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Financial Statements

The Scottish Football Association Limited

For the Year Ended 31 December 2016

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COMPANIES HOUSE

Registered number: SC005453

The Scottish Football Association Limited

Company Information

Directors

A McRae (President)
R M Petrie (Vice President)
S M Regan (Chief Executive)
B M Jackson
T A Johnston
P T Lawwell (resigned 2 August 2016)
R J Topping
G Hughes
M Mulraney (appointed 2 August 2016)

Company secretary

H A Barton

Registered number

SC005453

Registered office

Hampden Park
Glasgow
G42 9BA

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
110 Queen Street
Glasgow
G1 3BX

Solicitors

Burness Paull LLP
120 Bothwell Street
Glasgow
G2 7JL

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Group Strategic Report

For the Year Ended 31 December 2016

Introduction

The directors present their report together with the audited financial statements for the year ended 31 December 2016.

Business review

The principal activity of the company is the promotion, development and regulation of the game of football in Scotland. In addition a subsidiary undertaking operates the National Stadium.

The Statement of Comprehensive Income is set out on page 8 and shows turnover for the year of £35,803,829 (2015 - £32,722,821) and profit for the year after taxation of £625,509 (2015 – £1,197,982) which has been transferred to reserves.

Group turnover has increased by 9% due mainly to the receipt of funding from UEFA which was agreed during 2016 in support of the Scottish FA's Strategic Objectives, and to an increase in Hampden Park Stadium revenues.

On page 30, Note 22 sets out the position in respect of the Defined Benefit Pension Scheme deficit. This shows a net deficit at 31 December 2016 of £196,000 (2015 – net surplus £2,047,200). The scheme has been closed to new members for several years. The impact of this movement can be seen through the Consolidated Statement of Comprehensive Income on page 8.

The group cash position increased during the year, but requires to be viewed in the context of the overall net current assets position, which has remained at the previous year's level.

Hampden Park Stadium will act as a host venue for the EURO 2020 Finals in summer 2020. Infrastructure development works commenced in late 2016 and will continue during 2017 and beyond in order to ensure that the facilities comply with the requirements of UEFA and to maintain the Stadium to UEFA 5 star standards.

Group Strategic Report

For the Year Ended 31 December 2016

Principal risks and uncertainties

The Board considers that the principal risks and uncertainties affecting the business include the difficult overall financial position in the Scottish football industry, challenges to football regulatory processes, qualification for European Championship and World Cup Finals, and revenue streams from commercial and broadcasting contracts.

The company seeks to mitigate challenges to its regulatory processes through the recruitment and training of independent Judicial Panel members and through close liaison with World and European football governing bodies.

A significant proportion of company turnover arises from television and commercial sponsorship contracts. To secure future revenues the directors seek to enter into such contracts with suitable commercial partners for appropriate durations.

The Scottish FA is seeking to enhance the future performance of the National Teams through the continued development of its Performance Strategy.

The company monitors cash flow as part of its day to day control procedures. In addition the Board considers cash flow projections on a regular basis.

The group has exposure to three main areas of financial risk – foreign exchange currency risk, liquidity risk and customer credit risk.

The group is exposed to foreign exchange currency risk due to some of its receivables being denominated in non-Sterling currencies. Where possible, on an annual basis, foreign currency expenditure is matched against foreign currency receipts. The net exposure to foreign exchange currency risk is managed by converting all significant sums received in currency into Sterling on receipt.

The objective of the group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The group expects to meet its financial obligations through operating cash flows.

The group may offer credit terms to its customers which allow payment of the debt after the delivery of the service. The group is at risk to the extent that a customer may not be able to pay the debt on the specified due date. Customer credit risk is managed by running credit checks on significant customers and by monitoring payments against contractual agreements.

Strategic plan

The Scottish FA launched its updated strategy document “Scotland United – A 2020 Vision” in 2015, covering the period until 2020. The strategy addresses four distinct elements as follows:

- Perform and Win (Elite performance)
- Strong Quality Growth (Grassroots football)
- Leading The Game (Football Governance, Equity and Staff Development)
- Improving Football’s Finances (Sponsorship and Financial Management)

The strategy includes a number of detailed objectives in each of these areas and progress against these objectives is monitored by the Board on an ongoing basis.

