

**THE SCOTTISH FOOTBALL
ASSOCIATION LIMITED**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2004**



Company no SC 005453

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2004

COMPANY INFORMATION

| | | |
|------------------------------------|--|--|
| Company registration number | SC005453 | |
| Registered office | Hampden Park Glasgow G42 9AY | |
| Directors | J F McBeth G W Peat R C Ogilvie J L Smith H A Campbell Adamson T A Johnston A McRae E J Riley C P Robinson R W Shaw D A Taylor | President 1st Vice President 2nd Vice President Professional Leagues Vice President |
| Secretary | D A Taylor | |
| Bankers | Bank of Scotland | |
| Legal advisors | Burness 242 West George Street Glasgow G2 4QY | |
| Auditors | Grant Thornton UK LLP Chartered Accountants Registered Auditors 95 Bothwell Street Glasgow G2 7JZ | |

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2004

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THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

DIRECTORS' REPORT

The directors present their annual report together with financial statements for the year ended 31 December 2004.

Principal activities

The principal activity of the company is the furtherance and control of the game of football in Scotland. In addition a travel agency and a stadium management company are operated through subsidiary undertakings.

Business review

The profit for the year after taxation amounted to £480,222 (2003: £586,893) and has been transferred to reserves.

Directors

The persons listed below served as directors of the company throughout the year.

| | |
|----------------------|-------------------------------------|
| J F McBeth | President |
| G W Peat | 1st Vice President |
| R C Ogilvie | 2nd Vice President |
| J L Smith | Professional Leagues Vice President |
| H A Campbell Adamson | |
| T A Johnston | |
| A McRae | |
| E J Riley | |
| C P Robinson | |
| R W Shaw | |
| D A Taylor | |

The positions of President, 1st Vice President and 2nd Vice President are elected every 2 years at the Annual General Meeting and are due for re-election in 2005. The position of Professional Leagues Vice President is nominated every 2 years by the Scottish Football League and Scottish Premier League in rotation. The remaining directors, with the exception of the Chief Executive David Taylor, are appointed every 2 years from those nominated to the SFA council.

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 the group and of the profit or loss of the group 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 group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

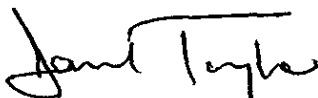
DIRECTORS' REPORT

Auditors

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



Secretary
7th April 2005

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

We have audited the financial statements of The Scottish Football Association Limited for the year ended 31 December 2004 which comprise the principal accounting policies, the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and notes 1 to 21. These financial statements have been prepared under 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 the directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements 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 financial statements, 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. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 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 group'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 financial statements 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 financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
THE SCOTTISH FOOTBALL ASSOCIATION LIMITED (CONTINUED)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company and the group at 31 December 2004 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

**GLASGOW
7th April 2005**

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2004

| | Note | 2004 £ | Restated 2003 £ |
|--|------|-----------------------|-----------------------|
| Turnover | 1 | 20,427,687 | 21,929,021 |
| Cost of sales | | <u>10,726,222</u> | <u>12,389,185</u> |
| Gross profit | | 9,701,465 | 9,539,836 |
| Other operating income: | | | |
| Release from other reserves | | <u>-</u> | <u>76,196</u> |
| | | 9,701,465 | 9,616,032 |
| Grant to The Scottish Football Partnership | | 300,000 | 500,000 |
| Administrative expenses | | <u>8,897,632</u> | <u>8,711,459</u> |
| Operating profit | | 503,833 | 404,573 |
| Income from fixed asset investments | | (124,995) | (167,603) |
| Loss on realisation of fixed asset investments | | 19,371 | 38,689 |
| Interest receivable | | (119,326) | (131,594) |
| Other finance expense | 4 | <u>74,000</u> | <u>19,000</u> |
| Profit for the year before taxation | 3 | 654,783 | 646,081 |
| Taxation | 5 | 174,561 | 59,188 |
| Profit for the year after taxation | | <u>480,222</u> | <u>586,893</u> |

All of the above activities relate to continuing activities.

