



Agenda

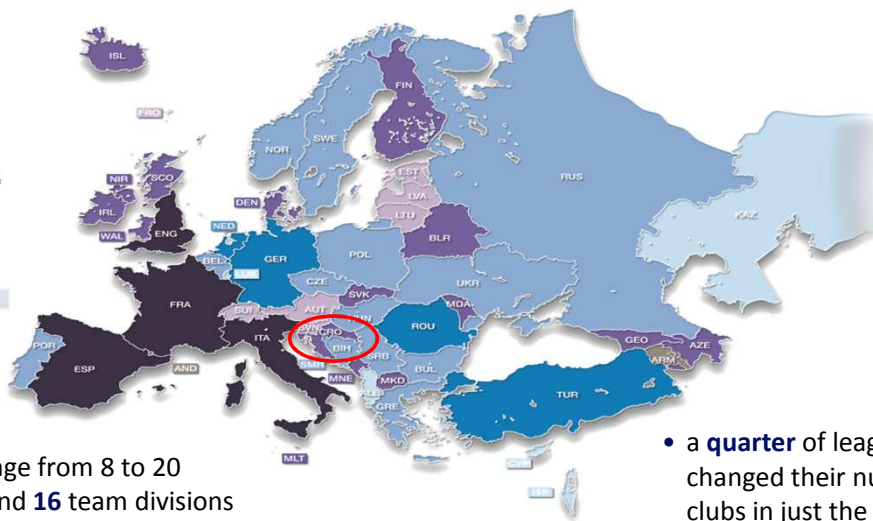
- **Benchmarking**
 - **Financial Fair Play (FFP)**
 - Enhanced “No Overdue Payables” requirement
 - Break-even requirement
 - FFP Processes & Key Dates
 - **Club Financial Control Body (CFCB)**
-



Size of top divisions across Europe

Number teams in top division (2012s - 2012/13w) & frequency:

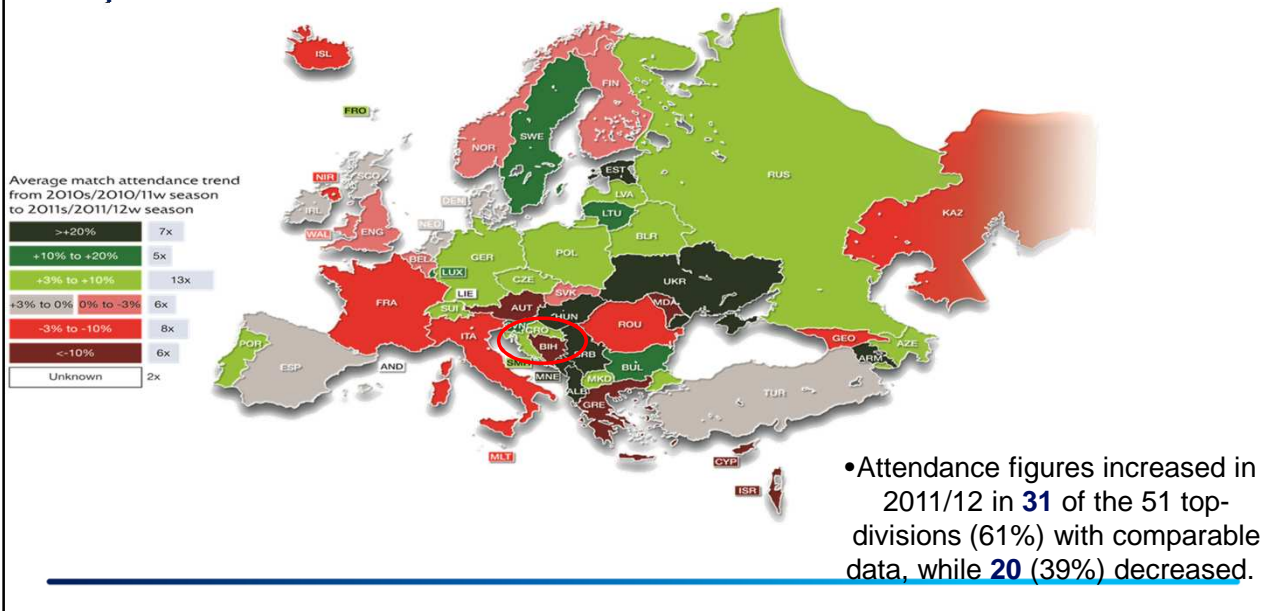
20	4x
18	4x
15/16	14x
14	5x
11/12	16x
10	7x
<10	2x



