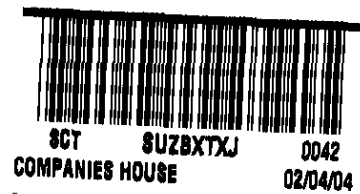


CH

Registered number
SC5854

The Falkirk Football And Athletic Club Limited
Directors' Report And Financial Statements
For The Year Ended 31 May 2003



The Falkirk Football And Athletic Club Limited
Report and accounts
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The Falkirk Football And Athletic Club Limited

Company Information

Directors

C Christie (Chairman)
C McLachlan (Resigned 11 September 2003)
C Liddell (Resigned 19 November 2003)
A Joyce
W M Ritchie
D Paterson
G Craig (Appointed 2 October 2002)
G Crawford (Appointed 2 October 2002)
M White (Appointed 15 May 2003)

Secretary

D Webster (Appointed 15 September 2003)

Accountants

Scott and Paterson
Chartered Accountants
Bruntsfield House
6 Bruntsfield Terrace
Edinburgh, EH10 4EX

Auditors

Blueprint Audit Limited
Unit 3 Gateway Business Park
Beancross Road
Grangemouth
FK3 8WX

Bankers

The Royal Bank of Scotland
Falkirk Branch
2 Newmarket Centre
Falkirk
FK1 1JX

Solicitors

Biggart Baillie
7 Castle Street
Edinburgh
EH2 3AP

Registered number

SC5854

The Falkirk Football And Athletic Club Limited

Chairman's Statement

I am very pleased to be able, once again, to report to you on behalf of the Board.

The reports cover a period of considerable success for Falkirk Football and Athletic Club (FFAC) on three fronts.

Firstly, our performances on the field in season 2002/2003 were outstanding and resulted in our winning the Championship of the First Division of the Scottish Football League by a considerable margin. We must congratulate all our playing squad and our management and coaching team for this success.

The only negative factor associated with the playing side in the past year was the refusal of the Scottish Premier League (SPL) to accept our nomination, as champions of the First Division, for promotion to the SPL. Much has been written about this issue in the past year and I will only comment very briefly in this statement. Our proposal to play fixtures in the Premier League at the Excelsior Stadium, Airdrie, while our new stadium was being built, was a perfectly reasonable proposition. We still await the Office of Fair Trading (OFT) response to our claim of anti-competitive treatment. I share the upset felt by everyone associated with the club, particularly our fans and our players, at this unfair treatment.

Secondly, everyone I talk to is impressed by the development of the new stadium at Westfield. The work had just started on site during the period covered by this report, but in this updated report I can confirm that the first phase is due to be completed and handed over for occupation by the early part of April 2004. Much of the fit-out has still to be completed, and the dates for starting phases two and three have still not been confirmed. However, we are well on our way to playing in a magnificent new stadium and everyone is excited about that prospect. Everyone associated with getting us to this stage is to be congratulated.

Thirdly, the year was highly successful from a financial point of view with the sale of Brockville not only opening the way for the development of a new stadium, but also clearing long-term debt and creating a strong Balance Sheet. We also recorded operating profits for the first time in many years.

On 31st March 2003, our wholly owned subsidiary, Westfield Stadium Limited (WSL) sold the property at Brockville Park. The net proceeds were used by WSL to repay outstanding loans secured against the property and WSL's remaining reserves of £2,644,847 were paid to FFAC. A joint venture company, Falkirk Community Stadium Limited (FCSL), was set up by FFAC and Falkirk Council initially with £100 share capital (£75 owned by FFAC in A shares and £25 by Falkirk Council in B Shares). The rights attached to the A and B shares define the economic interests of each shareholder with FFAC holding 51% of the economic interest and Falkirk Council holding 49%. FFAC and Falkirk Council provided FCSL with long term loan stock to fund the construction of a new stadium. FFAC provided loan stock of £2,867,719. On 31st October 2003, both FFAC and Falkirk Council increased their investment in FCSL maintaining the existing ratios of A and B shares. FFAC converted £74,925 of loan stock to increase our equity investment to £75,000.