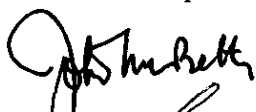

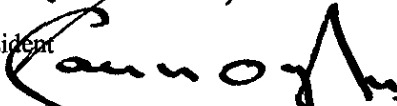
The accompanying accounting policies and notes form an integral part of these financial statements.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2004

| | Note | 2004 £ | 2004 £ | Restated 2003 £ | Restated 2003 £ |
|--|------|------------------|------------------|-----------------------|-----------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 5,356,768 | | 5,462,697 |
| Investments | 7 | | <u>2,386,351</u> | | <u>2,411,896</u> |
| | | | 7,743,119 | | 7,874,593 |
| Current assets | | | | | |
| Stock | | 72,622 | | 106,116 | |
| Debtors | 8 | 3,350,833 | | 4,817,087 | |
| Cash at bank and in hand | 16 | <u>1,309,043</u> | | <u>2,141,344</u> | |
| | | 4,732,498 | | 7,064,547 | |
| Creditors: amounts falling due within one year | 9 | <u>5,616,203</u> | | <u>9,040,781</u> | |
| Net current liabilities | | | (883,705) | | (1,976,234) |
| | | | 6,859,414 | | 5,898,359 |
| Creditors: amounts falling due after more than one year | 10 | | <u>1,255,530</u> | | <u>363,697</u> |
| Net assets excluding pension liability | | | 5,603,884 | | 5,534,662 |
| Pension liability | 19 | | <u>1,729,000</u> | | <u>2,029,000</u> |
| Net assets including pension liability | | | <u>3,874,884</u> | | <u>3,505,662</u> |
| Reserves | | | | | |
| General reserve | | | 1,500,000 | | 1,500,000 |
| Investment revaluation reserve | 11 | | 448,901 | | 448,901 |
| Other reserves | 12 | | 1,799,673 | | 1,799,673 |
| Profit and loss account | 13 | | <u>126,310</u> | | <u>(242,912)</u> |
| | | | 3,874,884 | | 3,505,662 |

The financial statements were approved by the Board of Directors on 7th April 2005.

President 
 1st Vice President 
 2nd Vice President 

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

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

COMPANY BALANCE SHEET AT 31 DECEMBER 2004

| | Note | 2004 £ | 2004 £ | Restated 2003 £ | Restated 2003 £ |
|--|------|------------------|------------------|-----------------------|-----------------------|
| Fixed Assets | | | | | |
| Tangible Assets | 6 | | 4,311,092 | | 4,614,700 |
| Investments | 7 | | <u>2,416,353</u> | | <u>2,441,898</u> |
| | | | 6,727,445 | | 7,056,598 |
| Current Assets | | | | | |
| Stock | | 72,622 | | 106,116 | |
| Debtors | 8 | 3,444,821 | | 4,993,788 | |
| Cash at bank and in hand | | <u>280,220</u> | | <u>1,360,877</u> | |
| | | 3,797,663 | | 6,460,781 | |
| Creditors: amounts falling due within one year | 9 | <u>4,570,031</u> | | <u>8,635,932</u> | |
| Net current liabilities | | | <u>(772,368)</u> | | <u>(2,175,151)</u> |
| | | | 5,955,077 | | 4,881,447 |
| Creditors: amounts falling due after more than one year | 10 | | <u>936,101</u> | | <u>11,882</u> |
| Net assets excluding pension liability | | | 5,018,976 | | 4,869,565 |
| Pension liability | 19 | | 1,729,000 | | 2,029,000 |
| Net assets including pension liability | | | <u>3,289,976</u> | | <u>2,840,565</u> |
| Reserves | | | | | |
| General Reserve | | | 1,500,000 | | 1,500,000 |
| Investment revaluation reserve | 11 | | 448,901 | | 448,901 |
| Other reserves | 12 | | 1,799,673 | | 1,799,673 |
| Profit and loss account | 13 | | <u>(458,598)</u> | | <u>(908,009)</u> |
| | | | 3,289,976 | | 2,840,565 |

The financial statements were approved by the Board of Directors on 7th April 2005.