Group Strategic Report

For the Year Ended 31 December 2016

Audit and risk committee

The Audit and Risk Committee consists of Mr B M Jackson (Chairman), Mr R M Petrie and Mr M Mulraney.

The external auditor and members of the Finance Department attend routinely. Business is also conducted without the presence of the external auditor and members of the Finance Department when appropriate.

The main responsibilities of the Committee are:

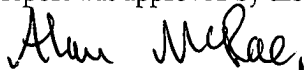
- Review of the annual report and financial statements, and the significant financial reporting judgements and accounting policies;
- Review the internal financial control systems and risk management systems;
- Recommend to the Board the appointment, remuneration and terms of engagement of the external auditor and agree the nature and scope of the audit with the external auditor;
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process.

Two Sub-Committees of the Audit and Risk Committee have been formed with agreed terms of reference:

- Investment Sub-Committee;
- Business Resilience Sub-Committee

The role of the Committee is decided by the Board and the results of its work are reported to the Board.

This report was approved by the board on 20 April 2017 and signed on its behalf.



A McRae (President)
Director

Directors' Report

For the Year Ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

The profit for the year, after taxation, amounted to £625,509 (2015 - £1,197,982).

Directors

The directors who served during the year were:

A McRae (President)
R M Petrie (Vice President)
S M Regan (Chief Executive)
B M Jackson
T A Johnston
P T Lawwell (resigned 2 August 2016)
R J Topping
G Hughes
M Mulraney (appointed 2 August 2016)

Qualifying third party indemnity provisions

The company has arranged qualifying third party indemnity for all its directors.

Directors' Report (continued)

For the Year Ended 31 December 2016

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.


Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 April 2017 and signed on its behalf.


H A Barton
Secretary

Independent Auditor's Report 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 2016, which comprise the Consolidated Statement of comprehensive income, the Consolidated and parent Company balance sheets, the Consolidated Statement of cash flows, the Consolidated and parent Company Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor

As explained more fully in the Directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



Independent Auditor's Report to the Members of The Scottish Football Association Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the Directors' report been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of our knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Lorraine Macphail (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Glasgow

Date: *21 April 2017*

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2016

	Note	2016 £	2015 £
Turnover	3	35,803,829	32,722,821
Cost of sales		(19,169,772)	(16,612,128)
Gross profit		16,634,057	16,110,693
Administrative expenses		(16,343,421)	(15,138,472)
Grant to the Scottish Football Partnership		(250,000)	-
Operating profit		40,636	972,221
Income from fixed assets investments		164,517	192,457
Gain on sale of fixed asset investments		129,333	83,764
Revaluation of investment properties		(35,000)	(20,000)
Interest receivable and similar income		80,280	77,091
Fair value movement of fixed asset investments		229,070	(250,943)
Pension scheme - notional finance income	8	102,000	44,000
Profit before taxation		710,836	1,098,590
Tax charge for the year	9	(85,327)	99,392
Profit for the year		625,509	1,197,982
Actuarial (losses)/ gains on defined benefit pension scheme	22	(3,173,000)	1,136,000
Movement of deferred tax relating to pension deficit		616,180	(227,800)
Other comprehensive income for the year		(2,556,820)	908,200
Total comprehensive income for the year		(1,931,311)	2,106,182

The notes on pages 14 to 32 form part of these financial statements.

