

**THE FALKIRK FOOTBALL AND
ATHLETIC CLUB LIMITED**

FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 1998

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THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1998

Company Registration Number: 5854

Registered Office: Brockville Park
Falkirk
FK1 5AX

Directors: Douglas McIntyre
Colin McLachlan
Colin Liddell
Ann Joyce
William Moffat
Martin Ritchie
Campbell Christie

Secretary: BLP Secretaries Limited
130 St Vincent Street
Glasgow
G2

Bankers: Clydesdale Bank PLC
Ochil House
Stirling
FK7 7XE

Solicitors: Semple Fraser W.S.
130 St Vincent Street
Glasgow
G2 5HF

Auditor: P.H. McLelland
Chartered Accountant
Motherwell

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1998

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THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

CHAIRMAN'S STATEMENT

Season 1997/98 was in many respects a very eventful season for the club. Despite our notable successes on the field, the season will probably be remembered most for the appointment of the provisional liquidator and the fact that the Club came within a few days of extinction.

The team had a very successful year, winning the Challenge Cup, reaching the semi finals of the Scottish Cup where we were very unfortunate to lose to Hearts and achieving the position of runners up in the Scottish First Division only to be deprived of a Premier League play off by mid season changes in Premier League rules. Alex Totten, his entire team and indeed the supporting administration staff behind the scenes at the Club must be congratulated on these achievements whilst working under very difficult conditions throughout the year.

On the business side, mounting debts led to the Club being put into provisional liquidation and from March until May the Club was managed by Grant Thornton, the provisional liquidators. During this period our supporters, players, backroom staff, administration staff and local community as a whole showed tremendous support towards the Club. The funds raised by Falkirk supporters generally and Back the Bairns in particular showed the fantastic commitment and resourcefulness of our fans. The financial and moral support extended to Falkirk Football Club at this difficult time gave great encouragement to all concerned and especially to what became known as "a local consortium" in it's efforts to save the Club. After very difficult and protracted negotiations with both George Fulston and the provisional liquidator, the club was within days of extinction when finally a local consortium of business people put together a rescue package which included the purchase of the controlling interest. A major player in the rescue package was Stadium City Ltd who, by providing the Club with a £1.4m loan at preferential rates enabled the Club to meet it's considerable outstanding and long overdue debts.

Since May a new board has been appointed, principally comprising members of the original consortium plus the appointment of Colin McLachlin as Stadium City's representative and Campbell Christie a former Director of the Club. This Board has set about the task of building a solid foundation and a future for the Club. Quite simply our aim is to have a Premier League team playing in a purpose built stadium which will become an integral part of the local community. To achieve this status we believe the Club needs to be run on a formal business footing, providing a good commercial base and income to enable us to have a team strong enough to win promotion with a full Youth Development Programme and a Stadium that meets with Premier League requirements.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

CHAIRMAN'S STATEMENT

Our immediate attention has been to address the financial difficulties at the Club and put the business and administration section on a sound footing. Since taking over new temporary office accommodation has been organised to bring all of the admin staff together which we hope will result in a substantial increase in efficiency. A Chief Executive (David Mitchell) has been appointed to run the business side of the Club. The financial side is now being monitored monthly and new commercial ideas are being developed. A limited sum of money has been spent to smarten up Brockville Park for what we hope will be a very short term use and considerable time has been expended in developing a sound basis for our Youth Development Programme. Behind the scenes there has been considerable activity on the part of Stadium City Ltd who have had a number of meetings with various bodies during the course of their preparation for proposals for the new stadium and ancillary development at Westfield which now has to be the Club's major priority.

The finances at the Club are still recovering from the very traumatic "provisional liquidation year" and commercial income is still limited as a direct result of many years of neglect. The sums of money available to the Board to give support to Alex Totten and the team are limited. He is fully aware of the Club's position and, given the team's recent horrendous injury list continues to maintain our challenging position at the top of the First Division under very difficult conditions.

The new Board are very active in meeting the challenge of re-building Falkirk Football Club. After so many years of inactivity we have a major task on our hands quite simply to catch up. The task of resolving many of the historical problems at the Club will take some time, but I genuinely believe we have made good progress in the few months that we have been entrusted with the running of the Club. I sincerely hope that the shareholders and supporters as a whole believe our efforts have been worthwhile and continue with their very positive support throughout the coming season.

Chairman

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 May 1998.

Principal activities

The company is principally engaged in participating in professional football as a member of the Scottish Football League.

Business Review

The loss for the year after taxation amounted to £573,226 (1997:£304,403). The directors do not recommend a dividend and the loss has been transferred to the reserves.