2002/2003 were also highly successful in terms of revenue and profit. For the first time since the current owners took control in 1998, the club reported an operating profit. The success of the team in the league and cup competitions, and the last matches at Brockville Park created a high level of interest that was reflected in our gate receipts and almost all other revenue streams. The establishment of the Falkirk School of Football (which is included in the FFAC accounts) created new sources of income. The payments for the transfer of Steve Tosh and the compensation for the loss of Ian McCall are included in these accounts (as part of "other operating income"). The transfer fees for Lee Miller and Collin Samuel, and the compensation payment for Mark Kerr are not included, as these took place in the following financial year.

The transfer income in season 2003/2004 will help to offset the heavy trading loss we are incurring. The reduced revenue and increased costs of playing at Stenhousemuir, coupled with additional expenditure at Little Kerse and The Falkirk Stadium, will result in large losses and pressure on cash flow. Though the longer term future at Westfield bodes well for the club, we will continue to need the financial support of our supporters and business sponsors over the next year as we develop our business in the new stadium and push for promotion to the SPL.

This has been a difficult season for the club. Playing away from home for the entire season has proved to be a testing experience both for the playing staff and for our staff involved in making all the organisational arrangements for our home games. I am sure that they are all looking forward to moving to our new home for next season. I am sure, also, that that applies to our supporters. Our season at Ochilview was perhaps, one of the worst we have had for sometime from the point of view of the weather. It will be a relief to be able to look forward to watching our games next season with reasonable protection from the elements.

I hope, also, that next season will see us return to championship-winning performances on the field. The uncertainties of the last close season made it difficult for our new football management team to build the side they wanted to achieve two league titles in a row. The basis of a league -winning team is in place and, with one or two additions, we look forward to next season with optimism.

I would like to thank, my board colleagues, all the staff, both playing and non-playing, and the large band of enthusiastic volunteers who help us week in and week out, for all their hard work in keeping the club at the forefront of Scottish Football.

Campbell Christie
Chairman

The Falkirk Football And Athletic Club Limited

Directors' Report

The directors present their report and financial statements for the year ended 31 May 2003.

Principal activities

The company's principal activity during the year continued to be that of participating in professional football as a member of the Scottish Football League

Results and dividends

The results for the year are set out on page 5.

The directors do not recommend payment of a final dividend

Directors

The following directors have held office since 1 June 2002:

C Christie (Chairman)	
C McLachlan	(Resigned 11 September 2003)
C Liddell	(Resigned 19 November 2003)
A Joyce	
W M Ritchie	
D Paterson	
G Craig	(Appointed 2 October 2002)
G Crawford	(Appointed 2 October 2002)
M White	(Appointed 15 May 2003)

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of 50p each	
	2003	2002
C Christie (Chairman)	6,400	6,400
C McLachlan	-	-
C Liddell	163,802	163,802
A Joyce	163,204	163,204
W M Ritchie	204,304	204,304
D Paterson	-	-
G Craig	1100	-
G Crawford	-	-
M White	425	425

The Falkirk Football And Athletic Club Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare accounts 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 for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.



.....
W M Ritchie

Director

...22/03/04.....

The Falkirk Football And Athletic Club Limited

Independent auditors' report

to the shareholders of The Falkirk Football And Athletic Club Limited

We have audited the financial statements of The Falkirk Football and Athletic Club Limited for the year ended 31 May 2003 which comprise pages 6 to 16. These accounts have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if 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. This other information comprises the Director's Report and the Chairman's statement. We consider the implications for our audit report if we become aware of apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

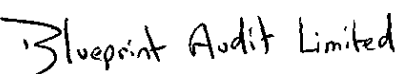
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 May 2003 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Blueprint Audit Limited
Registered Auditor



Unit 3 Gateway Business Park
Beancross Road
Grangemouth
FK3 8WX

The Falkirk Football And Athletic Club Limited
Profit and Loss Account
for the year ended 31 May 2003