President

1st Vice President

2nd Vice President

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

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

| | Note | 2004 £ | 2004 £ | 2003 £ | 2003 £ |
|--|------|------------------|------------------|-----------------|------------------|
| Net cash outflow from operating activities | 14 | | (1,780,303) | | (867,251) |
| Returns on investments | | | | | |
| Interest received | | 119,326 | | 131,594 | |
| Income from investments | | 122,096 | | 163,692 | |
| Other finance expense | | <u>(74,000)</u> | | <u>(19,000)</u> | |
| Net cash inflow from returns on investments | | | 167,422 | | 276,286 |
| Taxation | | | | | |
| Taxation paid | | | 3,781 | | 7,014 |
| Capital expenditure and financial investment | | | | | |
| Purchase of tangible fixed assets | | (432,145) | | (336,531) | |
| Purchase of investments | | (130,494) | | (216,505) | |
| Proceeds on disposal of investments | | 136,668 | | 221,178 | |
| Receipt of capital grant | | <u>1,202,770</u> | | <u>-</u> | |
| Net cash inflow/(outflow) from capital expenditure and financial investment | | | <u>776,799</u> | | <u>(331,858)</u> |
| Decrease in cash in the year | 15 | | <u>(832,301)</u> | | <u>(915,809)</u> |

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

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

For the year ended 31 December 2004

| | Note | 2004 £ | Restated 2003 £ |
|---|------|--------------------|-----------------------|
| Profit for the financial year | | 480,222 | 586,893 |
| Release to income from other reserves | | - | (76,196) |
| Actuarial loss in the pension scheme | 19 | (158,000) | (973,000) |
| Deferred tax thereon | | 47,000 | 292,000 |
| Total recognised gains and losses relating to the year | | 369,222 | (170,303) |
| Prior year adjustment | 13 | (2,119,000) | - |
| Total recognised gains and losses since last financial statements | | <u>(1,749,778)</u> | <u>(170,303)</u> |

The prior year adjustment relates to the implementation of FRS 17 as explained on page 10 and shown in note 13.

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

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES

For the year ended 31 December 2004

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention as modified by the revaluation of certain assets. The principal accounting policies have remained unchanged from the previous year except as set out below.

The group has adopted FRS 17 "Retirement Benefits" and comparative figures have been restated accordingly as described in note 13.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 7). The financial statements of its subsidiary undertakings have been prepared to 31 December 2004.

Company structure

The company is limited by guarantee not having a share capital.

Turnover

Turnover is the amount receivable by the group from its various activities during the accounting period. Revenue derived from contracts in respect of media rights is recognised as turnover in accordance with the proportion of matches covered in any accounting period against the total number of matches to be played in any season.

Depreciation

Depreciation is calculated at the following rates:

| | |
|-------------------------------|--|
| Leasehold Improvements | Straight line over period of lease and 10-20 years |
| Computer and office equipment | 25% and 10% straight line |

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date.

Investments

Investments are included at cost, and are classified as fixed assets.

Investment properties

In accordance with Statement of Standard Accounting Practice No 19, investment properties are included in the balance sheet at their open market values. The unrealised surplus on revaluation of individual properties is transferred to the investment revaluation reserve. Depreciation is not provided in respect of freehold investment properties as any charge would be considered insignificant.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

For the year ended 31 December 2004

Pension costs

The Company operates a defined benefit pension scheme. The assets of the scheme are administered by the Trustees in a fund independent from those of the Association.

Scheme assets are measured at market values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Interest on the scheme liabilities and the expected return on scheme assets are included in other finance costs. Actuarial gains and losses are reported in the statement of total recognised gains and losses.