No value is attributed to the registrations of any of the playing staff in the company's balance sheet which notwithstanding the decision of the European Court of Justice in the petition of Jean-Luc Bosman are considered to be of value.

Appointment of provisional Liquidator and change of control

A Provisional Liquidator (Grant Thornton, Chartered Accountants, Glasgow) was appointed for the Company in March 1998. The Club was under the control of the Provisional Liquidator until May 1998.

On May 20, control over the majority of the shares of the company changed when a consortium arranged for the purchase of the shares of George Fulston while the Club was in provisional liquidation. The consortium undertook to invest £477,322 in the Club through the issue of new share capital and to secure a loan of £1.4 million from Stadium City Limited. The consortium was thus able to provide assurances to the court about its ability to satisfy creditors and procured the recall of the appointment of the Provisional Liquidator thus returning control to the directors.

Post year end transactions

On 22 June 1998, an EGM was held which

- Increased the share capital to £502,000 divided into 1,000,500 shares of 50p each;
- Adopted new Articles of Association;
- Altered the Memorandum of Association;
- Cancelled the preference shares;
- Gave authority to issue the new share capital to the consortium; and
- Gave authority to create a wholly owned subsidiary (Westfield Stadium Limited) to own and manage Brockville Park.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Post year end transactions (Cont'd)

As a result of issuing the new share capital to the new owners a new equity injection of £477,332 was made. The shares were issued at value of approximately 61.2p per share.

Brockville Park was transferred to Westfield Stadium. This was satisfied by the cancelling of the Loan Agreement between Stadium City Limited and Falkirk Football and Athletic Club and creating a new Loan Agreement between Stadium City Limited and Westfield Stadium Limited. The consideration paid by Westfield Stadium Limited to Falkirk Football and Athletic Club Limited was £1.4 million (being the amount of the Stadium City Limited loan) plus accrued interest. A Heads of Terms was agreed between Falkirk Football and Athletic Club Limited and Westfield Stadium Limited regarding the activities each company would undertake.

A new Board was appointed to run the Club. The costs relating to the provisional liquidation and the new investment in the company have been either incurred or accrued in these accounts.

Directors

The directors in office during the year are listed below.

The interests of the directors in the shares of the company were as follows:

		At 1 June 97 or at date of appointment		
	Appointed	Resigned	31 May 1998	if later
George Fulston		20/5/98	Nil	144,116
James Turnbull		13/7/98	Nil	Nil
Neil Binnie		8/7/97	1,200	1,200
David Gordon		1/6/98	100	100
Campbell Christie		28/5/98	Nil	Nil
James Johnston		28/5/98	100	100
Douglas McIntyre	20/5/98		Nil	Nil
Colin McLachlan	1/6/98		Nil	Nil
David Brown	23/6/98	24/6/98	Nil	Nil
Edward Moffat	23/6/98	24/6/98	Nil	Nil
Ann Joyce	24/6/98		Nil	163,204
William Moffat	24/6/98		Nil	163,204
Martin Ritchie	24/6/98		Nil	163,204
Colin Liddell	24/6/98		Nil	81,602
Campbell Christie	6/8/98		Nil	Nil

Murdoch Smith Limited own 163,204 shares in the company. Douglas McIntyre is the sole owner of Murdoch Smith Limited.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which 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 period. 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.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Special exemptions

Advantage has been taken in the preparation of this report of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

Fixed Assets

All movements in fixed assets are shown in note 5 to the financial statements.

Auditors

At the EGM in June, the Club appointed Grant Thornton as auditors. Grant Thornton resigned as auditors after completing the 1997 audit, because of their role of managing the Club whilst in provisional liquidation. P. H. McLelland was appointed by the Board as auditor. The Directors recommend the re-appointment of Grant Thornton as auditors of the company.

On Behalf of the Board


DIRECTOR, DLP SECRETARIES LIMITED

Secretary

12 November 1998

**REPORT OF THE AUDITOR TO THE MEMBERS OF
THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED**

I have audited the financial statements on pages 7 to 17 which have been prepared under the accounting policies set out on pages 7 to 8.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

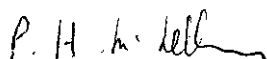
Basis of opinion

I conducted my audit in accordance with Auditing Standards 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.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



REGISTERED AUDITOR
CHARTERED ACCOUNTANT

11 November 1998

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention except that freehold properties are shown at their revalued amounts, and in accordance with applicable accounting standards.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Turnover

Turnover represents the value of income received excluding value added tax and is derived entirely from activities within the United Kingdom.

