The Scottish Premier League Limited

Directors' report and financial statements
Registered Number SC175364
31 May 2004

Directors and advisors

Directors	Alexander M Gold (Chairman) John McClelland James Moffat Roderick Petrie Edward Thompson
Secretary	Iain J Blair
Auditors	KPMG LLP 24 Blythswood Square Glasgow G2 4QS
Lawyers	Harper Macleod The Ca'd'oro Building 45 Gordon Street Glasgow
Bankers	Bank of Scotland The Mound Edinburgh

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

Principal activities

The principal activity of the company is to organise and manage the premier football league competition in Scotland.

Business review

As was indicated last year, Scottish football continued to face significant financial challenges during 2003/2004. Whilst work is underway at all levels to meet these, it is fully expected that this tough business environment will persist throughout 2004/05.

On the sporting front, Celtic FC won the Bank of Scotland Premierleague Championship whilst Partick Thistle FC finished in twelfth place and were relegated. Inverness Caledonian Thistle FC were SFL champions and will compete in the Bank of Scotland Premierleague during 2004/2005. A remarkable achievement for a club formed a little over a decade ago.

During Season 2004/2005 a record five Bank of Scotland Premierleague clubs will participate in UEFA competitions; Celtic FC and Rangers FC will play in the Champions League; Heart of Midlothian FC and Dunfermline Athletic FC in the UEFA Cup; and Hibernian FC in the Inter-Toto Cup.

As expected, there was a marginal improvement in revenues over the previous year. The major revenue drivers continue to be television broadcasting (domestically and internationally), radio broadcasting and sponsorship.

During the year, and since the year end, the Clubs have adopted changes to the SPL Rules which:

- reduce the number of directors of the company to five;
- introduce sporting sanctions in the event of a Club entering an insolvency process; and
- adjusted the criteria of membership of the Bank of Scotland Premierleague thereby increasing the opportunity for promotion and relegation.

The requirement for rigorous financial control within football remains. Contractual agreements are now in place to secure revenues over the next four years (three in the case of the title sponsorship). Major contracts have been agreed with Setanta (live television broadcasting), BBC (live radio broadcasting) and the Bank of Scotland (Bank of Scotland Premierleague title sponsorship). These and others provide a firm basis for the league and its shareholders to move forward.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the year were as follows:

Alexander M Gold	
John McClelland	
Edward H Thompson	
Rod Petrie	
James Moffat	
Stewart Milne	(resigned 1 June 2004)
Eric J Riley	(resigned 1 June 2004)
Christopher P Robinson	(resigned 1 June 2004)
Sir John Orr	(resigned 1 September 2003)
Thomas McMaster	(resigned 1 June 2003)
John W Yorkston	(resigned 1 June 2003)
Gilbert W Haggart	(resigned 1 June 2004)
James M Marr	(resigned 1 June 2004)
Kenneth Lewandowski	(resigned 1 June 2004)
Andrew Fraser	(resigned 1 June 2004)
Douglas Odam	(resigned 1 September 2003)
Thomas Hughes	(resigned 1 June 2004)
Andrew Lapping	(resigned 1 June 2004)
Stewart Robertson	(resigned 1 June 2004)
James Leishman	(resigned 1 September 2003)
Dominic Keane	(resigned 4 February 2004)
Keith Wyness	(resigned 1 June 2004)
James Connor	(resigned 21 January 2004)
Francis McConnell	(resigned 1 June 2004)
John Johnston	(appointed 14 January 2004, resigned 1 June 2004)
Peter Lawwell	(appointed 5 November 2003, resigned 1 June 2004)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Iain J Blair
Secretary

The National Stadium
Hampden Park
Glasgow
G42 9BA

19 August 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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;
- state whether applicable 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

Report of the independent auditors to the members of The Scottish Premier League Limited

We have audited the financial statements on pages 5 to 13.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

5 October 2004

Profit and loss account
for the year ended 31 May 2004

	Note	2004 £000	2003 £000
Turnover		**15,549**	14,527
Cost of sales		**(14,599)**	(13,643)
Gross profit		**950**	884
Administrative expenses		**(1,077)**	(1,030)
Operating loss		**(127)**	(146)
Other interest receivable and similar income	*5*	**116**	134
Interest payable and similar charges	*6*	**(2)**	(2)
Loss on ordinary activities before taxation	*2*	**(13)**	(14)
Tax on loss on ordinary activities	*7*	**-**	-
Loss on ordinary activities after taxation and for the financial year	*12*	**(13)**	(14)

All of the company's activities are continuing.

There were no recognised gains or losses other than those set out above.

Balance sheet
at 31 May 2004

	Note	2004 £000	2004 £000	2003 £000	2003 £000
Fixed assets					
Tangible assets	*8*		**52**		62
Current assets					
Debtors	*9*	**3,018**		3,268	
Cash at bank and in hand		**1,312**		1,349	
		4,330		4,617	
Creditors: amounts falling due within one year	*10*	**(4,540)**		(4,824)	
Net current liabilities			**(210)**		(207)
Net liabilities			**(158)**		(145)
Capital and reserves					
Called up share capital	*11*		**-**		-
Profit and loss account	*12*		**(158)**		(145)
Equity shareholders' funds - deficit			**(158)**		(145)

These financial statements were approved by the board of directors on 19 August 2004 and were signed on its behalf by:

