



**June 2013
Open Meeting**



A MESSAGE FROM BLUES TRUST CHAIRMAN STEVE MCCARTHY

The Blues Trust Board is delighted to welcome you to today's open meeting.

A lot has happened since the Trust held its fans' forum meeting back in February. There is also no doubt a lot to discuss as the current Trust Board seeks a new mandate from the membership.

It has been a difficult few months for everybody connected with Birmingham City. Times remain uncertain with Carson Yeung's on-going court case in Hong Kong and the Club's worsening financial situation.

It becoming increasingly apparent that the time is now right for the current ownership to move on and sell Birmingham City Football Club. Unfortunately, there are a multitude of complications currently hindering the sale process.

The Trust's recent investigation into the corporate governance of BCFC and Birmingham International Holdings further highlighted the Club's plight in Hong Kong. Furthermore, we believe as a Board that continuing to raise our situation in Hong Kong and particularly in the Hong Kong media remains vital in keeping up the pressure on the Club's hierarchy.

We meet today with our Football Club in a no better stable financial state as it was three months ago. The Trust Board has again worked together in formulating brand new strategy proposals to be presented today, taking into account all suggestions submitted by members.

On behalf of the Trust Board, I would like to take this opportunity to thank you personally for the support you have shown Blues Trust and the Supporters' Trust movement. We are only ever as strong as our membership. The Trust is committed to strengthening the relationship between the Club and its supporters and the long-term future of your Birmingham City: our Football Club.

We hope you continue to support us. Your backing and support is crucial in order to achieve our shared goals.

With best wishes,
Steve McCarthy (Chairman, Blues Trust)

WHAT WE HAVE DONE

Following the conclusion of the Trust's fans' forum meeting in February, the Blues Trust Board launched a thorough and comprehensive investigation into the corporate governance of Birmingham City Football Club and its holding company Birmingham International Holdings Limited.

Approximately 500 postcards were sent to Carson Yeung's Barker Road property in Hong Kong containing the message, "Please sell Birmingham City", written in both English and Cantonese.

The Trust also secured a number of high profile contacts in Hong Kong. These contacts willingly assisted with the Trust's enquiries.

On 26 and 27 April 2013, Blues Trust, working alongside the Often Partisan website and the Birmingham Mail, published its first findings as a two-part special feature.

The feature confirmed the extent of acting chairman Peter Pannu's consultancy agreement with BCFC and how Directors at the Club's holding company were unaware of the agreement for over two years. The investigation also brought to light threats made by Mr. Pannu to a particular employee at BDO LLP UK. BDO resigned as the Club's auditors on 22 August 2011.

In addition, the Trust sought to contact a number of key company stakeholders based in Hong Kong in a bid to highlight the Club's perilous state. The Trust also consulted with the second largest shareholder in BIHL, Liu Xingcheng, on his electoral preferences prior to the company's recent Annual General Meeting. The meeting was held at the Gold Coast Hotel on 10 May 2013.

The Trust was both surprised and disappointed to hear that all of Mr. Liu's votes were then subsequently denied. At present, the legal implications of this are still being analysed.

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STRATEGY PROPOSALS

BOARD EXPANSION

The Blues Trust Board structure currently accommodates four permanent Board members, all of whom were elected at the Trust's Annual General Meeting (AGM) in October 2012. There are also three co-opted Board members and a non-voting Secretary who are to serve until the next AGM, at which point they will be permitted to stand for full election to the Board.

The Trust will seek to carry out the following:

- Provide a person specification outlining the attributes of a preferable candidate for an additional Associate Board Director role(s).
- Canvas Trust membership for interested candidates.
- Target and approach appropriate individuals within the local fan base and community to whom such a role would be suitable.
- Continue to interact with members at meetings and via social media to establish their views, opinions and suggestions on the Trust's Board structure.

COMMUNITY

The Trust recognises the importance of the local community and the role it can play in delivering Birmingham City Football Club stability and success. The Trust will seek to build and, where possible, improve community relations in the following ways:

- Seek to register St. Andrew's Stadium as an Asset of Community Value (ACV).
- Continue to lobby senior Club officials and discuss ways in which the Club can further reach the local community.
- Present initiatives and ideas to senior Club officials on behalf of the membership, including ways to incorporate individuals from different cultural backgrounds. We want Birmingham City FC to be the city's community team.
- Explore the possibility of securing match day premises for members of Blues Trust and all Birmingham City supporters' clubs.
- Promote the Birmingham City match day experience to a wider audience*.
- Launch a series of school roadshows with the help, support and backing of ex-Birmingham City footballers**.
- Launch a series of organised day trips to St. Andrew's for school children throughout the 2013/14 campaign.
- Partner with a local charity chosen by the membership***.