	Notes	2003 £	2002 £
Turnover	4	1,676,096	978,603
Cost of sales		(1,129,296)	(854,514)
Gross profit		<u>546,800</u>	<u>124,089</u>
Administrative expenses		(462,684)	(221,679)
Other operating income		143,013	7,855
Operating profit/(loss)	5	<u>227,129</u>	<u>(89,735)</u>
Income from investments		2,644,847	-
Interest receivable		1,137	800
Profit/(loss) on ordinary activities before taxation		<u>2,873,113</u>	<u>(88,935)</u>
Tax on profit/(loss) on ordinary activities	7	-	-
Profit/(loss) for the financial year		<u>2,873,113</u>	<u>(88,935)</u>
Retained profit/(loss) for the financial year	15	<u>2,873,113</u>	<u>(88,935)</u>

Continuing operations

None of the company's activities were acquired or discontinued during the above two financial years.

The Falkirk Football And Athletic Club Limited
Statement of total recognised gains and losses
for the year ended 31 May 2003


	Notes	2003 £	2002 £
Profit/(loss) for the financial year		2,873,113	(88,935)
Prior year adjustment			(5,307)
Total recognised gains and losses related to the year		<u>2,873,113</u>	<u>(94,242)</u>

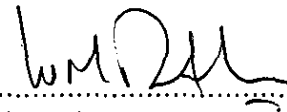
The Falkirk Football And Athletic Club Limited
Balance Sheet
as at 31 May 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	8	8,969	7,264
Investments	9	77	2
		<u>9,046</u>	<u>7,266</u>
Current assets			
Stocks	10	18,211	14,270
Debtors	11	3,124,055	160,050
Cash at bank and in hand		170,924	160,657
		<u>3,313,190</u>	<u>334,977</u>
Creditors: amounts falling due within one year	12	(422,831)	(338,493)
Net current assets/(liabilities)		<u>2,890,359</u>	<u>(3,516)</u>
		<u>2,899,405</u>	<u>3,750</u>
Capital and reserves			
Called up share capital	13	719,426	700,949
Share premium	14	155,470	151,405
Profit and loss account	15	2,024,509	(848,604)
Shareholders' funds:			
Equity		<u>2,899,405</u>	<u>3,750</u>
	16	<u>2,899,405</u>	<u>3,750</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium - sized companies.

The financial statements were approved by the board on 22 March 2004


 C Christie
 Director


 W M Ritchie
 Director

The Falkirk Football And Athletic Club Limited
Cash Flow Statement
for the year ended 31 May 2003

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit/(loss)		227,129	(89,735)
Depreciation charges		2,795	2,691
(Increase)/decrease in stocks		(3,941)	9,488
(Increase)/decrease in debtors		(2,964,005)	39,955
Increase in creditors		84,338	67,643
Net cash (outflow)/inflow from operating activities		<u>(2,653,684)</u>	<u>30,042</u>
CASH FLOW STATEMENT			
Net cash (outflow)/inflow from operating activities		(2,653,684)	30,042
Returns on investments and servicing of finance	17	2,645,984	800
Capital expenditure	17	<u>(4,575)</u> <u>(12,275)</u>	<u>(1,700)</u> <u>29,142</u>
Financing	17	22,542	14,392
Increase in cash		<u>10,267</u>	<u>43,534</u>
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		10,267	43,534
Increase in debt and lease financing		-	(10,000)
Change in net debt	18	<u>10,267</u>	<u>33,534</u>
Net funds at 1 June		<u>160,657</u>	<u>127,123</u>
Net funds at 31 May		<u>170,924</u>	<u>160,657</u>

The Falkirk Football And Athletic Club Limited
Notes to the Accounts
for the year ended 31 May 2003

1 Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Cars, Plant & Equipment	25% Reducing Balance
-------------------------	----------------------

Stocks

Stock is valued at the lower of cost and net realisable value.

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between the recognition of gains and losses in the accounts and their recognition for tax purposes.