Contributions payable for the year to defined contribution schemes are charged to the profit and loss account.

Grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account by equal annual instalments over the expected useful lives of the relevant assets.

Grant assistance of a revenue nature is credited to the profit and loss account in the same period as the related expenditure.

Stock

Stock consists of goods held for resale and is valued at the lower of cost and net realisable value.

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Deferred Expenditure - Rental

The group entered into a lease for Hampden Stadium in the year 2000. The initial term of the lease is 20 years with an option to extend for a further 20 years.

The lease payments are capable of being reduced depending on circumstances outwith the control of the group. The reduction may take place any time between 10 to 17 years from inception. The rent is being charged to the profit and loss account in equal annual instalments over 20 years assuming the reduction in rent takes place in year 17 being the most appropriate estimate at this time. The expenditure deferred is included within prepayments and accrued income in the balance sheet.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

1 TURNOVER

| | 2004 £ | 2003 £ |
|----------------------------------|-------------------|-------------------|
| Turnover is analysed as follows: | | |
| Gross match receipts | 9,434,813 | 11,715,871 |
| Other activities | 10,992,874 | 10,213,150 |
| | <u>20,427,687</u> | <u>21,929,021</u> |

2 DIRECTORS AND EMPLOYEES

The average number of employees of the group during the year and their aggregate emoluments are shown below:

| | 2004 £ | Restated 2003 £ |
|--|------------------|-----------------------|
| Wages and salaries | 3,345,489 | 2,962,981 |
| Social security | 357,621 | 335,508 |
| Other pension costs (see note 19) | 377,580 | 318,644 |
| | <u>4,080,690</u> | <u>3,617,133</u> |
| Average number of employees of the group during the year | <u>109</u> | <u>112</u> |

Wages and salaries include payments to the previous National Coach on termination of his employment. In the opinion of the directors the additional costs associated with this are not material to an understanding of these financial statements.

Remuneration in respect of directors was as follows:

| | 2004 £ | 2003 £ |
|----------------------------------|----------------|---------------|
| Directors' emoluments | 160,121 | 83,679 |
| Directors' pension contributions | 29,438 | 13,750 |
| | <u>189,559</u> | <u>97,429</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 OPERATING PROFIT

| | 2004 £ | 2003 £ |
|------------------------|-----------|-----------|
| Directors emoluments | 160,121 | 83,679 |
| Auditors remuneration: | | |
| Audit services | 31,850 | 26,900 |
| Non-audit services | 10,370 | 10,155 |
| Depreciation | 486,167 | 463,861 |
| Capital grant release | (90,362) | (89,050) |
| Hire of equipment | 108 | 2,169 |
| Operating leases: | | |
| Other | 55,613 | 54,705 |
| Land and Buildings | 737,384 | 731,569 |

| | 2004 £ | Restated 2003 £ |
|--|---------------|-----------------------|
| Expected return on pension scheme assets | (538,000) | (462,000) |
| Interest on pension scheme liabilities | 612,000 | 481,000 |
| | <u>74,000</u> | <u>19,000</u> |

| | 2004 £ | Restated 2003 £ |
|--|----------------|-----------------------|
| United Kingdom corporation tax at 30% - current year | (6,600) | 10,671 |
| - prior years | 5,161 | (3,483) |
| Deferred tax - current year | 176,000 | 52,000 |
| | <u>174,561</u> | <u>59,188</u> |

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THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTD)

Tax Reconciliation

Factors affecting tax charge for year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | 2004 £ | Restated 2003 £ |
|---|----------------|-----------------------|
| Profit on ordinary activities before tax | <u>654,783</u> | <u>646,081</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%) | 196,435 | 193,824 |
| Effects of: | | |
| Income previously taxed | (19,502) | (45,662) |
| Movement in accelerated capital allowances | (88,799) | 49,128 |
| Non qualifying depreciation | 70,580 | 61,495 |
| Rate difference on losses carried back | 3,821 | - |
| Net difference on gain on disposal of non qualifying assets | 5,811 | 11,607 |
| Utilisation of tax losses | 1,238 | (189,940) |
| Impact of lower rate in subsidiaries | <u>(184)</u> | <u>(17,781)</u> |
| Current tax charge for year | <u>169,400</u> | <u>62,671</u> |

