383).

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****7. TAXATION**

	<u>2008</u> £	<u>Re-stated</u> <u>2007</u> £
United Kingdom Corporation Tax – current tax	800,087	(824,436)
Deferred tax (note 16)	625,750	(883,753)
	<hr/>	<hr/>
Total tax charge/(credit) on ordinary activities	1,425,837	(1,708,189)
	<hr/>	<hr/>

The tax losses not utilised at 31st August 2008 amount to £Nil (2007 - £2,661,506).

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

	<u>2008</u> £	<u>Re-stated</u> <u>2007</u> £
Profit/(loss) on ordinary activities before taxation	4,554,078	(6,229,855)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities multiplied by the standard rate of Corporation Tax in the UK of 29.16% (2007 - 30%)	1,327,969	(1,868,957)
Effects of:		
Expenses not deductible for tax purposes	42,992	32,803
Difference between capital allowances and depreciation for the year	7,280	(25,339)
Use of tax losses brought forward (2007 tax losses Carried back)	(773,275)	798,053
Clawback of tax relief for amortisations of players with rollover relief	195,121	239,004
	<hr/>	<hr/>
Actual current tax charge/(credit)	800,087	(824,436)
	<hr/>	<hr/>

Profits on sale of players' registrations are taxable.

Factors that may affect future tax charges

The company expects to be able to claim capital allowances in excess of depreciation in future years.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****8. INTANGIBLE FIXED ASSETS**

	<u>Players' Registrations</u> £
Cost:	
At 1st September 2007	39,070,019
Additions	11,996,964
Disposals	(16,836,974)
	<hr/>
At 31st August 2008	34,230,009
	<hr/>
Amortisation:	
At 1st September 2007	13,252,584
Charge for the year	13,625,712
Eliminated on disposals	(10,930,237)
	<hr/>
At 31st August 2008	15,948,059
	<hr/>
Net Book Value:	
At 31st August 2008	18,281,950
	<hr/>
At 31st August 2007	25,817,435
	<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 2008****9. 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> £
Cost or Valuation:					
At 1st September 2007	12,979,534	2,627,073	3,355,769	219,360	19,181,736
Additions	-	41,556	192,466	106,593	340,615
Disposals	-	-	-	(47,500)	(47,500)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2008	12,979,534	2,668,629	3,548,235	278,453	19,474,851
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation:					
At 1st September 2007	2,893,368	187,709	2,887,164	75,941	6,044,182
Charge for the year	259,564	53,290	207,853	47,654	568,361
Disposals	-	-	-	(28,500)	(28,500)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2008	3,152,932	240,999	3,095,017	95,095	6,584,043
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value:					
At 31st August 2008	9,826,602	2,427,630	453,218	183,358	12,890,808
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2007	10,086,166	2,439,364	468,605	143,419	13,137,554
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****9. TANGIBLE FIXED ASSETS (continued)**

Freehold Land and Buildings comprise:-

	£
Cost and valuation 1991	1,153,807
Additions at cost 1991 to 2008	11,825,727
	<hr/>
Depreciation	12,979,534 (3,152,932)
	<hr/>
At 31st August 2008	9,826,602
	<hr/>
At 31st August 2007	10,086,166
	<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>2008</u> £	<u>2007</u> £
Cost	12,666,808	12,666,808
Accumulated depreciation	(3,058,899)	(2,805,588)
	<hr/>	<hr/>
	9,607,909	9,861,220
	<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.

10. STOCKS

	<u>2008</u> £	<u>2007</u> £
Goods for resale	612,166	555,039
	<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 2008****11. DEBTORS**

	<u>2008</u>	<u>Re-stated</u> <u>2007</u>
	£	£
Trade debtors	10,354,529	10,329,136
Other debtors	35,796	78,586
Corporation tax	29,052	21,756
Deferred taxation (note 16)	247,630	873,380
Prepayments	2,091,831	3,394,641
	<u>12,758,838</u>	<u>14,697,499</u>

Included within trade debtors is £6,475,000 (2007 - £6,775,000) in respect of transfer fees receivable, of which £500,000 (2007 - £1,750,000) is not due until after more than one year.

12. CREDITORS: Amounts falling due within one year

	<u>2008</u>	<u>Re-stated</u> <u>2007</u>
	£	£
Bank loan (note 14)	114,881	104,571
Bank overdraft (note 14)	819,125	-
	<u>934,006</u>	<u>104,571</u>
Debt due within one year	934,006	104,571
Trade creditors	8,753,484	14,176,992
Other creditors	60,902	155,608
Corporation Tax	1,070,087	270,000
Taxation and social security costs	4,306,724	3,567,465
Accruals	2,333,011	2,158,190
Deferred income	12,160,804	21,156,212
Capital grants (deferred income) (note 15)	56,969	56,969
	<u>29,675,987</u>	<u>41,646,007</u>

Included within trade creditors is £8,595,389 (2007 - £9,611,386) in respect of transfer fees payable, of which £3,055,800 (2007 - £2,678,438) is not due until after more than one year.