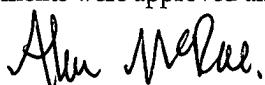
Consolidated Balance Sheet

As at 31 December 2016

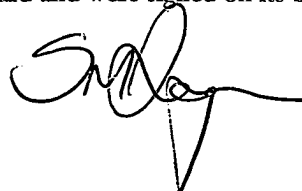
	Note	2016 £	2015 £
Fixed assets			
Tangible assets	10	3,865,794	4,559,176
Investments	11	3,902,306	3,564,742
		<u>7,768,100</u>	<u>8,123,918</u>
Current assets			
Stocks	12	31,432	38,984
Debtors: amounts falling due within one year	13	5,863,897	4,336,553
Cash at bank and in hand	14	16,258,026	13,969,124
		<u>22,153,355</u>	<u>18,344,661</u>
Creditors: amounts falling due within one year	15	(21,299,617)	(17,952,863)
Net current assets		<u>853,738</u>	<u>391,798</u>
Debtors: amounts falling due after more than one year	13	973,554	1,406,242
		<u>9,595,392</u>	<u>9,921,958</u>
Total assets less current liabilities			
Provisions for liabilities			
Deferred taxation	17	(341,244)	(314,296)
		<u>(341,244)</u>	<u>(314,296)</u>
Deferred capital grants	18	(2,122,577)	(2,787,980)
Net assets excluding pension (liability)/asset		<u>7,131,571</u>	<u>6,819,682</u>
Pension (liability)/asset		<u>(196,000)</u>	<u>2,047,200</u>
Net assets		<u>6,935,571</u>	<u>8,866,882</u>
Capital and reserves			
General reserve	19	1,500,000	1,500,000
Other reserve	19	1,799,673	1,799,673
Profit and loss account	19	3,635,898	5,567,209
		<u>6,935,571</u>	<u>8,866,882</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 April 2017

A McRae
President



S M Regan
Director



The notes on pages 14 to 32 form part of these financial statements.

Company Balance Sheet

As at 31 December 2016

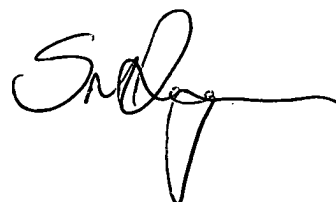
	Note	2016 £	2015 £
Fixed assets			
Tangible assets	10	1,426,210	1,618,907
Investments	11	3,902,308	3,564,744
		<u>5,328,518</u>	<u>5,183,651</u>
Current assets			
Stocks	12	31,432	38,984
Debtors: amounts falling due within one year	13	3,745,522	3,448,022
Cash at bank and in hand	14	16,185,919	13,659,066
		<u>19,962,873</u>	<u>17,146,072</u>
Creditors: amounts falling due within one year	15	(20,527,606)	(17,287,408)
Net current liabilities		<u>(564,733)</u>	<u>(141,336)</u>
Total assets less current liabilities		<u>4,763,785</u>	<u>5,042,315</u>
Provisions for liabilities			
Deferred taxation	17	(259,306)	(228,745)
		<u>(259,306)</u>	<u>(228,745)</u>
Deferred capital grants	18	(402,760)	(536,094)
Net assets excluding pension (liability)/asset		<u>4,101,719</u>	<u>4,277,476</u>
Pension (liability)/asset		<u>(196,000)</u>	<u>2,047,200</u>
Net assets		<u>3,905,719</u>	<u>6,324,676</u>
Capital and reserves			
General reserve	19	1,500,000	1,500,000
Other reserve	19	1,799,673	1,799,673
Profit and loss account	19	606,046	3,025,003
		<u>3,905,719</u>	<u>6,324,676</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 April 2017

A McRae
President



S M Regan
Director



The notes on pages 14 to 32 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016

	General Reserve	Other Reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	1,500,000	1,799,673	5,567,209	8,866,882
Comprehensive income for the year				
Profit for the year	-	-	625,509	625,509
Actuarial losses on pension scheme net of deferred tax	-	-	(2,556,820)	(2,556,820)
Total comprehensive income for the year	-	-	(1,931,311)	(1,931,311)
At 31 December 2016	1,500,000	1,799,673	3,635,898	6,935,571

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2015

	General Reserve	Other Reserves	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015	1,500,000	1,799,673	3,461,027	6,760,700
Comprehensive income for the year				
Profit for the year	-	-	1,197,982	1,197,982
Actuarial gains on pension scheme net of deferred tax	-	-	908,200	908,200
Total comprehensive income for the year	-	-	2,106,182	2,106,182
At 31 December 2015	1,500,000	1,799,673	5,567,209	8,866,882

The notes on pages 14 to 32 form part of these financial statements.