Deferred tax is calculated at the tax rates which are expected to apply in the periods when the timing differences will reverse, and discounted to reflect the time value of money using rates based on the post-tax yields to maturity that could be obtained at the balance sheet date on government bonds with similar maturity dates.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Group Accounts

The financial statements present information about the company as an individual undertaking and *not about its group*. The company and its subsidiary undertakings comprise a medium sized group. The company has therefore taken advantage of the exceptions provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

The Falkirk Football And Athletic Club Limited
Notes to the Accounts
for the year ended 31 May 2003

3 Valuation of Playing Squad

The directors have considered new accounting standards which were issued by the Accounting Standards Board and apply to these accounts, in respect of valuation of intangible assets, including players. One of the recent standards requires intangible assets to be incorporated in the balance sheet. However, at the present stage of the development of the Club, the directors do not consider it prudent to recognise this value in the balance sheet at this time. The directors will reconsider this position in the future.

4 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom. Sale of players' registrations are not included within turnover in accordance with FRS 3 Reporting Financial Performance and industry practise.

5 Operating profit	2003	2002
	£	£
This is stated after charging:		
Depreciation of owned fixed assets	2,795	2,691
Operating lease rentals - plant and machinery	-	200
Operating lease rentals - other	8,394	10,000
Auditors' remuneration	2,750	7,496

6 Staff costs	2003	2002
	£	£
Wages and salaries	997,780	852,952
Social security costs	15,616	16,091
Other pension costs	2,523	4,146
	<u>1,015,919</u>	<u>873,189</u>

The Falkirk Football And Athletic Club Limited
Notes to the Accounts
for the year ended 31 May 2003

Average number of employees during the year (including directors)	Number	Number
	106	90

The directors of the company have not received any remuneration or benefits from the company during the year. No pension costs have been incurred by the company in respect of the directors.

7 Taxation	2003 £	2002 £
Analysis of charge in period		
Tax on profit on ordinary activities	-	-

Factors affecting tax charge for period

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

	2003 £	2002 £
Profit/(loss) on ordinary activities before tax	2,873,113	(88,935)
Standard rate of corporation tax in the UK	30%	30%
	£	£
Profit on ordinary activities multiplied by the standard rate of corporation tax	861,934	(26,681)
Effects of:		
Utilisation of tax losses brought forward	(68,480)	26,681
Dividend income	(793,454)	
Current tax charge for period	-	-

Factors that may affect future tax charges

The company has estimated losses brought forward of £2,648,150 which will be utilised against this year's taxable profit

The Falkirk Football And Athletic Club Limited
Notes to the Accounts
for the year ended 31 May 2003

8 Tangible fixed assets

	Cars, Plant and Equipment £
Cost	
At 1 June 2002	120,194
Additions	4,500
At 31 May 2003	<u>124,694</u>
Depreciation	
At 1 June 2002	112,930
Charge for the year	2,795
At 31 May 2003	<u>115,725</u>
Net book value	
At 31 May 2003	<u>8,969</u>
At 31 May 2002	<u>7,264</u>

9 Investments

	Investments in subsidiary undertakings £
Cost	
At 1 June 2002	2
Additions	75
At 31 May 2003	<u>77</u>

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Westfield Stadium Limited	Scotland	Ordinary	100
Falkirk Community Stadium Ltd	Scotland	Ordinary	75

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and Reserves £	Loss for Year £
Westfield Stadium Limited	<u>2</u>	<u>1,345,446</u>

No results for Falkirk Community Stadium Ltd are available as the company's first accounting period is to 31 May 2004.

The Falkirk Football And Athletic Club Limited
Notes to the Accounts
for the year ended 31 May 2003

10 Stocks	2003	2002
	£	£
Finished goods and goods for resale	<u>18,211</u>	<u>14,270</u>

The difference between purchase price of stocks and their replacement cost is not material.

