



Begbies Traynor Football Distress Survey

Scottish Football League – November 2013

One in Eight Scottish Clubs Face 'Financial Relegation' Without Fan-based Ownership

Experts predict a further three Scottish clubs will be community-owned by 2015

A new report into the corporate health of Scottish football shows one in eight Scottish football clubs are stuck in the financial relegation zone.

The Begbies Traynor Red Flag Alert Football Distress Report monitors the financial distress in football clubs every six months. The latest figures show that a total of four clubs (including Hearts that is currently in administration) in the top three Scottish divisions are facing 'critical' financial pressure at the end of October 2013. A further 16 clubs, half of all those in the report, are showing early, less serious signs of financial distress.

In addition, excluding the effect of Rangers' ascendance through the leagues, the report highlights static average attendances and season ticket revenues across the four divisions of the SPFL.

"...there are likely to be more serious problems for many clubs by early next year."

The number of clubs in serious trouble represents 12 per cent of the total and is unchanged since the last survey, which was conducted in March this year. However, football club coffers are typically at their healthiest at the start of the season, indicating that there are likely to be more serious problems for many clubs by early next year.

"The fact is that, like businesses in many sectors, some clubs are pulling away from others in financial terms and those clubs that are staggering on, barely able to meet their financial commitments, are edging closer to falling over," said Ken Pattullo of Begbies Traynor in Scotland.

"The majority of the clubs are now locked into their cycle of distress. It is hard to see what, aside from a big investment, will save these clubs from facing administration, unless they completely revisit their business models and make some fundamental changes. Alternative structures such as community interest companies and fan-based ownership, may well become an increasing part of the solution," he added.



Alistair Dickson of BTG Financial Consulting said: "The majority of troubled clubs in Scotland can no longer rely on wealthy benefactors swooping in as white knights."

Mr Dickson, who has worked with sports clubs on their transition to community interest companies, added: "The clubs that are now effectively locked into this cycle of financial pressure need to look hard at their business models. Along with identifying where cost savings can be made, including reductions in the wage bill, clubs need to find innovative ways of generating additional income streams. Some clubs are likely to conclude that it makes financial sense for the fans, that support the club week in and week out, to take a long-term stake in the clubs themselves and help

secure their future by extending their reach to the wider community

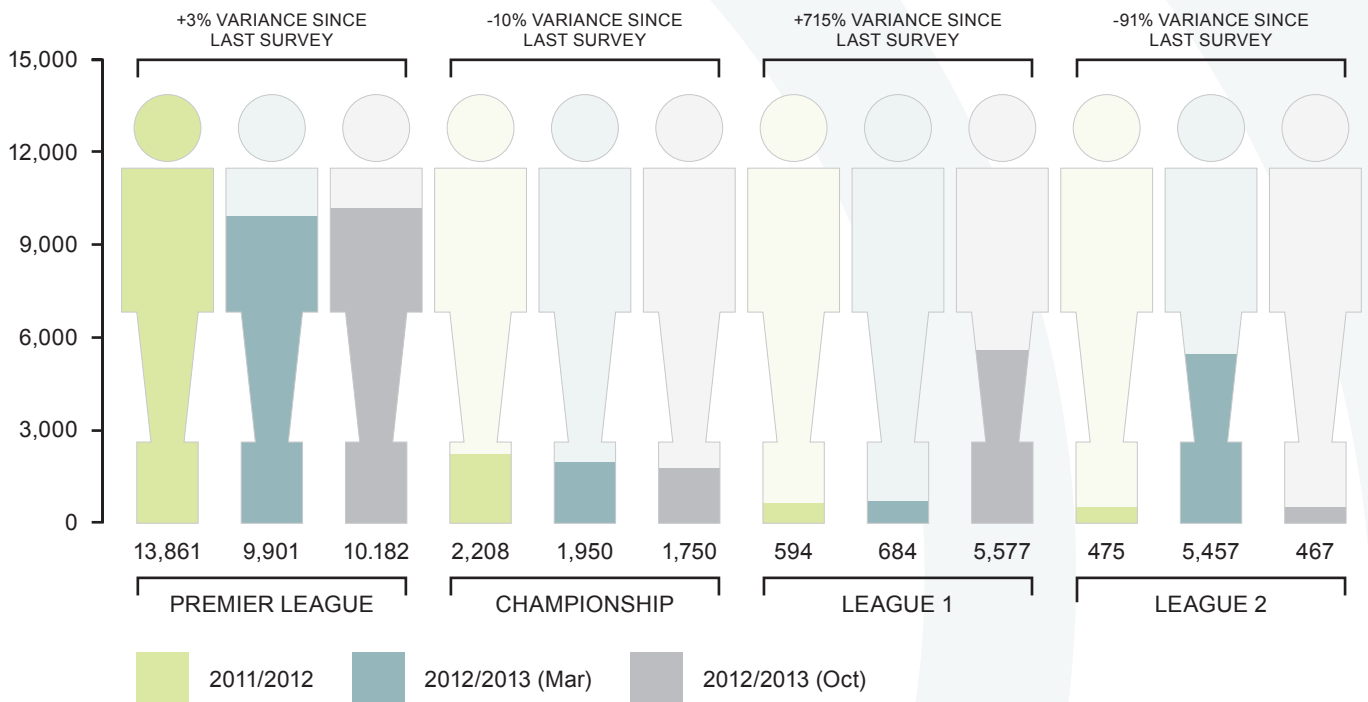
"The community club model has been shown to work all over Europe, from the amateur ranks all the way to the mighty Barcelona and is an integral part of German football. The model has a real future in Scottish football. In fact, aside from merging and consolidating clubs together, or allowing those who fail to create a reduction in the number of clubs, it is possibly the only hope for many. We expect at least three additional Scottish clubs to become fan owned by 2015," he added.