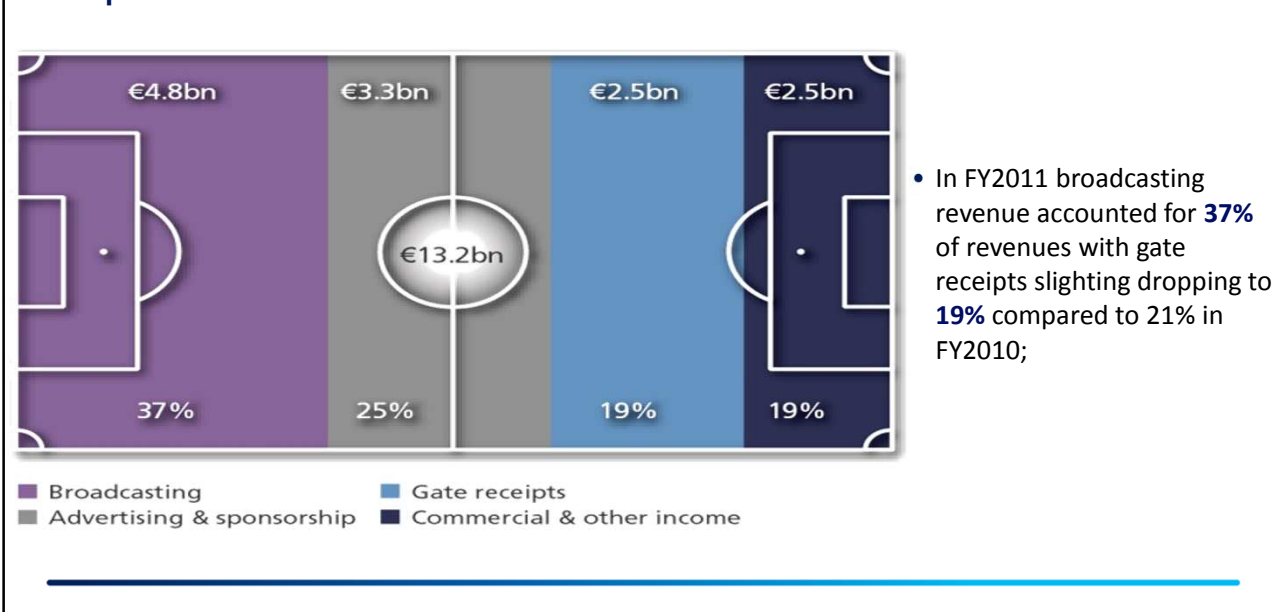
- Top divisions range from 8 to 20 teams with **12** and **16** team divisions being the most frequent;

- a **quarter** of leagues have changed their number of clubs in just the last three seasons

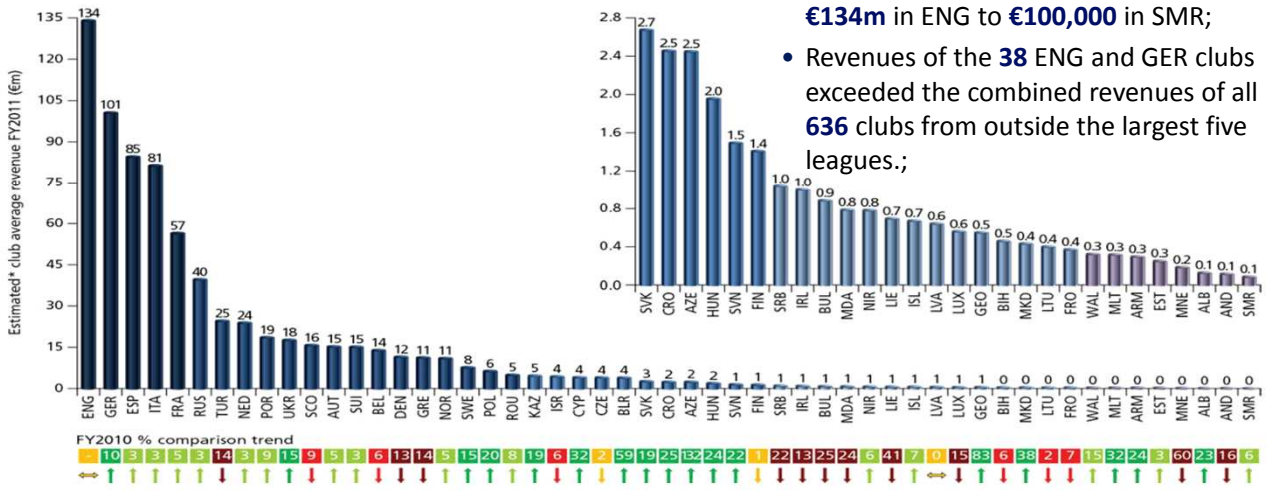
Top division attendance trend between 2010/11 and 2011/12