- * This will specifically target individuals from different cultural backgrounds and across a wide spectrum of age ranges.
- ** Roadshows to provide valuable information about supporter involvement in football, Supporters' Trusts and Birmingham City Football Club.
- *** Members will have the opportunity to suggest local charities. A vote will then be held to determine which charity the Trust officially partners with.

BUSINESS

Developing, improving and strengthening business links is not only vital in ensuring financial stability for our club and Blues Trust, but will also help regenerate our local community. We aim to:

- Secure Trust support from local businesses.
- Generate viable income streams to help assist a sustainable Supporters' Trust.
- Assess the viability of member-only benefits through a local business partnership scheme.
- Investigate potential funding streams.
- Investigate a Trust bond scheme.

CLUB OWNERSHIP

Stability, both on and off the football field, is paramount. It is an issue that concerns the vast majority of Birmingham City supporters. The Trust, on behalf of its members, will:

- Continue to strengthen the relationship with the UK administrative management of Birmingham City Football Club.
- Continue to seek increased transparency at Board level.
- Seek supporter representation on the Board of Birmingham City Football Club****.
- Approach Supporters' Direct with reference to a supporter's Fighting Fund*****.
- Seek assurances from the Club with respect to cash flow, its short, medium and long-term outlook and the potential risk(s) such strategy or strategies entail.

**** Any potential owner of Birmingham City Football Club seeking support from Blues Trust should be willing to facilitate supporter representation on the Board of Birmingham City Football Club.

***** A Fighting Fund ensures that Blues Trust will be fully prepared should Birmingham City Football Club enter a stage of financial uncertainty and is based on non-administration.



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THE BLUES FOR BRUMMIES

What is the relationship between Birmingham International Holdings Limited (BIHL) and Birmingham City Football Club (BCFC)?

BIHL owns over 96% of the shares in Birmingham City PLC, of which BCFC is a wholly owned subsidiary. BIHL is operated from Hong Kong but it is registered as a Company in the Cayman Islands.

Are shares issued specifically for BCFC as well as BIHL?

There are shares for Birmingham City PLC but they are not traded on the stock exchange. There are still some Blues fans who own a small minority of these shares. BIHL shares, on the other hand, are freely traded and available.

Is BCFC the only real or major asset of BIHL?

Yes. As the name suggests, BIHL is what is commonly called a “holding” company. It is set up like this partly for tax reasons.

What percentage of shares does Carson Yeung currently hold?

In his own name, Carson owns less than 5% of BIHL shares. However, through his company, Great Luck Management (which is registered in the British Virgin Islands), he owns a further 21.5%. He therefore has the largest individual shareholding in the Company.

If Carson is found guilty of criminal charges, what is likely to happen to the shares he owns?

Given this scenario, his shares may be seized as part of his assets, in which case they will belong to the sovereign wealth fund of The People’s Republic of China (PRC). However, even if he retains ownership, under Football Authority rules he cannot be a director of a football club.

How much money is currently owed to Carson and was it a loan to BIHL?

According to the Birmingham City PLC accounts for 2011/12, the Club owes Carson Yeung £14million. The Club owes a further £7million to BIHL. Both of these debts are in the form of loans.

If the Club was ever to enter administration, does the bank hold a 'first charge' on the ground?

The Club has no significant current borrowings from any bank. Neither does it have an overdraft facility, as this was withdrawn some time ago. However, HSBC bank has a debenture secured against all of the Club's assets. This is a bit like a mortgage and is not necessarily a bad thing because it means assets like the ground cannot simply be sold off, as the Bank has first call on them.

If BCFC's accounts have been filed, as the major asset of BIHL, then what is the significance of publication of the accounts for BIHL?

Without the accounts being finalised, the Club cannot be sold. It is important that they are kept up to date and properly audited.

AGM FLYER

BLUES TRUST NEEDS YOU!

- Do you want to help safeguard the long-term future of Birmingham City Football Club?
 - Do you want to influence change at your Football Club?
 - Are you interested in donating your skills, expertise or free time to Blues Trust?
-

In October, it will have been exactly twelve months since Blues Trust held its first Annual General Meeting.

Blues Trust is an organisation for fans of Birmingham City, run by the fans of Birmingham City FC. The Trust relies on voluntary assistance and ensures that Birmingham City supporters not only have a true voice, but also a say in how our Football Club is run.

Does a role on the Blues Trust Board appeal to you? If so, we would kindly ask that you register your interest by completing the form below:

FULL NAME _____

ADDRESS _____

EMAIL ADDRESS _____

CONTACT TELEPHONE NUMBER _____

YOUR SKILLS AND EXPERTISE _____

SIGNS & GRAPHICS

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