



Abbreviated financial statements

Year ended 31 May 2006





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Report of the independent auditors

Independent auditor's report to Gretna Football Club Limited

Pursuant to section 247B of the Companies Act 1985

We have examined the abbreviated financial statements set out on pages 3 to 7, together with the financial statements of Gretna Football Club Limited for the year ended 31st May 2006 prepared under Section 226 of the Companies Act 1985

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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 for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and the auditor

The directors are responsible for preparing the abbreviated financial statements in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the abbreviated financial statements have been properly prepared in accordance with those provisions and to report our opinion to you.

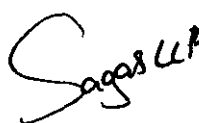
Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated financial statements have been properly prepared in accordance with those provisions.

Elizabeth House
Queen Street
Leeds
LS1 2TW


SAGARS LLP
Chartered Accountants
& Registered Auditors

28 March 2007



Abbreviated balance sheet as at 31 May 2006

	Notes	2006 £'000	2005 £'000
Fixed assets			
Intangible assets	2	83	
Tangible fixed assets	2	824	595
		907	595
Current assets			
Debtors		621	20
Cash at bank and in hand		143	45
		764	65
Creditors			
Amounts falling due within one year		(396)	(166)
Net current assets / (liabilities)		368	(101)
Total assets less current liabilities		1,275	494
Creditors			
Amounts falling due after one year	3	5,360	2,708
Capital and reserves			
Called up share capital	4	56	56
Profit and loss account		(4,141)	(2,270)
Equity shareholders' funds		(4,085)	(2,214)
		1,275	494

The notes set out on pages 4 to 7 form part of these financial statements.

These abbreviated financial statements have been prepared in accordance with the special provisions of Part VII of the companies Act 1985 relating to small companies
Signed on behalf of the Board

B G Milesen

Director

28 March 2007



Notes to the financial statements for the year ended 31 May 2006

I Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

In accordance with Financial Reporting Standard 18, Accounting Policies, the directors have reviewed the appropriateness of the use of the going concern basis of accounting

The company has received a letter of support from B G Milesen, a director, who has guaranteed not to request repayment of the £402,000 owed to him at the balance sheet date until at least 31st March 2008 and to provide the company with sufficient financial support to enable the company to meet its liabilities and continue to trade until at least 31st March 2008

The directors have estimated the company's likely cash requirement until that date and believe that B G Milesen has adequate resources to provide the level of support that is likely to be necessary

The company has also received a letter of support from its holding company, Heartshape Ltd, guaranteeing that they will be not request repayment of the £4,950,000 owed to them at balance sheet date until at least 31st March 2008

The directors therefore consider that the going concern basis of accounting is appropriate to the company

If the company were unable to continue as a going concern, the financial statements would have to be adjusted to write down assets to their recoverable amount, to provide for any additional losses or liabilities that might arise and to reclassify fixed assets and long term creditors as current assets and current liabilities

(b) Turnover

Turnover represents amounts invoiced during the year exclusive of value added tax

(c) Tangible fixed assets

Depreciation is provided on tangible fixed assets to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows

Freehold property	No depreciation considered necessary
Property improvements	10 per cent per annum on a straight line basis
Plant and equipment	25 per cent per annum on a straight line basis
Fixtures & Fittings	25 per cent per annum on a straight line basis
Motor Vehicles	25 per cent per annum on a straight line basis
Equipment	25 per cent per annum on a straight line basis

The Group's policy is to maintain its freehold property to a high standard in order to protect its trade. As a result, these properties maintain aggregate residual values and useful economic lives such that depreciation is insignificant. Residual values are based upon prices prevailing at the date of acquisition or valuation



Notes to the financial statements for the year ended 31 May 2006 (continued)

(d) Leasing and hire purchase

Assets acquired under finance leases and hire purchase contracts are capitalised and are depreciated over their useful lives. Finance charges are charged to the profit and loss account so as to produce a constant periodic rate of charge on the remaining balance of the obligation. Lease rentals on operating leases are charged to the profit and loss account as incurred.

(e) Players' registrations

The costs associated with the acquisition of players' registrations are capitalised as intangible fixed assets. These costs are amortised in equal instalments over the period of the respective players' contracts. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or resale.



Notes to the financial statements for the year ended 31 May 2006 (continued)

2 Fixed assets

	Intangible assets	Tangible assets	Total
	£'000	£'000	£'000
Cost			
01 June 2005		622	622
Additions	100	264	364
31 May 2006	100	886	986
Depreciation			
01 June 2005		27	27
Charge for year	17	35	52
31 May 2006	17	62	79
Net book value			
31 May 2006	83	824	907
31 May 2005		595	595

3 Creditors: amounts falling due after more than one year

	2006	2005
	£'000	£'000
Obligations under hire purchase contracts	8	11
Amounts due to group undertakings	4,950	2,697
Other creditors	402	
	5,360	2,708



Notes to the financial statements for the year ended 31 May 2006 (continued)

4 Called up share capital

	Authorised 2006 £	Authorised 2005 £	Allotted, issued and fully paid 2006 £	Allotted, issued and fully paid 2005 £
Ordinary shares of £1 each	500,000	500,000	55,800	55,800
	Number	Number	Number	Number
Ordinary shares of £1 each	500,000	500,000	55,800	55,800

5 Related party transactions

The company made sales of £400 to Crest Identity, a company related by common control. At the balance sheet date the company was owed £470 by Crest Identity Limited. The company made purchases of £172,783 of club merchandise from Crest Identity Limited. At the balance sheet date the company owed Crest Identity Limited £37,342.

Brooks Milesen, managing director, made payments on behalf of the company of £200,720 during the year. Mr Milesen is owed £402,040 at the balance sheet date.

Heartshape Limited made payments on behalf of the company of £2,454,324 during the year. The company owes Heartshape Limited £4,949,840 at the balance sheet date.

6 Post balance sheet event

On 29 September 2006 the company entered into an unlimited multilateral cross guarantee in respect of the borrowings of Heartshape Limited, the subsidiary companies of that group and Arngrove Building Services Limited. At the date of the approval of these accounts the potential liability was £425,000.

7 Ultimate holding company

The directors are of the opinion that the ultimate holding company of the company at the year end is Heartshape Limited, a company registered in England, whose majority shareholder is B G Milesen. Copies of the consolidated financial statements of Heartshape Limited can be obtained from Companies House.