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****13. CREDITORS: Amounts falling due after more than one year**

	<u>2008</u> £	<u>Re-stated</u> <u>2007</u> £
Amount due to holding company	14,731,066	14,731,066
Bank loan (note 14)	860,384	980,767
Preference share capital	18,500	18,500
	<hr/>	<hr/>
Debt due after more than one year	15,609,950	15,730,333
Trade creditors	3,055,800	2,678,438
Deferred income	541,664	1,233,403
Capital grants (deferred credits) (note 15)	2,021,809	2,078,779
	<hr/>	<hr/>
	21,229,223	21,720,953
	<hr/>	<hr/>

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

Included within the bank loan is £100,758 (2007 - £470,364) due after more than five years repayable in equal instalments.

Preference share capital

	<u>No</u>	<u>2008</u> £	<u>No</u>	<u>2007</u> £
Authorised				
4.2% redeemable cumulative preference shares of 50p each	40,000	20,000	40,000	20,000
	<hr/>	<hr/>	<hr/>	<hr/>
Allotted, Called Up and Fully Paid				
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 2008****14. 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>2008</u> £	<u>2007</u> £
Borrowings repayable:		
Within one year	934,006	104,571
More than one year but not more than two years	125,192	114,882
More than two years but not more than five years	334,434	395,520
After five years	15,150,324	15,219,931
	<hr/>	<hr/>
Total borrowings	16,543,956	15,834,904
	<hr/>	<hr/>

15. DEFERRED CAPITAL GRANT

Included within creditors is £2,078,778 (2007 - £2,135,748) 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 2008****16. PROVISIONS FOR LIABILITIES**

	£	
Excess of depreciation over capital allowances		
At 1st September 2007		(873,380)
Amount charged to profit and loss account (note 7)		625,750
		<hr/>
At 31st August 2008 (note 11)		(247,630)
		<hr/>
Deferred taxation comprises:		
	<u>2008</u>	<u>2007</u>
	£	£
Excess of depreciation over capital allowances	(247,630)	(315,517)
Roll-over relief for intangible assets	-	187,359
Losses	-	(745,222)
	<hr/>	<hr/>
Asset at 31st August 2008	(247,630)	(873,380)
	<hr/>	<hr/>

17. 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>
Sterling	£	Financial	Financial	Bearing
		<u>Liabilities</u>	<u>Liabilities</u>	<u>Financial</u>
		£	£	<u>Liabilities</u>
				£
At 31st August 2008	16,543,956	1,045,026	749,364	14,749,566
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st August 2007	15,834,904	-	1,085,338	14,749,566
	<hr/>	<hr/>	<hr/>	<hr/>

Note 26 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 2008****17. FINANCIAL INSTRUMENTS (continued)**

The fair values of the fixed rate financial liabilities at 31st August 2008 were approximately £749,000 (2007 – £1,086,000). 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% (2007 – 5.5%).

The weighted average period for which the interest rate is fixed is four years (2007 – five years).

The floating rate financial liabilities bear interest at the bank base rate of HSBC plc plus 1.5% (bank overdraft) and plus 1.75% (bank loan).

The maturity of the financial liabilities are set out at note 14.

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>
Sterling	£	and in hand	Deposits
		£	£
At 31st August 2008			
- non-interest bearing	35,411	35,411	-
- floating rate	4,200,024	-	4,200,024
	<u>4,235,435</u>	<u>35,411</u>	<u>4,200,024</u>
Sterling			
At 31st August 2007			
- non-interest bearing	769,716	769,716	-
- floating rate	3,135,463	-	3,135,463
	<u>3,905,179</u>	<u>769,716</u>	<u>3,135,463</u>

Cash at bank and in hand at 31st August 2008 and 2007 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 2008****17. FINANCIAL INSTRUMENTS (continued)****Borrowing facilities**

The company has an overdraft facility £7.00m (2007 - £5.00m) due for review in August 2009. The undrawn committed facilities at 31st August 2008 in respect of which all conditions have been met at that date were £6.18m (2007 - £5.00m).

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 14.

18. SHARE CAPITAL

	<u>2008</u>		<u>2007</u>	
	<u>No</u>	<u>£</u>	<u>No</u>	<u>£</u>
(a) Authorised				
Ordinary shares of 50p each	5,000,000	2,500,000	5,000,000	2,500,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
(b) Allotted, Called Up and Fully Paid				
Ordinary shares of 50p each	1,505,676	752,838	1,505,676	752,838
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

19. 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 2007 (as previously stated)	207,096	750	312,726	(7,158,664)
Prior year adjustment	-	-	-	631,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 1st September 2007 (as re-stated)	207,096	750	312,726	(6,527,664)
Retained profit for the year	-	-	-	3,128,241
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st August 2008	207,096	750	312,726	(3,399,423)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2008</u> £	<u>2007</u> £
Profit/(loss) for the financial year	3,128,241	(4,521,666)
Opening shareholders' funds	(5,254,254)	(732,588)
	<hr/>	<hr/>
Closing shareholders funds	(2,126,013)	(5,254,254)
	<hr/>	<hr/>

21. RELATED PARTY TRANSACTIONS

Goods and services to the value of £Nil (2007 - £556) have been supplied by the Club to Gold Group International which is owned by D Gold (director). At the balance sheet date £Nil was due from Gold Group International to the company.

