

**THE SCOTTISH FOOTBALL
ASSOCIATION LIMITED**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2003**



Company no SC 005453

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003

COMPANY INFORMATION

Company registration number	SC005453	
Registered office	Hampden Park Glasgow G42 9AY	
Directors	J F McBeth G W Peat R C Ogilvie C P Robinson H A Campbell Adamson T A Johnston A McRae R W Shaw J L Smith E J Riley 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 Chartered Accountants Registered Auditors 95 Bothwell Street Glasgow G2 7JZ	

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2003

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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 2003.

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 £385,893 (2002: £424,701) and has been transferred to reserves.

Directors

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

J F McBeth	President	
G W Peat	1st Vice President	
R C Ogilvie	2nd Vice President	
C P Robinson	Professional Leagues Vice President	appointed 26 June 2003
H A Campbell Adamson		
T A Johnston		
A McRae		
E J Riley		appointed 26 June 2003
R W Shaw		
J L Smith		
D A Taylor		appointed 26 June 2003
J C McGinn		resigned 4 June 2003
D H Will		resigned 4 June 2003
A E Stables		resigned 4 June 2003
S A Struthers		resigned 4 June 2003
G McDougall		resigned 4 June 2003
A D Renwick		resigned 4 June 2003
A R McClymont		resigned 4 June 2003
H Knapp		resigned 4 June 2003
J Gold		resigned 4 June 2003
M McGonigle		resigned 4 June 2003
C Christie		resigned 4 June 2003
D M Little		resigned 4 June 2003
J F Bryson		resigned 4 June 2003
J A Macniven		resigned 4 June 2003
J W Yorkston		resigned 4 June 2003
P Gardiner		resigned 4 June 2003
W H Dickie		resigned 4 June 2003
G McGuire		resigned 4 June 2003
W J Barr		resigned 4 June 2003

The directors with the exception of the position of Professional Leagues Vice President, which is nominated by the Scottish Football League and Scottish Premier League in rotation, are elected every two years at the Annual General Meeting and are due for re-election in 2005.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

DIRECTORS' REPORT

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:

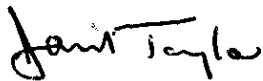
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Auditors

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

BY ORDER OF THE BOARD



Secretary
9 April 2004

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 2003 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 20. 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 Office Bearers 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 2003 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
9 April 2004**

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

For the year ended 31 December 2003

	Note	2003 £	2002 £
Turnover	1	21,929,021	18,564,342
Cost of sales		12,389,185	11,003,286
Gross profit		9,539,836	7,561,056
Other operating income:			
Release from other reserves	11	76,196	551,615
		9,616,032	8,112,671
Grant to The Scottish Football Partnership		500,000	-
Administrative expenses		8,983,459	8,573,016
Operating profit/(loss)		132,573	(460,345)
Income from fixed asset investments		167,603	165,328
Loss on realisation of fixed asset investments		(38,689)	(157,343)
Interest receivable		131,594	155,933
Gain on disposal of tangible fixed assets		-	719,659
Profit for the year before taxation	3	393,081	423,232
Taxation	4	(7,188)	1,469
Profit for the year after taxation		385,893	424,701

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 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	5		5,462,697		5,707,521
Investments	6		<u>2,411,896</u>		<u>2,455,258</u>
			7,874,593		8,162,779
Current assets					
Debtors	7	5,013,203		3,278,934	
Cash at bank and in hand	15	<u>2,141,344</u>		<u>3,057,153</u>	
		7,154,547		6,336,087	
Creditors: amounts falling due within one year	8	<u>9,040,781</u>		<u>8,971,136</u>	
Net current liabilities			(1,886,234)		(2,635,049)
Total assets less current liabilities			5,988,359		5,527,730
Creditors: amounts falling due after more than one year	9		<u>363,697</u>		<u>212,765</u>
			<u>5,624,662</u>		<u>5,314,965</u>
Reserves					
General reserve			1,500,000		1,500,000
Investment revaluation reserve	10		448,901		448,901
Other reserves	11		1,799,673		1,875,869
Profit and loss account	12		<u>1,876,088</u>		<u>1,490,195</u>
			<u>5,624,662</u>		<u>5,314,965</u>