Depreciation

Depreciation is calculated on the reducing balance method and aims to write down the cost or valuation less estimated residual value of all tangible fixed assets other than freehold land over their expected useful lives.

The rates generally applicable are:

Leasehold premises	-	5% straight line
Plant and equipment	-	15%
Motor vehicles	-	25%

Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

Net realisable value means estimated selling price (less trade discounts) less all further costs to completion and disposal.

Deferred tax

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is provided to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

Deferred tax is calculated at the rates at which it is estimated that the tax will be paid when the timing differences reverse.

Pensions

The company operates a defined contributions pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. Contributions payable are charged in the profit and loss account.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 1998

	Note	1998 £	1997 £
Turnover on ordinary activities		1,139,146	1,406,390
Cost of sales		(1,019,649)	(1,414,140)
Gross profit/(loss)		119,497	(7,750)
Other operating charges	2	(647,681)	(432,298)
Operating loss	1	(528,184)	(440,048)
Net transfer fees	4	(25,500)	295,000
Operating loss after transfer fees	12	(553,684)	(145,048)
Exceptional items			
Write off of professional costs associated with new stadium	5	-	(74,862)
Write off of infrastructure and property	5	-	(659,599)
Release of grant income in respect of infrastructure		-	601,828
Total exceptional items		-	(132,633)
Interest payable and similar charges	3	(19,542)	(26,722)
Loss for the financial year	12	(573,226)	(304,403)

The accompanying accounting policies and notes form an integral part of these financial statements.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

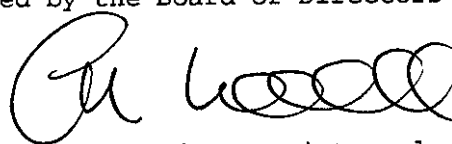
BALANCE SHEET AT 31 MAY 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	5	1,088,445	1,067,546
Current assets			
Stocks	6	8,000	16,990
Debtors	7	170,330	271,887
Cash at bank and in hand		913,202	5,100
		<u>1,091,532</u>	<u>293,977</u>
Creditors: amounts falling due within one year	8	<u>(1,432,433)</u>	<u>(1,448,276)</u>
Net current liabilities		<u>(340,901)</u>	<u>(1,154,299)</u>
Total assets less current liabilities		<u>747,544</u>	<u>(86,753)</u>
Creditors: amounts falling due after more than one year	9	(1,407,523)	-
Deferred taxation	10	(50,000)	(50,000)
		<u>(709,979)</u>	<u>(136,753)</u>
Capital and reserves			
Called up share capital	11	125,746	125,746
Share premium account	12	8,249	8,249
Profit and loss account	12	(1,829,185)	(1,255,959)
Revaluation reserve	12	985,211	985,211
Shareholders' funds	13	<u>(709,979)</u>	<u>(136,753)</u>

Advantage has been taken in the preparation of the financial statements of the special exemptions conferred by Part I of Schedule 8 to the Companies Act 1985 on the grounds that the company qualifies as a small company.

The financial statements were approved by the Board of Directors on 7 November 1998.

Director



The accompanying accounting policies and notes form an integral part of these financial statements.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1998 £	1997 £
Loss for the financial year	(573,226)	(304,403)
Surplus on revaluation of Brockville Stadium	-	1,035,211
	<hr/>	<hr/>
Total recognised gains and losses for the year	(573,226)	730,808
	=====	=====

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 1998

1 Operating loss is stated after:

	1998	1997
	£	£
Auditors' remuneration	3,000	1,000
Depreciation - owned assets	36,059	57,536
- leased/hire purchase assets	9,663	-
Loss on disposal of fixed assets	-	5,024
Pension costs	1,651	4,277
Grants released	-	(601,828)
	=====	=====

2 Other operating charges

	1998	1997
	£	£
Administration expenses	675,754	(436,780)
Other operating income	(143,986)	4,482
	=====	=====
	531,768	(432,298)
	=====	=====

3 Interest payable and similar charges

	1998	1997
	£	£
On bank loans, overdrafts and other loans:		
Bank interest	17,804	26,722
Lease and hire purchase interest	1,738	-
	=====	=====
	19,542	26,722
	=====	=====

4 Net transfer fees

	1998	1997
	£	£
Transfer fees receivable	-	555,000
Transfer fees payable	25,500	(260,000)
	=====	=====
	25,500	295,000
	=====	=====

