



Registered Office:

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Dear Mr. Pannu,

Following the publication of Birmingham City's latest accounts, Blues Trust would like to raise some very important points with you directly as a matter of urgency. The accounts, released for the period to 30th June 2012, have again highlighted the perilous state the club finds itself in financially. The accounts also re-confirm many fans' fears in that further players will need to be sold in order to maintain the future short term stability of the club.

We summarise that this year's revenue will be further reduced by:

- Diminished parachute payments from the Premier League
- Reducing gate receipts
- No European competition to support the income

Here lies the main concern. It is questionable how the club can continue to operate in an environment where revenue is reducing, its ability to borrow money is removed and any playing assets with significant transfer value have all been sold. While it is not revealed how much money the club may need to raise from these player sales, the club now finds itself in a situation where such high value playing assets are slowly diminishing.

Moreover, more questions need to be asked around the financial governance of the club. The club's Xtep deal – which has received widespread media coverage – is extremely worrying not just because of its nature, but also how it would be possible for a single individual to negotiate and sign an agreement with such a significant risk to the club.

Furthermore, regarding the loans which have been put in place from Mr. Yeung and other 3rd party organisations, it is worrying to note that there are no written terms of agreement for the repayment of these loans or interest charges; this is despite equating to a significant amount on the club's balance sheet.

Lastly, the Trust finds it disappointing to note that, at a time when the club is operating in such a perilous financial state and is making staff cuts within the administrative teams, it has been deemed acceptable to pay one unnamed Director the sum of £687k in a single financial year.

Please could you answer in detail the following questions?

1. The Trust would like to understand the value of funding through player sales that is required to allow the club to continue as a going concern – and for how much longer this situation will

continue. The Trust recognises you may not want this figure in the public domain, but if we could allay fans fears as to the size of this funding requirement then that would be very much appreciated.

2. Forward funding is mentioned on a number of occasions in the accounts as a way of meeting the future cash flow requirements. The Trust is seeking clear transparency in relation to the mechanics behind these arrangements, with confidence the governance which appears to have been lacking in previous arrangements is now in place.

3. The Trust and its members are deeply concerned at the level of wages which are being paid to one unnamed Director, particularly given the state of the accounts and the requirement to further diminish the playing squad. This figure does not seem justifiable at the present time, what was the justification behind such an award.

The Trust would also like to seek further clarification on the status of any potential takeover of Birmingham City. The Trust notes you have stressed in previous communications that unless there is anything to communicate then no update will be issued. The Trust finds this unacceptable; this state of flux is deeply upsetting for many of our members and supporters alike. A number of articles still seem to be circulating in the media and the Trust would urge you to issue a statement addressing these matters, as well as giving a clear indication on the current takeover status and the expected timeline of when negotiations will come to a successful conclusion.

Regards,

Steve McCarthy
(Chairman of Blues Trust)