Company Statement of Changes in Equity

For the Year Ended 31 December 2016

	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2016	1,500,000	1,799,673	3,025,003	6,324,676
Comprehensive income for the year				
Profit for the year	-	-	137,863	137,863
Actuarial losses on pension scheme net of deferred tax	-	-	(2,556,820)	(2,556,820)
Total comprehensive income for the year	-	-	(2,418,957)	(2,418,957)
At 31 December 2016	1,500,000	1,799,673	606,046	3,905,719

Company Statement of Changes in Equity

For the Year Ended 31 December 2015

	General Reserves £	Other Reserves £	Profit and loss account £	Total equity £
At 1 January 2015	1,500,000	1,799,673	(247,847)	3,051,826
Comprehensive income for the year				
Profit for the year	-	-	2,364,650	2,364,650
Actuarial gains on pension scheme net of deferred tax	-	-	908,200	908,200
Total comprehensive income for the year	-	-	3,272,850	3,272,850
At 31 December 2015	1,500,000	1,799,673	3,025,003	6,324,676

The notes on pages 14 to 32 form part of these financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Profit for the financial year	625,509	1,197,982
Adjustments for:		
Income from investments	(164,517)	(192,457)
Interest received	(80,280)	(77,091)
Gain on sale of fixed assets	(129,332)	(83,764)
Depreciation of tangible fixed assets	966,394	968,932
Amortisation of deferred capital grants	(665,403)	(665,403)
Taxation	85,327	(99,392)
(Increase)/decrease in debtors	(1,094,656)	1,488,099
Increase/(decrease) in creditors	3,346,853	(5,045,074)
Decrease/(increase) in stocks	7,552	(38,984)
Pension scheme notional finance income	(102,000)	(44,000)
Pension scheme payments	(270,000)	(68,000)
Net cash generated from operating activities	2,525,447	(2,659,152)
Cash flows from investing activities		
Purchase of tangible fixed assets	(308,012)	(133,639)
Sale of tangible fixed assets	-	15,000
Purchase of fixed asset investments	(434,584)	(619,875)
Sale of fixed asset investments	455,324	637,936
Interest received	80,280	77,091
Revaluation of fixed asset investments	(229,070)	250,943
Revaluation of investment property	35,000	20,000
Income from investments	164,517	192,457
Net cash from investing activities	(236,545)	439,913
Net increase/(decrease) in cash and cash equivalents	2,288,902	(2,219,239)
Cash and cash equivalents at beginning of year	13,969,124	16,188,363
Cash and cash equivalents at the end of year	16,258,026	13,969,124
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	16,258,026	13,969,124

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

The company is limited by guarantee, not having a share capital. Its registered office is Hampden Park, Glasgow, G42 9BA.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The consolidated financial statements consolidate the financial statements of The Scottish Football Association Limited and its subsidiary undertaking drawn up to 31 December each year.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The profit after tax of the parent Company for the year was £137,863 (2015: £2,364,650)

Going concern

The directors have prepared cash flow forecasts for at least twelve months from the date of signing these financial statements. The directors are satisfied that due to the existence of contracted income and cash reserves the company can operate within its available funds for the foreseeable future.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 2).

1.2 Revenue

Turnover is the amount receivable by the group from its various activities during the accounting period.

Revenue derived from centralised media rights is recognised on a straight line basis over the term of the agreement. Revenue from other media rights is recognised in the period in which the event takes place.

Revenue derived from sponsorship is recognised evenly over the period to which the sponsorship relates. In-kind transactions are quantified and included within turnover.

Revenue from ticketing is recognised in the period when the event takes place.

Revenue from catering and hospitality is recognised in the period when the event takes place.

Rental income is recognised as it is earned.

1.3 Investment in subsidiary

Investments in subsidiaries are accounted for at cost less impairment in the parent company's individual financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Assets under construction	- No depreciation charged
Leasehold improvements	- Straight line over period of lease and 10-20 years
Equipment and fittings	- 25% and 10% straight line

1.5 Investment properties

Investment properties are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1.6 Valuation of investments

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the actual cost of purchase.

1.8 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

1.10 Creditors

Short term creditors are measured at the transaction price.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.11 Grants

Grants relating to expenditure on tangible fixed assets are credited to the profit and loss at the same rate as the depreciation on these assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised as income in the period in which the related expenditure is incurred.