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

6 TANGIBLE FIXED ASSETS

The Group

| | Leasehold Improvements £ | Investment Property £ | Computer & Office Equipment £ | Total £ |
|---------------------------------------|--------------------------------|-----------------------------|--|------------------|
| Cost or valuation | | | | |
| At 1 January 2004 | 4,424,336 | 1,120,646 | 1,136,584 | 6,681,566 |
| Additions at cost | 294,147 | - | 86,091 | 380,238 |
| At 31 December 2004 | <u>4,718,483</u> | <u>1,120,646</u> | <u>1,222,675</u> | <u>7,061,804</u> |
| Depreciation | | | | |
| At 1 January 2004 | 568,001 | - | 650,868 | 1,218,869 |
| Provided in the year | 285,842 | - | 200,325 | 486,167 |
| At 31 December 2004 | <u>853,843</u> | <u>-</u> | <u>851,193</u> | <u>1,705,036</u> |
| Net book value at 31 December 2004 | <u>3,864,640</u> | <u>1,120,646</u> | <u>371,482</u> | <u>5,356,768</u> |
| Net book value at 31 December 2003 | <u>3,856,335</u> | <u>1,120,646</u> | <u>485,716</u> | <u>5,462,697</u> |

Investment properties were revalued on 31 December 2004 by Messrs Griffin Webster, Chartered Surveyors, at their open market values. There was no change in the valuation as a result.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

TANGIBLE FIXED ASSETS (CONTD)

The Company

| | Leasehold Improvements £ | Investment Property £ | Computer & Office Equipment £ | Total £ |
|---------------------------------------|---|--------------------------------------|--|--------------------|
| Cost or valuation | | | | |
| At 1 January 2004 | 3,562,275 | 1,120,646 | 867,640 | 5,550,561 |
| Additions at cost | 5,419 | - | 74,498 | 79,917 |
| At 31 December 2004 | <u>3,567,694</u> | <u>1,120,646</u> | <u>942,138</u> | <u>5,630,478</u> |
| Depreciation | | | | |
| At 1 January 2004 | 453,626 | - | 482,235 | 935,861 |
| Provided in the year | 213,918 | - | 169,607 | 383,525 |
| At 31 December 2004 | <u>667,544</u> | <u>-</u> | <u>651,842</u> | <u>1,319,386</u> |
| Net book value at 31 December 2004 | <u>2,900,150</u> | <u>1,120,646</u> | <u>290,296</u> | <u>4,311,092</u> |
| Net book value at 31 December 2003 | <u>3,108,649</u> | <u>1,120,646</u> | <u>385,405</u> | <u>4,614,700</u> |

Investment properties were revalued on 31 December 2004 by Messrs Griffin Webster, Chartered Surveyors, at their open market values. There was no change in the valuation as a result.

The Group and the Company

If the investment properties had not been revalued, they would have been included on the historical cost basis at a cost of £671,745.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

7 INVESTMENTS

| The Group | Quoted £ |
|--------------------------|---------------------|
| At cost 1 January 2004 | 2,411,896 |
| Additions | 130,494 |
| Disposals | (156,039) |
| At cost 31 December 2004 | <u>2,386,351</u> |

The market value of quoted investments at 31 December 2004 was £2,632,932 (2003 - £2,477,228).

