

8 Finance

- 8.1 Criteria – As part of the licensing system, all clubs will be required to provide a copy of their audited annual financial statements prepared according to the Companies Act 1985 and UK Auditing Standards. Audited financial statements shall include the auditor's report. These statements will include the immediately preceding season i.e for season 2007/8 the audited financial statements covering the financial year-end for season 2006/7 shall be provided. The statements must not include any disclaimer of opinion or adverse opinion by the club's financial auditor. All SPL clubs must provide these accounts by 31 March at the latest. Clubs in the SFL shall provide this information by 30 April at the latest.
- 8.2 Criteria Grading – There is no criteria grading between the divisions on financial criteria. Clubs in the SPL however are required to comply with 8.5 below. Failure to meet these requirements will mean that an SPL club is ineligible for participation in one of the UEFA Club Competitions.
- 8.3 Club Audit Preparation – Financial criteria will not be part of the auditing process. Clubs will provide the Scottish FA with their financial returns by the due deadline dates i.e. for SPL clubs 31 March and for SFL clubs 30 April.
- 8.4 Licence Qualification – As detailed previously, a club will be awarded a licence by demonstrating that it fulfils all criteria to the Scottish FA's reasonable satisfaction.
- 8.5 Additional Requirements for SPL clubs.

All SPL clubs are required to provide the following information by 31 March in each calendar year –

- 8.5.1 Interim Accounts if the club's financial year-end is before 30 November. These interim accounts are to be prepared on a consistent basis with the annual financial accounts. The UEFA criteria states - *"If the statutory closing date of the applicant is more than 120 days before the deadline for submission of the application to the licensor, the additional submission of financial statements covering the interim period up to 120 days is required. The financial statements covering the interim period to be submitted consist of unaudited/unexamined:*
- *Balance sheet.*
 - *Profit and loss account of the interim period.*
 - *Notes to the financial statement."*

The financial statements need to be provided in accordance with UK Accounting Standards.

- 8.5.2 A completed disclosure, as attached and signed by the financial representative of the club. This signatory must either appear on the Association's Official Return or be the designated individual with responsibility for the financial management of the club in accordance with 7.64 (Legal & Admin. Criteria). The disclosure will confirm that the club has no overdue payments from transfer activities with other clubs affiliated to a national association and/or league, players or other third parties authorized by the competent football body. The UEFA criteria states - *"The licence applicant must prove to have no payables overdue from transfer activities towards other license applicants, players or other third parties authorised by the competent football body (FIFA, UEFA, other national association etc.) at any time (NB UEFA has subsequently suspended the "at any time" rule until further notice). A payable is overdue when it should have been settled in the past according to a contractual agreement and there is no written extension of the deadline by the creditor."*
- 8.5.3 A completed disclosure, as attached and signed by the financial representative of the club. This signatory must either appear on the Association's Annual Return or be the designated individual with responsibility for the financial management of the club in accordance with 7.64 (Legal & Admin. Criteria). The disclosure will confirm that the club has no overdue payments towards employees (as detailed in 7.6 of this manual). The UEFA criteria states - *"The licence applicant must prove to have no payables overdue from contractual agreements with its employees (players, coaches, administration staff, etc.) at any time (NB UEFA has subsequently suspended the "at any time" rule until further notice). This criterion also includes any social charges and taxes on salaries due by the licence applicant directly to the local social and/or tax authorities. A payable is overdue when it should have been settled in the past according to a contractual or legal obligation and there is no written extension of the deadline by the creditor."*
- 8.5.4 A letter from the club's financial auditor addressed to the club. This letter will confirm that, following a test examination of the books and records of the club, the auditor is satisfied that the club has no overdue payments from transfer activities (as detailed in 8.5.2) or towards employees (as detailed in 8.5.3). A sample letter from the auditor to the club is attached. The test examination of the books and records of the club will be carried out at the time of the club's annual financial audit. The letter from the auditor to the club shall be provided to the Scottish FA during the month of March by the club. If the auditor establishes any discrepancies during the audit these will be clarified to the auditor's satisfaction prior to the release of the letter to the club.