1.12 Deferred expenditure - rental

The company entered into a lease for Hampden Park Stadium in April 2000 with Queen's Park Football Club. This lease was assigned to Hampden Park Limited in May 2008. The initial term of the lease is 20 years and Hampden Park Limited has the option to extend for a further 20 years.

The initial rental payments were set at a level to allow mandated payments to be made to the Royal Bank of Scotland to settle a loan that was taken out by Queen's Park Football Club to fund the stadium redevelopment. This loan was repaid in full in August 2014, and rental payments from that point have been reduced to reflect this. The annual charge to profit or loss has been adjusted over the 20 years of the lease. The deferred expenditure is included within debtors on the Balance sheet and will be released over the remaining years of the lease.

1.13 Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

1.14 Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the functional currency of the individual entities (foreign currencies) are recognised at the spot rate at the dates of the transactions, or at the average rate where this rate approximates the actual rate at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.15 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Defined benefit pension plan

The group operates a defined benefit plan. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. The assets of the scheme are administered by the Trustees in a fund independent from those of the company.

The (deficit)/ surplus recognised on the Balance sheet in respect of the defined benefit plan is the fair value of plan assets at the Balance sheet date out of which the obligations are to be settled less the present value of the defined benefit obligation at the Balance sheet date. A net surplus is recognised only to the extent that it is recoverable by the company.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service, during the period;
- and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as 'notional finance income/ expense'.

Notes to the Financial Statements

For the Year Ended 31 December 2016

1. Accounting policies (continued)

1.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- The group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

The group continually reviews its obligations as a result of the stadium lease to assess such a charge arising.

Notes to the Financial Statements

For the Year Ended 31 December 2016

2. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Judgements:

Income Recognition

All income and expenditure for the Scottish Cup competition is recognised in the financial year in which the Final Tie takes place, as the overall financial outcome of the competition is not known until its completion. The overall impact of recognising income and expenditure as each round is played would be immaterial.

Estimates:

Investment Properties

Investment Properties are included in the Balance sheet at market value, which is arrived at by the directors determining a value from advice of independent property agents, who hold professional qualifications but who did not perform a formal valuation exercise. The total carrying value of investment properties to which the uncertainty relates, and further information on the valuation technique, is given in note 10.

Staff Pension Scheme

The (deficit)/surplus on the defined benefit pension scheme is included in the Balance sheet in line with Financial Reporting Standard 102. The (deficit)/surplus is arrived at by obtaining a valuation from the Scheme Actuary. More information is contained in note 22.

3. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Promotion of Football	30,817,122	29,431,480
Stadium Management	4,986,707	3,291,341
	<u>35,803,829</u>	<u>32,722,821</u>

All turnover arose within the United Kingdom.

Notes to the Financial Statements

For the Year Ended 31 December 2016

4. Operating profit

The operating profit is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of tangible fixed assets	966,394	968,931
Defined benefit pension cost	167,000	190,000
Amortisation of grants	(665,403)	(665,403)
Operating lease rentals - land and buildings	809,464	737,351
	<u> </u>	<u> </u>

5. Auditor's remuneration

Fees payable to the Company's auditor and its associates in respect of:

	2016 £	2015 £
The audit of the Scottish Football Association Limited	16,750	19,000
The audit of Hampden Park Limited	5,250	5,850
Taxation compliance services	4,900	4,750
All other non-audit services not included above	55,890	3,000
	<u>82,790</u>	<u>32,600</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2016 £	2015 £
Wages and salaries	6,895,224	6,463,471
Social security costs	753,163	729,335
Other pension costs	705,681	671,487
	<u>8,354,068</u>	<u>7,864,293</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Staff	<u>183</u>	<u>175</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

7. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	333,218	344,228
Company contributions to defined contribution pension schemes	30,521	23,799
	<u>363,739</u>	<u>368,027</u>

During the year retirement benefits were accruing to 1 director (2015 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £299,217 (2015 - £308,639).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,521 (2015 - £23,799).