11 Debtors	2003	2002
	£	£
Trade debtors	37,416	6,994
Amounts owed by group undertakings and undertakings in which the company has a participating interest	2,867,719	138,791
Other debtors	212,028	12,080
Prepayments and accrued income	<u>6,892</u>	<u>2,185</u>
	<u>3,124,055</u>	<u>160,050</u>

The amounts owed by group undertakings consists of a long term loan of £2,867,719 made to Falkirk Community Stadium Limited.

12 Creditors: amounts falling due within one year	2003	2002
	£	£
Trade creditors	140,826	90,094
Amounts owed to group undertakings and undertakings in which the company has a participating interest	49,351	-
Other taxes and social security costs	69,583	44,691
Other creditors	3,779	60,000
Accruals and deferred income	<u>159,292</u>	<u>143,708</u>
	<u>422,831</u>	<u>338,493</u>

13 Share capital	2003	2002
	£	£
Authorised:		
2,007,000 Ordinary shares of 50p each	<u>1,003,500</u>	<u>1,003,500</u>
	2003	2002
	No	No
Allotted, called up and fully paid:		
Ordinary shares of 50p each	<u>1,438,852</u>	<u>1,401,898</u>
	<u>719,426</u>	<u>700,949</u>

The Falkirk Football And Athletic Club Limited
Notes to the Accounts
for the year ended 31 May 2003

Movement in share capital	2003 £	2002 £
At 1 June 2002	700,949	697,349
Shares issued	18,477	3,600
At 31 May 2003	<u>719,426</u>	<u>700,949</u>
 14 Share premium	 2003 £	 2002 £
At 1 June 2002	151,405	150,613
Shares issued	4,065	792
At 31 May 2003	<u>155,470</u>	<u>151,405</u>
During the year, 36,954 ordinary shares of 50p each were issued for proceeds of £22,542.		
 15 Profit and loss account	 2003 £	 2002 £
At 1 June 2002	(848,604)	(759,669)
Retained profit/(loss)	2,873,113	(88,935)
At 31 May 2003	<u>2,024,509</u>	<u>(848,604)</u>
 16 Reconciliation of movement in shareholders' funds	 2003 £	 2002 £
At 1 June 2002	3,750	88,293
Profit/(loss) for the financial year	2,873,113	(88,935)
Shares issued	22,542	4,392
At 31 May 2003	<u>2,899,405</u>	<u>3,750</u>

The Falkirk Football And Athletic Club Limited
Notes to the Accounts
for the year ended 31 May 2003

17 Gross cash flows	2003	2002
	£	£
Returns on investments and servicing of finance		
Dividends received	2,644,847	-
Interest received	1,137	800
	<u>2,645,984</u>	<u>800</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(4,500)	(1,700)
Payments to acquire investments	(75)	-
	<u>(4,575)</u>	<u>(1,700)</u>
Financing		
Issue of share capital	22,542	4,392
New loans raised	-	10,000
	<u>22,542</u>	<u>14,392</u>

18 Analysis of changes in net debt

	At 1 Jun 2002	Cash flows	Non-cash changes	At 31 May 2003
	£	£	£	£
Cash at bank and in hand	160,657	10,267		170,924
Total	<u>160,657</u>	<u>10,267</u>	<u>-</u>	<u>170,924</u>

19 Related parties

Falkirk Football & Athletic Club Limited made management charges of £85,892 to Westfield Stadium Limited. (2002: Falkirk Football & Athletic Club received management charges of £180,000 from Westfield Stadium Limited). At the year end there was a balance due from the Falkirk Community Stadium Limited of £2,867,719 (2002: nil). At the year end there was a balance due to Westfield Stadium Limited of £49,351 (2002: £138,791 due from Westfield Stadium Limited). The company also carried out transactions with Amicable Marquees Limited, Falkirk. George Craig, who is a director of Falkirk Football & Athletic Club Limited is a director in Amicable Marquees. The value of these transactions were £13,532 (2002: £7,266). These transactions were in the normal course of trade.

20 Prior year adjustments

The financial statements for 2001 were restated to reallocate income of £23,710 and legal costs of £18,403 to the subsidiary company, Westfield Stadium Limited.