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 1998

5 Tangible fixed assets

	Brockville Stadium £	Cars, Plant and Equipment £	Total £
Cost			
At 1 June 1997	1,035,211	118,494	1,153,705
Additions at cost	-	38,650	38,650
At 31 May 1998	1,035,211	157,144	1,192,355
Depreciation			
At 1 June 1997	-	86,159	86,159
Provided in the year	-	17,751	17,751
At 31 May 1998	-	103,910	103,910
Net book value at 31 May 1998	1,035,211	53,234	1,088,445
Net book value at 31 May 1997	1,035,211	32,335	1,067,546

The new management of the Club remain committed to relocating the Club from Brockville to a new site. Consequently the directors are of the opinion that all of the property and infrastructure at Brockville holds no value and have written down the value of Brockville Stadium and the leasehold property to fnil.

On 2 April 1998 Messrs J Trevor & Webster, Chartered Surveyors, valued the land Brockville Stadium is situated on and an adjacent piece of land leased by the club from Falkirk Council at £1.5m on an open market value basis. Based on that value, and having regard to the proportion of the total area owned by the club, the directors have valued the club's interest in the land at £1,035,211.

A provision of £50,000 has been made in the deferred taxation account for the estimated corporation tax that would be payable on disposal at this valuation.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 1998

If Brockville Stadium had not been revalued, it would have been included on the historical cost basis at the following amount:

	Brockville Stadium £
Cost	538,240
Accumulated depreciation	(229,092)
	<hr/>
Net book value at 31 May 1998	309,148
	<hr/>
Net book value at 31 May 1997	325,419
	<hr/>

6 Stocks

	1998 £	1997 £
Finished goods	8,000	16,990
	<hr/>	<hr/>

There were no significant differences between the replacement cost and the values disclosed for stock.

7 Debtors: amounts falling due within one year

	1998 £	1997 £
Trade debtors	170,330	271,887
	<hr/>	<hr/>

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 1998

8 Creditors: amounts falling due within one year

	1998	1997
	£	£
Bank overdrafts	-	393,781
Trade creditors	293,815	158,559
Social security and other taxes	599,774	400,378
Other creditors	165,000	177,511
Accruals and deferred income	302,435	99,047
Transfer fees payable	-	17,000
Signing fees payable	39,500	99,000
Hire purchase creditors	16,909	-
Directors loans	15,000	103,000
	<u>1,432,433</u>	<u>1,448,276</u>
	=====	=====

9 Creditors: amounts falling due after more than one year

	1998	1997
	£	£
Accruals and deferred income	-	-
Hire purchase creditor	7,523	-
Loan	1,400,000	-
	<u>1,407,523</u>	<u>-</u>
	=====	=====

10 Deferred taxation

	1998	1997
	£	£
Unrealised capital gains	50,000	50,000
	<u>50,000</u>	<u>50,000</u>
	=====	=====

The deferred tax provision has been made for taxation which would accrue if the land and buildings were disposed of at their revalued amounts.

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 1998

11 Share capital

	1998 £	1997 £
Authorised		
420,000 ordinary shares of 50 pence each	210,000	210,000
40,000 7.5% non voting cumulative preference shares of £1 each	40,000	40,000
	<hr/> 250,000	<hr/> 250,000
	=====	=====
Allotted, called up and fully paid		
251,492 ordinary shares of 50 pence each	125,746	125,514
Issued in year		
464 ordinary shares of 50 pence each	-	232
	<hr/> 125,746	<hr/> 125,746
	=====	=====

12 Reserves

	Share Premium Account £	Revaluation Reserve £	Profit and Loss Account £
At 1 June 1997	8,249	985,211	(1,255,959)
Retained loss for the year	-	-	(573,226)
	<hr/> 8,249	<hr/> 985,211	<hr/> (1,829,185)
	=====	=====	=====

13 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Loss for the financial year	(573,226)	(116,541)
Unrealised surplus on revaluation of land and buildings	-	985,211
Ordinary shares issued in year	-	1,090
	<hr/> (573,226)	<hr/> 681,898
Shareholders' funds at 1 June 1997	(136,753)	(818,651)
	<hr/> (709,979)	<hr/> (136,753)
	=====	=====

THE FALKIRK FOOTBALL AND ATHLETIC CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 1998

14 Transactions with directors

	1998 £	1997 £
Amounts owed to directors		
George J Fulston	-	93,000
David Gordon	10,000	5,000
Neil Binnie	5,000	5,000
	<u>15,000</u>	<u>103,000</u>
	=====	=====

The above loans are unsecured, interest free and have no fixed terms of repayment.

15 Capital commitments

There were no capital commitments at 31 May 1998 or 31 May 1997.