The financial statements were approved by the Board of Directors on 9 April 2004

 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 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	5		4,614,700		4,838,537
Investments	6		<u>2,441,898</u>		<u>2,485,260</u>
			7,056,598		7,323,797
Current assets					
Debtors	7	5,189,904		3,797,801	
Cash at bank and in hand		<u>1,360,877</u>		<u>2,084,184</u>	
		6,550,781		5,881,985	
Creditors: amounts falling due within one year	8	<u>8,635,932</u>		<u>8,381,144</u>	
Net current liabilities			<u>(2,085,151)</u>		<u>(2,499,159)</u>
Total assets less current liabilities			4,971,447		4,824,638
Creditors: amounts falling due after more than one year	9		<u>11,882</u>		<u>23,765</u>
			<u>4,959,565</u>		<u>4,800,873</u>
Reserves					
General reserve			1,500,000		1,500,000
Investment revaluation reserve	10		448,901		448,901
Other reserves	11		1,799,673		1,875,869
Profit and loss reserve			<u>1,210,991</u>		<u>976,103</u>
			<u>4,959,565</u>		<u>4,800,873</u>

The financial statements were approved by the Board of Directors on 9 April 2004

 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 2003

	Note	2003 £	2003 £	2002 £	2002 £
Net cash outflow from operating activities	13		(886,251)		(628,792)
Returns on investments					
Interest received		131,594		155,933	
Income from investments		<u>163,692</u>		<u>165,328</u>	
Net cash inflow from returns on investments			295,286		321,261
Taxation					
Taxation recovered/(paid)			7,014		(3,322)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(336,531)		(2,134,304)	
Purchase of investments		(216,505)		(186,712)	
Proceeds on disposal of tangible fixed assets		-		1,225,414	
Proceeds on disposal of investments		221,178		194,312	
Receipt of capital grant		<u>-</u>		<u>257,531</u>	
Net cash outflow from capital expenditure and financial investment			<u>(331,858)</u>		<u>(643,759)</u>
Net cash outflow before management of liquid resources			(915,809)		(954,612)
Management of liquid resources					
Sale of short term deposits			<u>-</u>		<u>3,000,000</u>
(Decrease)/increase in cash in the year	14		<u>(915,809)</u>		<u>2,045,388</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 2003

	Note	2003 £	2002 £
Profit for the financial year		385,893	424,701
Other reserves			
Release to income	11	(76,196)	(551,615)
Surplus arising on revaluation	10	<u>-</u>	<u>30,000</u>
Total recognised gains and losses relating to the year		<u>309,697</u>	<u>(96,914)</u>

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 2003

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 and are set out below.

Basis of consolidation

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 6). The financial statements of its subsidiary undertakings have been prepared to 31 December 2003.

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:

<i>Leasehold Improvements</i>	<i>Straight line over period of lease and 10-20 years</i>
<i>Computer and office equipment</i>	<i>25% and 10% straight line</i>

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 on 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 2003

Pension costs

The Company operates a defined benefit pension scheme. The pension costs charged to the profit and loss account are designed to provide the anticipated pension costs over the service life of the employees in the scheme. This is based upon an actuarial method and actuarial assumptions, which seek to ensure that the pension cost represents a substantially level percentage of the current and expected future pensionable payroll.

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.

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 has entered into a lease for Hampden Stadium. 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.

Other reserves

Other reserves are designated reserves and represent individual schemes and projects managed and funded by the company. Transfers to the reserves are made from the profit for the year. All expenditure is charged to the profit and loss account in the year in which it is incurred and a corresponding amount is released from the designated reserve to the profit and loss account at that time.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

1 TURNOVER

	2003 £	2002 £
Turnover is analysed as follows:		
Gross match receipts	11,715,871	8,862,616
Other activities	<u>10,213,150</u>	<u>9,701,726</u>
	<u>21,929,021</u>	<u>18,564,342</u>

2 DIRECTORS AND EMPLOYEES

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

	2003 £	2002 £
Wages and salaries	2,962,981	2,759,225
Social security	335,508	290,301
Other pension costs (see note 18)	<u>590,644</u>	<u>589,737</u>
	<u>3,889,133</u>	<u>3,639,263</u>
Average number of employees of the group during the year	<u>112</u>	<u>106</u>