The Company

In addition to the above quoted investments, the company holds the following investments:

| | Investment in subsidiary undertakings £ |
|--|--|
| Cost | |
| At 1 January 2004 and 31 December 2004 | <u>30,002</u> |

| Subsidiary Undertakings | Country of Registration | Holding | Proportion held | Nature of Business |
|--|------------------------------------|--------------------|----------------------------|---------------------------|
| Scotball Travel and Leisure Limited | Scotland | Ordinary Shares | 100% | Travel Agency |
| Hampden Park Limited | Scotland | Ordinary Shares | 100% | Stadium Management |

8 DEBTORS

| | The Group | | The Company | |
|------------------------------------|------------------|------------------|--------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Amounts owed by group undertakings | - | - | 1,666,870 | 1,455,508 |
| Other debtors | 2,304,127 | 3,859,264 | 1,686,530 | 3,388,597 |
| Prepayments and accrued income | 1,040,280 | 945,354 | 84,995 | 137,214 |
| Taxation recoverable | 6,426 | 12,469 | 6,426 | 12,469 |
| | <u>3,350,833</u> | <u>4,817,087</u> | <u>3,444,821</u> | <u>4,993,788</u> |

Prepayments and accrued income for the group includes an amount of £388,170 (2003: £306,450) in relation to deferred rental. This amount will be written off in accordance with the accounting policy as set out on page 11 and is not recoverable within one year.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | The Group | | The Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Accruals and deferred income | 5,424,214 | 8,804,566 | 4,445,186 | 8,269,806 |
| Amounts owed to group undertakings | - | - | - | 158,934 |
| Social security and other taxes | 187,918 | 225,544 | 124,845 | 207,192 |
| Corporation tax payable | 4,071 | 10,671 | - | - |
| | <u>5,616,203</u> | <u>9,040,781</u> | <u>4,570,031</u> | <u>8,635,932</u> |

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | The Group | | The Company | |
|------------------------------|------------------|----------------|----------------|---------------|
| | 2004 | 2003 | 2004 | 2003 |
| | £ | £ | £ | £ |
| Accruals and deferred income | <u>1,255,530</u> | <u>363,697</u> | <u>936,101</u> | <u>11,882</u> |

11 INVESTMENT PROPERTY REVALUATION RESERVE

The Group and the Company

| | 2004 | 2003 |
|---------------------------------|----------------|----------------|
| | £ | £ |
| At 1 January 2004 | 448,901 | 448,901 |
| Arising on revaluation (Note 6) | - | - |
| At 31 December 2004 | <u>448,901</u> | <u>448,901</u> |

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

12 OTHER RESERVES

The Group and the Company

| | £ |
|--|------------------|
| At 1 January 2004 and 31 December 2004 | <u>1,799,673</u> |

13 PROFIT AND LOSS ACCOUNT

| | Group £ | Company £ |
|--|--------------------|--------------------|
| As at 1 January 2004, as previously stated | 1,876,088 | 1,210,991 |
| Prior year adjustment | <u>(2,119,000)</u> | <u>(2,119,000)</u> |
| As at 1 January 2004, as restated | (242,912) | (908,009) |
| Retained profit for the year | 480,222 | 560,411 |
| Actuarial loss in the pension scheme | <u>(158,000)</u> | <u>(158,000)</u> |
| Deferred tax thereon | 47,000 | 47,000 |
| As at 31 December 2004 | <u>126,310</u> | <u>(458,598)</u> |

The prior year adjustment relates to the implementation of FRS 17 "Retirement Benefits".

The early adoption of FRS 17 resulted in a reduction of reserves of £2,029,000 at 1 January 2004 in recognising the pension liability (net of deferred tax) and a reduction in reserves of £90,000 on elimination of the pension prepayment. The impact on the results as previously reported for the year ended 31 December 2003 was to increase the profit for the year after taxation by £201,000. It is not considered practicable to provide the effect of early implementation on the current year's results.