The Begbies Traynor Red Flag Alert Football Distress Report also shows that Rangers' brief stay at the bottom of the league has benefited the other clubs in League Two, with only two of the clubs in that division showing signs of distress after enjoying a massive increase in average attendances during the last season.

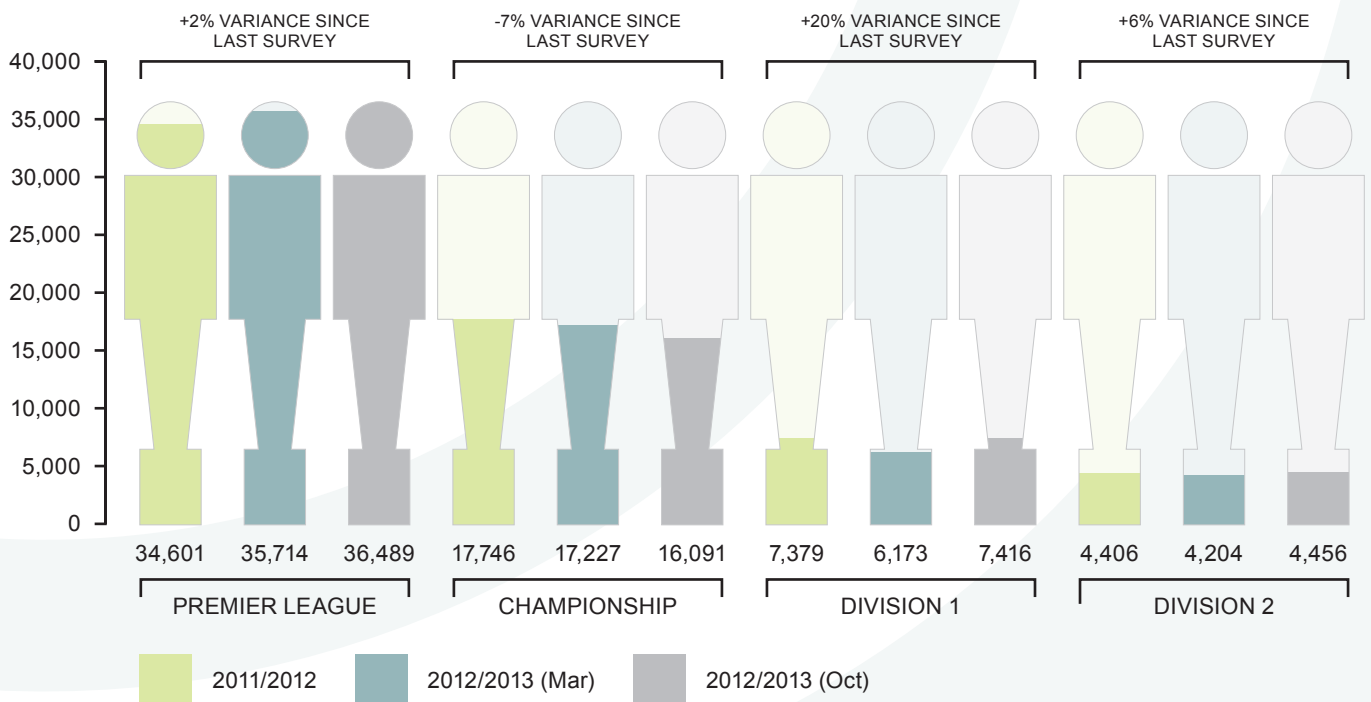
With the Ibrox club's promotion it is League One that has seen a recent huge spike in attendances, with a 700 per cent boost to average gates so far this season. Although much of this revenue will go directly to Rangers, a proportion of the extra income does benefit their opponents as travelling fans supplement gates for the other teams in the division.