In both 8.5.2 and 8.5.3 the disclosure must be completed by a club representative (as defined above) who is a member of a professional CCAB body. The membership number of the individual's professional body must be included in the return. Fraudulent returns will be investigated and action taken against the club. This action may include the clubs withdrawal from that season's UEFA competition or a subsequent competition if that season's competition is already underway.

The audited annual accounts, interim accounts, disclosure document and club auditor comfort letter must be returned to the Scottish FA by 31 March at the latest in each calendar year. A club will not be eligible for the UEFA club competitions if it fails to provide the appropriate material by this deadline.

8.6 Good Practice

The SFA supports UEFA's view that clubs should observe good financial practice at all times. Whilst the following are not a requirement for National Club Licensing at this stage, clubs are encouraged to comply with the following illustrative list -

- I Budgeting Clubs should prepare regular management accounts as a means to manage the volatility of all income streams and the rigidity of expenses.
- II Liquidity Clubs should be able to maintain match operations and should undertake to monitor liquidity by means of a budgeted cash flow forecast. The balance of cash funds, including borrowings, should be positive for each month.
- III Positive Equity The equity or net assets should disclose a positive balance. Assets may cover budgeted losses provided that equity remains positive.

UEFA Financial Criteria Self-Certification for the current financial year

This return is to be completed by Scottish Premier League (SPL) clubs and returned to the Licensing Administration of the Scottish FA by 31 March at the latest in each calendar year. Failure to return this information will result in the clubs withdrawal from the Association's eligible clubs for participation in the UEFA Club Competitions.

The return is to be completed by the financial representative of the club. This signatory must either appear on the Association's Official Return or be the designated individual with responsibility for the financial management of the club in accordance with Section 7.64 of the Association's National Club Licensing Manual. The signatory must be a member of a CCAB (Consultative Committee of Accountancy Bodies) body and a membership number must be included in the return.

Fraudulent returns will result in sanctions against the club. This could involve the club's withdrawal from all UEFA Club Competitions for that particular season or, should that competition be underway, from the next competition for which the club qualifies.

Self-Certification for the current financial year

I, _____ (the undersigned) as the financial representative of _____ FC (the club) agree that to the best of my knowledge and having undertaken appropriate checks the club has no

overdue payables from transfer activities towards other licence applicants, clubs, players or other third parties authorized by the competent football body (FIFA, UEFA, other national associations) at the financial year end.

(A payable is overdue when it should have been settled in the past according to a contractual agreement and there is no written extension of the deadline by the creditor).

overdue payables arising from contractual agreements with its employees (players, coaches and administrative staff as detailed in 7.6 of the Scottish FA's National Club Licensing Manual) at the financial year end. This criterion also includes any income tax and National Insurance due by the licence applicant directly to the Inland Revenue.

(A payable is overdue when it should have been settled in the past according to a contractual or legal obligation and there is no written extension of the deadline by the creditor).

Signed: _____

Name: _____

Position _____

Membership No. (of the appropriate CCAB body) _____

Club _____

Date: _____



Sample comfort letter from the club auditor to the club

The Directors
EFG Football Club Limited

Dear Sirs

The Scottish Football Association National Club Licensing Financial Criteria

We confirm that, in accordance with our engagement letter dated xxxxxx, we have carried out a test examination of the books and records of the EFG Football Club Limited ('the Club') as produced to us for the year beginning on [1 July 200X] and ending on [30 June 200Y] and that, based on this test examination and the declarations we have received from you, we are satisfied that as at [30 June 200Y]:

- In accordance with Criteria 8.5.2 of the Scottish FA's National Club licensing Manual the Club had no payables overdue from transfer activities towards other Football Clubs, players or other third parties authorised by the competent football authority (FIFA, UEFA, etc);
- In accordance with Criteria 8.5.3 of the Scottish FA's National Club licensing Manual the Club had no payables overdue arising from Contractual agreements with its employees (players, coaches, administration staff, etc.) including any social charges and taxes on salaries due by the licence applicant directly to the Inland Revenue.

Yours faithfully

Auditor