Remuneration in respect of directors was as follows:

	2003 £	2002 £
Directors' emoluments	83,679	10,000
Directors' pension contributions	<u>13,750</u>	<u>-</u>
	<u>97,429</u>	<u>10,000</u>

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Directors emoluments	83,679	10,000
Auditors remuneration:		
Audit services	26,900	27,250
Non-audit services	10,155	15,065
Depreciation	463,861	424,762
Capital grant release	(89,050)	(89,050)
Hire of equipment	2,169	2,519
Operating leases:		
Other	54,705	34,991
Land and Buildings	<u>731,569</u>	<u>723,639</u>

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The taxation (charge)/credit is based on the result for the year and is made up as follows:

	2003 £	2002 £
United Kingdom corporation tax at 30% - current year	(10,671)	(44)
- prior years	<u>3,483</u>	<u>1,513</u>
	<u>(7,188)</u>	<u>1,469</u>

No provision has been made for taxation which would accrue if the investment properties were disposed of at their revalued amounts.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**For the year ended 31 December 2003

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:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>393,081</u>	<u>423,232</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	117,924	126,970
Effects of:		
Income previously taxed	(45,662)	(163,613)
Movement in accelerated capital allowances	49,128	42,595
Non qualifying depreciation	61,495	55,330
Excess relief for charges on income	-	(13,031)
Other timing differences	22,005	24,000
Net difference on gain on disposal of non qualifying assets	11,607	(36,028)
Utilisation of tax losses	(188,045)	(23,599)
Impact of lower rate in subsidiaries	<u>(17,781)</u>	<u>(12,580)</u>
Current tax charge for year	<u>10,671</u>	<u>44</u>

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

5 TANGIBLE FIXED ASSETS

The Group

	Leasehold Improvements £	Investment Property £	Computer & Office Equipment £	Total £
Cost or valuation				
At 1 January 2003	4,348,937	1,120,646	992,946	6,462,529
Additions at cost	75,399	-	143,638	219,037
At 31 December 2003	<u>4,424,336</u>	<u>1,120,646</u>	<u>1,136,584</u>	<u>6,681,566</u>
Depreciation				
At 1 January 2003	303,733	-	451,275	755,008
Provided in the year	264,268	-	199,593	463,861
At 31 December 2003	<u>568,001</u>	<u>-</u>	<u>650,868</u>	<u>1,218,869</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>
Net book value at				
31 December 2002	<u>4,045,204</u>	<u>1,120,646</u>	<u>541,671</u>	<u>5,707,521</u>

Investment properties were revalued on 31 December 2003 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 2003

TANGIBLE FIXED ASSETS (CONTD)**The Company**

	Leasehold Improvements £	Investment Property £	Computer & Office Equipment £	Total £
Cost or valuation				
At 1 January 2003	3,540,573	1,120,646	739,812	5,401,031
Additions at cost	21,702	-	127,828	149,530
At 31 December 2003	<u>3,562,275</u>	<u>1,120,646</u>	<u>867,640</u>	<u>5,550,561</u>
Depreciation				
At 1 January 2003	240,047	-	322,447	562,494
Provided in the year	213,579	-	159,788	373,367
At 31 December 2003	<u>453,626</u>	<u>-</u>	<u>482,235</u>	<u>935,861</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>
Net book value at 31 December 2002	<u>3,300,526</u>	<u>1,120,646</u>	<u>417,365</u>	<u>4,838,537</u>

Investment properties were revalued on 31 December 2003 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 2003

6 INVESTMENTS

The Group	Quoted £
At cost 1 January 2003	2,455,258
Additions	216,505
Disposals	(259,867)
At cost 31 December 2003	<u>2,411,896</u>

The market value of quoted investments at 31 December 2003 was £2,477,228 (2002 - £2,231,340).