8. Pension scheme - notional finance income

	2016 £	2015 £
Expected return on pension scheme assets	947,000	871,000
Interest on pension scheme liabilities	(845,000)	(827,000)
	<u>102,000</u>	<u>44,000</u>

9. Taxation

	2016 £	2015 £
Total current tax	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	102,788	(58,808)
Adjustment in respect of prior year	-	3,317
Effect of rate changes	(17,461)	(43,901)
Total deferred tax	<u>85,327</u>	<u>(99,392)</u>
Taxation on profit on ordinary activities	<u>85,327</u>	<u>(99,392)</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

9. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	710,836	1,098,590
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	142,167	222,427
Effects of:		
Expenses not deductible for tax purposes	55,921	76,581
Income not subject to taxation	(186,680)	(24,979)
Underprovided tax in relation to prior period	-	3,317
Other tax adjustments	58,379	(7,762)
Fixed asset timing differences	52,984	59,431
Adjustment to reflect change in accounting policy	-	(350,097)
Exempt dividend income	(23,212)	(26,270)
Rate differences	(19,420)	(55,495)
Other permanent differences	9,531	68,673
Deferred tax not recognised	(55,249)	(65,218)
Chargeable gain losses	50,906	-
Total tax charge/(credit) for the year	85,327	(99,392)

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £616,180 (2015: £227,800).

Notes to the Financial Statements

For the Year Ended 31 December 2016

10. Tangible fixed assets

Group

	Assets under construction £	Investment property £	Leasehold improvements £	Equipment and fittings £	Total £
Cost or valuation					
At 1 January 2016	-	710,000	9,391,311	1,868,922	11,970,233
Additions	168,054	-	38,579	101,379	308,012
Revaluations	-	(35,000)	-	-	(35,000)
At 31 December 2016	168,054	675,000	9,429,890	1,970,301	12,243,245
Depreciation					
At 1 January 2016	-	-	5,776,910	1,634,147	7,411,057
Charge for the period	-	-	865,002	101,392	966,394
At 31 December 2016	-	-	6,641,912	1,735,539	8,377,451
Net book value					
At 31 December 2016	168,054	675,000	2,787,978	234,762	3,865,794
At 31 December 2015	-	710,000	3,614,401	234,775	4,559,176

Notes to the Financial Statements

For the Year Ended 31 December 2016

10. Tangible fixed assets (continued)

Company

	Investment property £	Leasehold improvements £	Equipment and fittings £	Total £
Cost or valuation				
At 1 January 2016	710,000	3,725,914	1,221,642	5,657,556
Additions	-	-	101,378	101,378
Revaluations	(35,000)	-	-	(35,000)
At 31 December 2016	675,000	3,725,914	1,323,020	5,723,934
Depreciation				
At 1 January 2016	-	2,923,728	1,114,921	4,038,649
Charge for the period	-	193,603	65,472	259,075
At 31 December 2016	-	3,117,331	1,180,393	4,297,724
Net book value				
At 31 December 2016	675,000	608,583	142,627	1,426,210
At 31 December 2015	710,000	802,186	106,721	1,618,907

Properties within the Company's investment portfolio with a historical cost of £473,010 (2015: £473,010) were revalued to market value at 31 December 2016 by the directors. In making their assessment of the values, the directors considered the advice of independent property agents who hold professional qualifications but who did not perform a formal valuation exercise.

Notes to the Financial Statements

For the Year Ended 31 December 2016

11. Fixed asset investments

Group

	Listed investments £
At 1 January 2016	3,564,742
Additions	434,484
Disposals	(325,990)
Revaluations	229,070
At 31 December 2016	<u>3,902,306</u>
At 31 December 2015	<u>3,564,742</u>

Subsidiary undertakings

Hampden Park Limited is a subsidiary undertaking of The Scottish Football Association Limited, which holds 100% of their ordinary share capital. Hampden Park Limited's business is stadium management and the registered office is situated in Scotland.