A. M. Gold

AM Gold
Executive Chairman

Cash flow statement
for the year ended 31 May 2004

	Note	2004 £000	2003 £000
Reconciliation of operating loss to net cash flow from operating activities			
Operating loss		**(127)**	(146)
Depreciation charges		**16**	16
Decrease/(increase) in debtors		**250**	(731)
(Decrease)/increase in creditors		**(284)**	301
Net cash outflow from operating activities		**(145)**	(560)

Cash flow statement

	Note	2004 £000	2003 £000
Cash flow from operating activities		**(145)**	(560)
Returns on investments and servicing of finance	*15*	**114**	132
Capital expenditure and financial investment	*15*	**(6)**	(1)
Decrease in cash in the period		**(37)**	(429)
Reconciliation of net cash flow to movement in cash/net debt	*16*		
Decrease in cash in the period		(37)	(429)
Net cash at the start of the period		1,349	1,778
Net cash at the end of the period		1,312	1,349

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Notwithstanding the deficit on reserves at 31 May 2004 the financial statements have been prepared on the going concern basis as the directors are of the opinion that the existence of contracted income will allow the company to meet its liabilities as they fall due for the foreseeable future.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	4 years
Office equipment	-	4 to 5 years
Leasehold improvements	-	19 years

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Turnover

Turnover comprises the value of sales, excluding VAT, of goods and services in the normal course of business, sponsorship monies and revenue derived from television broadcasting contracts.

Revenue is recognised in the year to which it relates and payments to clubs are recorded as cost of sales in the year in which the related revenue is recognised.

2 Loss on ordinary activities before taxation

	2004	2003
	£000	£000
Loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration:		
Audit	**6**	5
Other services - fees paid to the auditor and its associates	**3**	17
Depreciation and other amounts written off tangible fixed assets	**16**	16
Rentals payable under operating leases		
Land and buildings	**38**	27
Motor vehicles	**27**	20

Notes *(continued)*

3 Remuneration of directors

	2004	2003
	£000	£000
Directors' emoluments including benefits in kind	**66**	83
Compensation for loss of office	**-**	34
Company contributions to money purchase pension schemes	**-**	5

	Number of directors	
	2004	2003
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**-**	1

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	Number of employees	
	2004	2003
Administration	**7**	7

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
Wages and salaries	**289**	270
Social security costs	**34**	28
Other pension costs	**18**	54
	341	352

Notes *(continued)*

5 Other interest receivable and similar income

	2004	2003
	£000	£000
Receivable from bank deposits	**116**	134

6 Interest payable and similar charges

	2004	2003
	£000	£000
Bank charges	**2**	2

7 Taxation

	2004	2003
	£000	£000
UK corporation tax at 30% *(2003: 30%)* on the loss for the year on ordinary activities	**-**	-

The tax charge for the year is higher *(2003: higher)* than the standard rate of corporation tax in the UK at 30%. The differences are explained below:

	2004	2003
	£000	£000
Loss on ordinary activities before taxation	**(13)**	(14)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK	**(4)**	(4)
Effects of:		
Expenses not deductible for tax purposes	**1**	2
Deferred tax not charged	**2**	1
Depreciation on ineligible assets	**1**	1
	-	-

Notes *(continued)*

8 Tangible fixed assets

	Leasehold improvements £000	Office equipment £000	Total £000
Cost			
At beginning of year	46	80	126
Additions	-	6	6
At end of year	46	86	132
Depreciation			
At beginning of year	7	57	64
Charge for year	2	14	16
At end of year	9	71	80
Net book value			
At 31 May 2004	**37**	**15**	**52**
At 31 May 2003	39	23	62

9 Debtors

	2004 £000	2003 £000
Trade debtors	**667**	575
Other debtors	**1,021**	637
Prepayments and accrued income	**1,330**	2,056
	3,018	3,268

Included with other debtors are loans, totalling £600,000, due from five SPL clubs. The loans were drawn down during February 2004. Interest was charged on the balance outstanding at a rate of 0.5% below base rate. All loans were repaid post year end.

10 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	**45**	59
Taxation and social security	**8**	6
Accruals and deferred income	**4,487**	4,759
	4,540	4,824

Notes *(continued)*

11 Called up share capital

	2004 £000	2003 £000
Authorised		
Equity: 12 Ordinary shares of £1 each	-	-
Allotted, called up and fully paid		
Equity: 12 Ordinary shares of £1 each	-	-

12 Profit and loss account

	£000
At beginning of year	(145)
Retained loss for the year	(13)
At end of year	**(158)**

13 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £18,000 *(2003: £54,000)*.

Contributions amounting to £3,000 *(2003: £2,000)* were payable to the fund and are included in creditors.

14 Commitments

At 31 May 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Buildings		**Motor vehicles**	
Operating leases which expire:	**2004 £000**	2003 £000	**2004 £000**	2003 £000
Within one year	-	-	7	10
Within two to five years	-	-	-	-
After five years	27	27	-	-
	27	27	7	10

Notes *(continued)*

15 Analysis of cash flows

	2004		2003	
	£000	**£000**	£000	£000
Returns on investment and servicing of finance				
Interest received	**116**		134	
Bank charges	**(2)**		(2)	
		114		132
Capital expenditure and financial investment				
Purchase of tangible fixed assets		**6**		1

16 Analysis of net cash

	At beginning of year	Cash flow	**At end of year**
	£000	£000	**£000**
Cash at bank and in hand	1,349	(37)	**1,312**