The Company

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

	Investment in subsidiary undertakings £
Cost	
At 1 January 2003 and 31 December 2003	<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

7 DEBTORS

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Amounts owed by group undertakings	-	-	1,455,508	1,995,173
Other debtors	3,859,264	2,147,062	3,388,597	1,359,433
Prepayments and accrued income	1,141,470	1,119,096	333,330	430,419
Taxation recoverable	12,469	12,776	12,469	12,776
	<u>5,013,203</u>	<u>3,278,934</u>	<u>5,189,904</u>	<u>3,797,801</u>

Prepayments and accrued income for the group includes an amount of £306,450 (2002: £224,730) in relation to deferred rental. This amount will be written off in accordance with the accounting policy as discussed on page 11 and is not recoverable within one year. Prepayments and accrued income, within the group and the company, also includes an amount of £90,000 (2002: £170,000) in relation to prepaid pension contributions.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

8 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Accruals and deferred income	8,804,566	8,861,281	8,269,806	8,287,267
Amounts owed to group undertakings	-	-	158,934	-
Social security and other taxes	225,544	109,168	207,192	93,877
Corporation tax payable	10,671	687	-	-
	<u>9,040,781</u>	<u>8,971,136</u>	<u>8,635,932</u>	<u>8,381,144</u>

9 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2003	2002	2003	2002
	£	£	£	£
Accruals and deferred income	<u>363,697</u>	<u>212,765</u>	<u>11,882</u>	<u>23,765</u>

10 INVESTMENT PROPERTY REVALUATION RESERVE

The Group and the Company

	2003	2002
	£	£
At 1 January 2003	448,901	418,901
Arising on revaluation (Note 5)	-	30,000
At 31 December 2003	<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 2003

11 RESERVES

	At 1 January 2003 £	Release to income £	At 31 December 2003 £
Grants scheme	42,534	-	42,534
Approved projects of Affiliated National Associations	7,357	-	7,357
Community Officers Scheme	76,196	(76,196)	-
Development Projects Fund	1,749,782	-	1,749,782
	<u>1,875,869</u>	<u>(76,196)</u>	<u>1,799,673</u>

12 PROFIT AND LOSS ACCOUNT

	2003 £
As at 1 January 2003	1,490,195
Profit for the year	<u>385,893</u>
As at 31 December 2003	<u>1,876,088</u>

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

	2003 £
By the Company	234,888
By subsidiary undertakings	<u>151,005</u>
	<u>385,893</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 2003

13 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit/(loss)	132,573	(460,345)
Depreciation	463,861	424,762
Release of deferred capital grant	(89,050)	(89,050)
Release from other reserves	(76,196)	(551,615)
(Increase)/decrease in debtors	(1,667,909)	397,885
Increase/(decrease) in creditors	350,470	(350,429)
Net cash outflow from operating activities	<u>(886,251)</u>	<u>(628,792)</u>

14 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2003 £	2002 £
(Decrease)/increase in cash in the year	(915,809)	2,045,388
Cash inflow from decrease in liquid resources	<u>-</u>	<u>(3,000,000)</u>
Movement in net funds in the year	(915,809)	(954,612)
Net funds at 1 January 2003	<u>3,057,153</u>	<u>4,011,765</u>
Net funds at 31 December 2003	<u>2,141,344</u>	<u>3,057,153</u>

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.

15 ANALYSIS OF NET FUNDS

	At 1 January 2003 £	Cash flow £	At 31 December 2003 £
Cash at bank and in hand	<u>3,057,153</u>	<u>(915,809)</u>	<u>2,141,344</u>

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

16 CAPITAL COMMITMENTS

There were no capital commitments at 31 December 2003 or 31 December 2002.

17 CONTINGENT LIABILITIES/ASSETS

The company has provided a guarantee in respect of a third party loan of £1,190,000 to be provided to The Scottish Football Partnership.

Leasehold Improvements consist mainly of a £3 million contract for safety improvements to the East Stand at Hampden Park. A grant offer of £1.2 million towards this project has been made by Sportscotland Lottery Fund and this will be applied for in the course of 2004. An application has also been made to the Scottish Football Partnership for a further £1 million grant.

18 PENSION COMMITMENTS

The company 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 company.

Pension costs are assessed in accordance with the advice of a qualified actuary using the projected unit method. The latest valuation was carried out as at 1 May 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increase in salaries. It was assumed that investment returns would be 7.5% per annum and the salary increases would average 5.5% per annum.

The actuarial valuation showed that the market value of the schemes assets was £5,434,000 and that the actuarial value of those assets represented 86% of the value of the liabilities accrued to the valuation date at 1 May 2000. This deficiency should be eliminated over a 10-year period by amending the contribution rate from the standard contribution rate of 23.8% to 27.5% of pensionable earnings, including employees contributions of 5%, and by way of a single contribution of £400,000 paid in December 2001.