Company

	Investments in subsidiary companies £	Listed investments £	Total £
Cost or valuation			
At 1 January 2016	2	3,564,742	3,564,744
Additions	-	434,484	434,484
Disposals	-	(325,990)	(325,990)
Revaluations	-	229,070	229,070
At 31 December 2016	<u>2</u>	<u>3,902,306</u>	<u>3,902,308</u>
Net book value			
At 31 December 2016	<u>2</u>	<u>3,902,306</u>	<u>3,902,308</u>
At 31 December 2015	<u>2</u>	<u>3,564,742</u>	<u>3,564,744</u>

Notes to the Financial Statements

For the Year Ended 31 December 2016

12. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Finished goods and goods for resale	31,432	38,984	31,432	38,984

13. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Due after more than one year				
Deferred rental	973,554	1,406,242	-	-
Due within one year				
Trade debtors	2,791,473	2,244,331	2,029,271	2,133,637
Amounts owed by related parties	444,079	344,814	441,105	310,147
Other debtors	295,874	81,421	295,874	81,421
Prepayments and accrued income	2,323,125	1,656,641	969,926	913,471
Tax recoverable	9,346	9,346	9,346	9,346
	5,863,897	4,336,553	3,745,522	3,448,022

14. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	8,258,026	3,969,124	8,185,919	3,659,066
Short term deposits	8,000,000	10,000,000	8,000,000	10,000,000
	16,258,026	13,969,124	16,185,919	13,659,066

Notes to the Financial Statements

For the Year Ended 31 December 2016

15. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade creditors	1,684,389	591,284	1,357,286	488,922
Amounts owed to group undertakings	-	-	517,945	170,841
Amounts owed to related parties	44,490	-	-	-
Taxation and social security	291,591	309,246	191,815	218,974
Other creditors	2,354	-	2,354	-
Accruals and deferred income	19,276,793	17,052,333	18,458,206	16,408,671
	<u>21,299,617</u>	<u>17,952,863</u>	<u>20,527,606</u>	<u>17,287,408</u>

16. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets measured at fair value through profit or loss	3,902,306	3,564,742	3,902,306	3,564,742
Financial assets measured at amortised cost	22,124,897	18,305,677	19,931,441	17,107,088
	<u>26,027,203</u>	<u>21,870,419</u>	<u>23,833,747</u>	<u>20,671,830</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(2,025,798)	(900,530)	(2,069,400)	(878,737)
	<u>(2,025,798)</u>	<u>(900,530)</u>	<u>(2,069,400)</u>	<u>(878,737)</u>

Financial assets measured at fair value through profit or loss comprise of a trading portfolio of listed investments. These are valued with reference to quoted prices on active markets for identical securities.

Notes to the Financial Statements

For the Year Ended 31 December 2016

17. Deferred taxation

Deferred taxation provided for at 17% (2015: 20%) in the financial statements is set out below:

Group

	2016 £	2015 £
At beginning of year	(314,296)	(393,492)
Charged to profit or loss	(26,948)	79,196
At end of year	(341,244)	(314,296)

Company

	2016 £	2015 £
At beginning of year	(228,745)	(307,941)
Charged to profit or loss	(30,561)	79,196
At end of year	(259,306)	(228,745)

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Accelerated capital allowances	(88,125)	(111,551)	-	-
Short term timing differences	6,187	8,596	-	-
Tax losses carried forward	-	17,404	-	-
Unrealised gains on investment assets	(259,306)	(228,745)	(259,306)	(228,745)
	(341,244)	(314,296)	(259,306)	(228,745)

18. Deferred capital grants

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Balance at beginning of the year	2,787,980	3,453,383	536,094	669,428
Amortisation for the year	(665,403)	(665,403)	(133,334)	(133,334)
	2,122,577	2,787,980	402,760	536,094

Notes to the Financial Statements

For the Year Ended 31 December 2016

19. Reserves

Other reserves

General reserve and Other reserves are unrestricted funds and are distributable.

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses and all unrealised profits/losses on investments.

20. Commitments under operating leases

At 31 December 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £	Group 2015 £	Company 2016 £
Not later than 1 year	483,695	305,344	173,600
Later than 1 year and not later than 5 years	1,075,510	1,094,151	274,430
	<u>1,559,205</u>	<u>1,399,495</u>	<u>448,030</u>

21. Operating lease receivables

	2016 £	2015 £
Group		
Not later than 1 year	232,400	236,040
Due between 1 and 5 years	600,367	755,300
Due after more than 5 years	-	-
	<u>832,767</u>	<u>991,340</u>

The above represents the minimum contractual payments receivable under the operating leases in place at the year end.