The retained profit for the year has arisen from the group companies as follows:

| | 2004 £ |
|----------------------------|-----------------|
| By the Company | 560,411 |
| By subsidiary undertakings | <u>(80,189)</u> |
| | <u>480,222</u> |

In accordance with s230 of the Companies Act 1985, the company has not included its own profit and loss account in these financial statements.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

14 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

| | 2004 £ | Restated 2003 £ |
|---|--------------------|-----------------------|
| Operating profit | 503,833 | 404,573 |
| Depreciation | 486,167 | 463,861 |
| Release of deferred capital grant | (90,362) | (89,050) |
| Release from other reserves | - | (76,196) |
| Pension scheme payments | (587,000) | (173,000) |
| Decrease/(increase) in stock | 33,494 | (106,116) |
| Decrease/(increase) in debtors | 1,326,877 | (1,641,793) |
| (Decrease)/increase in creditors | (3,453,312) | 350,470 |
| Net cash outflow from operating activities | (1,780,303) | (867,251) |

15 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

| | 2004 £ | 2003 £ |
|-------------------------------|-----------|-----------|
| Decrease in cash in the year | (832,301) | (915,809) |
| Net funds at 1 January 2004 | 2,141,344 | 3,057,153 |
| Net funds at 31 December 2004 | 1,309,043 | 2,141,344 |

The company manages its liquid resources through the use of overnight and 7 day deposits with Bank of Scotland. Overnight deposits are treated as cash, and 7 day deposits are treated as liquid resources for the purposes of the cash flow statement.

16 ANALYSIS OF NET FUNDS

| | At 1 January 2004 £ | Cash flow £ | At 31 December 2004 £ |
|--------------------------|------------------------------|----------------|--------------------------------|
| Cash at bank and in hand | 2,141,344 | (832,301) | 1,309,043 |

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

17 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2004 or 31 December 2003.

18 CONTINGENT LIABILITIES/ASSETS

The company has provided a guarantee in respect of a third party loan which may be provided to The Scottish Football Partnership up to a maximum of £1.2 million. In the opinion of the directors, any risk of liability to the company is remote.

Leasehold Improvements consist mainly of a £3 million contract for safety improvements to the East Stand at Hampden Park. A grant of £1.2 million towards this project was received from Sportscotland Lottery Fund during 2004. An application has also been made to the Scottish Football Partnership for a further £1 million grant.

19 PENSION COMMITMENTS

The Association operates a defined benefit pension scheme for the benefit of certain employees. The assets of the scheme are administered by the Trustees in a fund independent from those of the Association. A full actuarial valuation was carried out at 31 May 2003 and updated to 31 December 2003 and 31 December 2004 by a qualified actuary. The major assumptions used by the actuary were:

| | 2004 | 2003 |
|---|------|------|
| | % | % |
| Rate of increase in Retail Price Index | 3.0 | 2.9 |
| Rate of increase in Pensions in Payment - accruing up to 1 May 2002 | 5.0 | 5.0 |
| - accruing thereafter | 3.0 | 2.9 |
| Rate of increase in Pensionable Salaries | 4.2 | 4.2 |
| Discount Rate | 5.2 | 5.3 |

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

PENSION COMMITMENTS (CONTINUED)

The assets in the scheme and the expected rate of return were:

| | Rate of Return % | 2004 £000's | Rate of Return % | 2003 £000's | Rate of Return % | 2002 £000's |
|---|------------------------|----------------|------------------------|----------------|------------------------|----------------|
| Market value of assets: | | | | | | |
| Deposit administration contract | 6.0 | 8,083 | 6.5 | 6,432 | 6.5 | 5,788 |
| Annuities | 5.2 | 2,013 | 5.3 | 1,981 | 5.4 | 1,613 |
| | | 10,096 | | 8,413 | | 7,401 |
| Present value of Scheme liabilities | | (12,566) | | (11,312) | | (9,500) |
| Net pension deficit before deferred tax | | (2,470) | | (2,899) | | (2,099) |
| Related deferred tax asset | | 741 | | 870 | | 630 |
| Net pension deficit | | (1,729) | | (2,029) | | (1,469) |