The average attendances for the season so far (as at 13 October) range from just over 10,000 in the Scottish Premier League (up by 3 per cent so far this year) to less than 500 in League Two (down by 91 per cent after Rangers' promotion).

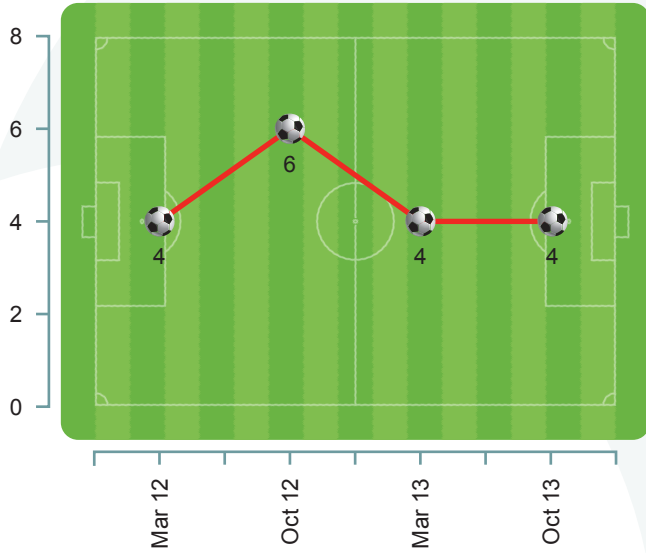
Average Scottish League Attendances – 2012/2013 Seasons



Average English League Attendances – 2012/2013 Seasons



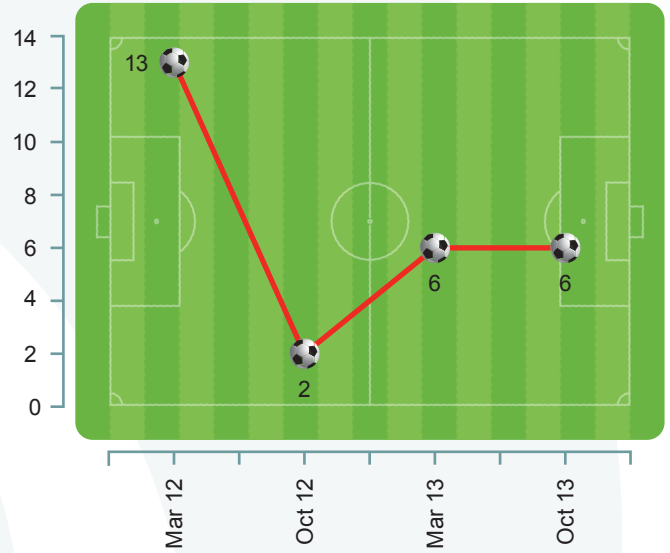
Football Club Distress – 2012/2013 Scottish Football League



Number of clubs in distress —

Source: Red Flag Alert

Football Club Distress – 2012/2013 English Football League



Number of clubs in distress —

Source: Red Flag Alert

For Further Information

If you would like to discuss any of the issues raised in this survey or would like further details about the services we provide to help underperforming businesses please contact:



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