Henri Brandman & Co (Henri Brandman - director) acted as Solicitors on behalf of the Club during the year with fees amounting to £62,500 (2007 - £46,750). At the balance sheet date £Nil (2007 - £Nil) was due from the company to Henri Brandman & Co.

Goods and services to the value of £43,272 (2007 - £Nil) have been supplied by the club to Grandtop International Holdings Limited of which C Yeung (minority shareholder) is a director. At the balance sheet date £29,125 (2007 - £Nil) was due from Grandtop International Holdings Limited to the company.

22. CONTINGENT LIABILITIES AND POST BALANCE SHEET EVENTS**(a) Player Transfer Costs**

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum that could be payable in respect of transfers to 31st August 2008 is £2,474,125 (2007 - £5,453,991). 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 £786,000 (2007 - £1,429,000). 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 2008****23. CAPITAL AND OTHER FINANCIAL COMMITMENTS****(a) Capital Commitments**

	<u>2008</u> £	<u>2007</u> £
Contracted but not provided for:-		
Leasehold land and buildings	-	69,976
Fixtures and equipment	26,701	-
	<u>26,701</u>	<u>69,976</u>

(b) Lease Commitments

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

	<u>2008</u> £	<u>2007</u> £
Expiring:		
Within one year - (plant and equipment)	51,161	40,151
Between two and five years – (plant and equipment)	66,600	89,940
Over five years – (land and buildings)	84,000	84,000
	<u>201,761</u>	<u>214,091</u>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****24. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>2008</u> £	<u>2007</u> £
Operating profit/(loss)	87,248	(13,865,679)
Amortisation of player registrations	13,625,712	8,370,508
Depreciation	568,361	543,392
Profit on disposal of fixed assets	(150)	(2,093)
Amortisation of deferred grant	(56,970)	(56,970)
Increase in stocks	(57,127)	(194,407)
Decrease/(increase) in debtors	1,020,207	(2,175,234)
(Decrease)/increase in creditors	(12,897,922)	15,723,531
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	2,289,359	8,343,048
	<hr/>	<hr/>

25. GROSS CASH FLOWS

	<u>2008</u> £	<u>2007</u> £
(i) Returns on Investments and Servicing of Finance		
Bank interest received	30,195	62,490
Bank interest paid	(266,348)	(195,880)
	<hr/>	<hr/>
	(236,153)	(133,390)
	<hr/>	<hr/>
(ii) Taxation		
Corporation Tax paid	(7,296)	-
	<hr/>	<hr/>
(iii) Capital Expenditure		
Payments to acquire tangible fixed assets	(340,615)	(1,161,646)
Receipts from sales of tangible fixed assets	19,150	11,306
Payments for purchases of players' contracts	(13,012,961)	(16,997,069)
Receipts from sales of players' contracts	10,909,720	8,739,186
	<hr/>	<hr/>
	(2,424,706)	(9,408,223)
	<hr/>	<hr/>
(iv) Financing		
Receipt of loan from holding company	-	82,500
Inception of new bank loan	-	836,000
Capital repayment of bank loan	(110,073)	(81,444)
	<hr/>	<hr/>
	(110,073)	837,056
	<hr/>	<hr/>

BIRMINGHAM CITY FOOTBALL CLUB PLC**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST AUGUST 2008****26. ANALYSIS OF CHANGES IN NET DEBT**

	<u>01.09.07</u> <u>£000</u>	<u>Cash Flows</u> <u>£000</u>	<u>Non-cash</u> <u>Changes</u> <u>£000</u>	<u>31.08.08</u> <u>£000</u>
Cash in hand and at bank	3,905,179	330,256	-	4,235,435
Bank overdraft	-	(819,125)	-	(819,125)
Net funds	3,905,179	(488,869)	-	3,416,310
Preference shares	(18,500)	-	-	(18,500)
Bank loans	(1,085,338)	110,073	-	(975,265)
Loan from holding company	(14,731,066)	-	-	(14,731,066)
Debt	(15,834,904)	110,073	-	(15,724,831)
Net debt	(11,929,725)	(378,796)	-	(12,308,521)

27. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Birmingham City plc, a company registered in England and Wales, number 3304408. The accounts of the company can be obtained from St. Andrews Stadium, Birmingham, B9 4NH.