Movement in deficit in the year

| | 2004 £000's £ | 2003 £000's £ |
|--|---------------------|---------------------|
| Deficit in scheme at beginning of the year | (2,899) | (2,099) |
| Movement in year: | | |
| Current service cost | (297) | (152) |
| Loss on settlement and curtailments | - | (63) |
| Contributions | 958 | 407 |
| Other finance costs | (74) | (19) |
| Actuarial loss | (158) | (973) |
| Deficit in scheme at end of the year | (2,470) | (2,899) |

The full triennial actuarial valuation at 31 May 2003 showed an increase in the deficit from £873,000 to £3,276,000 on a SSAP 24 basis. The Scheme Actuary has suggested a regular annual contribution of 24.5% of pensionable payroll including employees' contribution, and has recommended that the deficit be reduced by additional one-off payments. The scheme is now closed to new entrants.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

PENSION COMMITMENTS (CONTINUED)

History of experience gains and losses

| | 2004 £000's | 2003 £000's | 2002 £000's |
|--|----------------|----------------|----------------|
| Difference between the expected and the actual return on scheme assets: | | | |
| - amount | 303 | 342 | (160) |
| - percentage of scheme assets | 3.0% | 4.1% | (2.2%) |
| Experience gains and losses on scheme assets: | | | |
| - amount | 30 | (401) | (106) |
| - percentage of scheme assets | 0.2% | (3.5%) | (1.1%) |
| Total amount recognised in statement of total recognised gains and losses: | | | |
| - amount | (158) | (973) | (838) |
| - percentage of scheme assets | 1.25% | 11.6% | 11.3% |

Analysis of the amount charged to operating profit

| | 2004 £000's | 2003 £000's |
|------------------------|----------------|----------------|
| Current service cost | 297 | 152 |
| Past service cost | - | 63 |
| Total operating charge | 297 | 215 |

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses ("STRGL")

| | 2004 £000's | 2003 £000's |
|--|----------------|----------------|
| Actual return less expected return on pension scheme assets | 303 | 342 |
| Experience gains and losses arising on the scheme liabilities | 30 | (401) |
| Changes in financial assumptions underlying the scheme liabilities | (491) | (914) |
| Actuarial loss recognised in STRGL | (158) | (973) |

The group also contributes to defined contribution schemes. Contributions to these schemes for the year amounted to £34,178 (2003 - £33,413).

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2004

20 LEASING COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

| | 2004 Land and buildings £ | Other £ | 2003 Land and buildings £ | Other £ |
|--------------------------------|------------------------------------|---------------|------------------------------------|---------------|
| Operating leases which expire: | | | | |
| Between two and five years | - | 16,807 | - | 14,991 |
| In five years or more | 800,000 | 39,714 | 800,000 | 39,714 |
| | <u>800,000</u> | <u>56,521</u> | <u>800,000</u> | <u>54,705</u> |

21 OTHER MATTERS

In furtherance of the objectives of the Scottish Football Association, which is the furtherance and control of the game of football in Scotland, the group makes payments to and contracts with members of the Association in the normal course of business. These transactions are entered into on an arm's length basis.

The group made a donation to the Scottish Football Association Museum Trust of £275,000 (2003: £295,000) in the year. The group charged the Scottish Football Association Museum Trust an amount of £185,000 (2003: £180,000) in the year in respect of rent and common charges. Included within Other Debtors is an amount of £521,144 (2003: £300,291) due from the Scottish Football Association Museum Trust. The group has certain directors in common with the Scottish Football Association Museum Trust.

The group made a donation to the National Stadium Sports Medicine Centre Limited of £nil (2003: £200,000) in the year. The group charged the National Stadium Sports Medicine Centre Limited an amount of £40,000 (2003: £40,000) in the year in respect of rent and common charges. Included within Other Debtors is an amount of £158,534 (2003: £75,679) due from the National Stadium Sports Medicine Centre Limited. The group has certain directors in common with the National Stadium Sports Medicine Centre Limited.