Notes to the Financial Statements

For the Year Ended 31 December 2016

22. Pensions

The Group 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 the company. The scheme is closed to new entrants. A full actuarial valuation was carried out as at 31 December 2016.

	2016 £	2015 £
Reconciliation of opening and closing balances of defined benefit obligation		
Defined benefits obligations at start of period	21,194,000	22,631,000
Current service cost	211,000	237,000
Interest expense	845,000	827,000
Experience loss/ (gain) on liabilities	833,000	101,000
Loss/ (gain) on changes in assumptions	3,933,000	(1,531,000)
Benefits paid	164,000	(832,000)
Changes in secured pensioners value due to scheme experience	(348,000)	(239,000)
	<u>26,832,000</u>	<u>21,194,000</u>

	2016 £	2015 £
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	23,753,000	23,942,000
Interest income	947,000	871,000
Gain/ (loss) on asset return	1,593,000	(294,000)
Employer contributions (gross)	473,000	293,000
Expenses paid by scheme	(36,000)	(35,000)
Employee contributions	44,000	47,000
Change in secured pensioners value due to scheme experience	164,000	(239,000)
Benefits paid	(348,000)	(832,000)
Defined benefit obligation at end of period	<u>26,590,000</u>	<u>23,753,000</u>

The actual return on plan assets over the period ending 31 December 2016 was £2,540,000 (2015: £577,000).

Notes to the Financial Statements

For the Year Ended 31 December 2016

22. Pensions (continued)

	2016 £	2015 £
Defined benefit costs recognised in profit or loss		
Current service cost	(167,000)	(190,000)
Net interest income	102,000	44,000
Defined benefit costs recognised in profit or loss	(65,000)	(146,000)
Assets		
	2016 %	2015 %
Equities	64.6	64.6
Bonds	25	24.9
Annuities	10.4	10.5
Cash	0.0	0.0
Total assets	100%	100%

None of the fair values of the assets shown above include any of the group's own financial instruments or any property occupied by, or other assets used by the group.

Assumptions

	2016	2015
Discount rate	2.9%	4.0%
Salary growth rate	2.9%	2.7%
Average life expectancies male	26.6 Yrs	26.4 Yrs
Average life expectancies female	28.3 Yrs	28.2 Yrs

	2016 £	2015 £
Present value of funded obligations	(26,832,000)	(21,194,000)
Fair value of plan assets	26,590,000	23,753,000
Related deferred tax asset/ (liability)	46,000	(511,800)
Net (deficit)/surplus	(196,000)	2,047,200

The overall net deficit under Financial Reporting Standard 102 has increased due to an increase in the value of scheme liabilities. During the year, a revised recovery plan has been agreed with The Pensions Regulator based on the most recent actuarial valuation.

Notes to the Financial Statements

For the Year Ended 31 December 2016

23. Related party transactions

The company is a member of the Scottish Football Partnership, a company limited by guarantee and set up to disburse funds for development of football in Scotland. During the year the company made a contribution of £250,000 (2015: £Nil) to assist the Scottish Football Partnership in meeting its objectives.

The group made a donation to the Scottish Football Association Museum Trust, a charitable trust and related to the Group by virtue of common directors, of £288,431 (2015: £319,205) in the year. The group charged the Scottish Football Association Museum Trust an amount of £205,000 (2015: £200,000) in the year in respect of rent and common charges. In addition, the group paid certain expenses and received certain income on behalf of the Trust during the year. These amounts were recharged directly with no profit margin included. The net impact of such transactions was that the group owed an additional £29,301 to the Trust. Included within Debtors is an amount of £183,238 (2015: £117,622) due from the Scottish Football Association Museum Trust. Included within Creditors is an amount of £44,490 (2015: debtor of £25,667) due to the Scottish Football Association Museum Trust. Group companies have certain directors in common with the Scottish Football Association Museum Trust.

The group charged the National Stadium Sports Medicine Centre Limited, a charitable company and related to the Group by virtue of common directors, an amount of £54,040 (2015: £42,173) in the year in respect of rent and common charges. Included within Debtors is an amount of £257,867 (2015: £218,192) due from the National Stadium Sports Medicine Centre Limited. Group companies have certain directors in common with the National Stadium Sports Medicine Centre Limited.