The total charge for the year in respect of this defined benefit scheme was £557,231 (2002: £547,881).

FRS 17 Disclosure

Financial Reporting Standard 17, issued in November 2000, will become fully effective for the company's year ending 31 December 2005.

The transitional provisions of the Standard require the disclosure of certain information in relation to the valuation of the Scheme's assets and liabilities at 31 December 2002 and 31 December 2003, together with related assumptions.

In relation to the financial statements for the year ended 31 December 2002 and 31 December 2003 this information is illustrative only and does not impact on the balance sheet at either date.

The directors have obtained the information required under FRS17 from the scheme's actuary based on an update of the most recent actuarial valuation completed as at 1 May 2000.

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

On this basis the financial status of the Scheme at 31 December 2003 was as follows:

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

	Rate of Return %	2003 £000's	Rate of Return %	2002 £000's
Market value of assets:				
Deposit administration contract	6.5	6,432	6.5	5,788
Annuities	5.3	<u>1,981</u>	5.4	<u>1,613</u>
		8,413		7,401
Present value of Scheme liabilities		<u>(11,312)</u>		<u>(9,500)</u>
Net pension deficit before deferred tax		(2,899)		(2,099)
Related deferred tax asset		<u>870</u>		<u>630</u>
Net pension deficit		<u>(2,029)</u>		<u>(1,469)</u>

The movement in the deficit during the year was:

	£000's £
Deficit in scheme 31 December 2002	(2,099)
Movement in year:	
Current service cost	(152)
Loss on settlement and curtailments	(63)
Contributions	407
Other finance costs	(19)
Actuarial loss	<u>(973)</u>
Deficit in scheme at 31 December 2003	<u>(2,899)</u>

The main assumptions used by the actuary were:

	2003 %	2002 %
Rate of increase in Retail Price Index	2.9	2.4
Rate of increase in Pensions in Payment - accruing up to 1 May 2002	5.0	5.0
- accruing thereafter	2.9	-
Rate of increase in Pensionable Salaries	4.2	3.9
Discount Rate	5.3	5.4

THE SCOTTISH FOOTBALL ASSOCIATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

PENSION COMMITMENTS (CONTINUED)

On full implementation of the provisions of FRS 17 the movement in the deficit during the year would be reflected in the financial statements as follows:

i) Amount charged to operating profit

	£000
Current service cost	152
Past service cost	-
Loss on settlement and curtailments	63
Total operating charge	215

ii) Amount debited to other financial costs

Expected return on pension scheme assets	462
Interest cost on pension scheme liabilities	(481)
Net return	(19)

iii) Amount recognised in the Statement of Total Recognised Gains and Losses

Actual return less expected return on pension scheme assets	342
Experience gains and losses arising on the scheme liabilities	(401)
Changes in financial assumptions underlying the scheme liabilities	(914)
Actuarial loss recognised in STRGL	(973)

The group also contributes to defined contribution schemes. Contributions to these schemes for the year amounted to £33,413 (2002 - £41,856).

19 LEASING COMMITMENTS

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

	2003 Land and buildings £	Other £	2002 Land and buildings £	Other £
Operating leases which expire:				
Between two and five years	-	14,991	-	5,820
In five years or more	800,000	39,714	800,000	29,171
	800,000	54,705	800,000	34,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2003

20 OTHER MATTERS

In furtherance of the objectives of the Scottish Football Association, which is the promotion 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 £295,000 (2002: £423,000) in the year. The group charged the Scottish Football Association Museum Trust an amount of £180,000 (2002: £180,000) in the year in respect of rent and common charges. Included within Other Debtors is an amount of £300,291 (2002: £50,360) 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 £200,000 (2002: £200,000) in the year. The group charged the National Stadium Sports Medicine Centre Limited an amount of £40,000 (2002: £36,000) in the year in respect of rent and common charges. Included within Other Debtors is an amount of £75,679 (2002: £11,367) due from the National Stadium Sports Medicine Centre Limited. The group has certain directors in common with the National Stadium Sports Medicine Centre Limited.