Top division revenues – FY2011



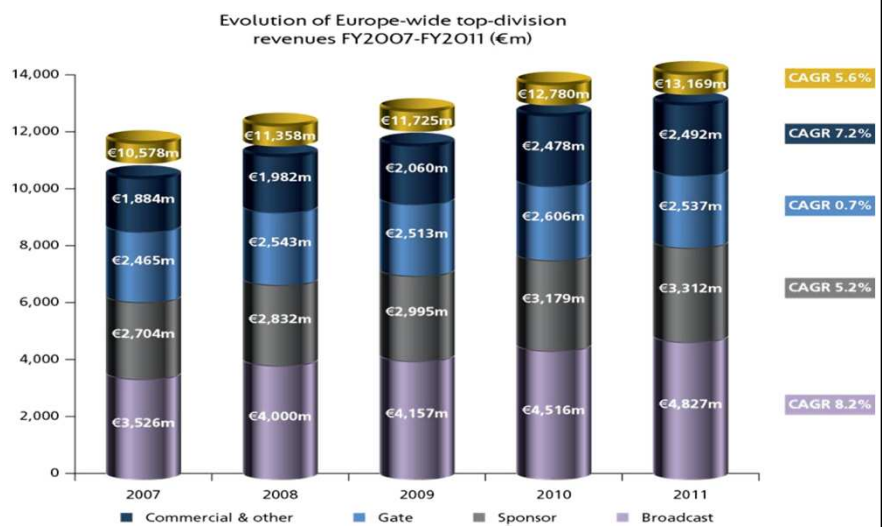
How to revenues vary across Europe – FY2011



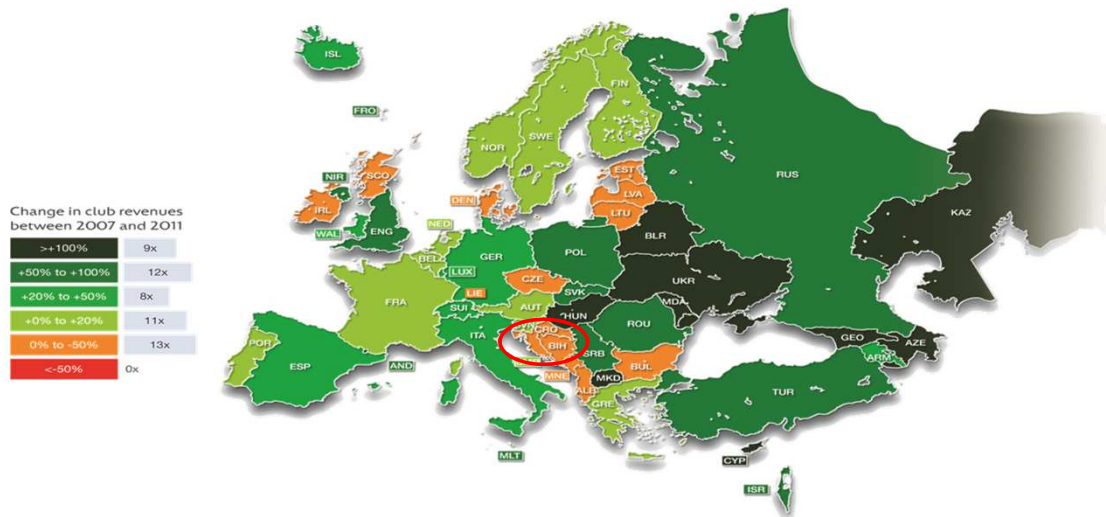
- Average club revenue varied from **€134m** in ENG to **€100,000** in SMR;
- Revenues of the **38** ENG and GER clubs exceeded the combined revenues of all **636** clubs from outside the largest five leagues.;

Top division revenues – five year trend

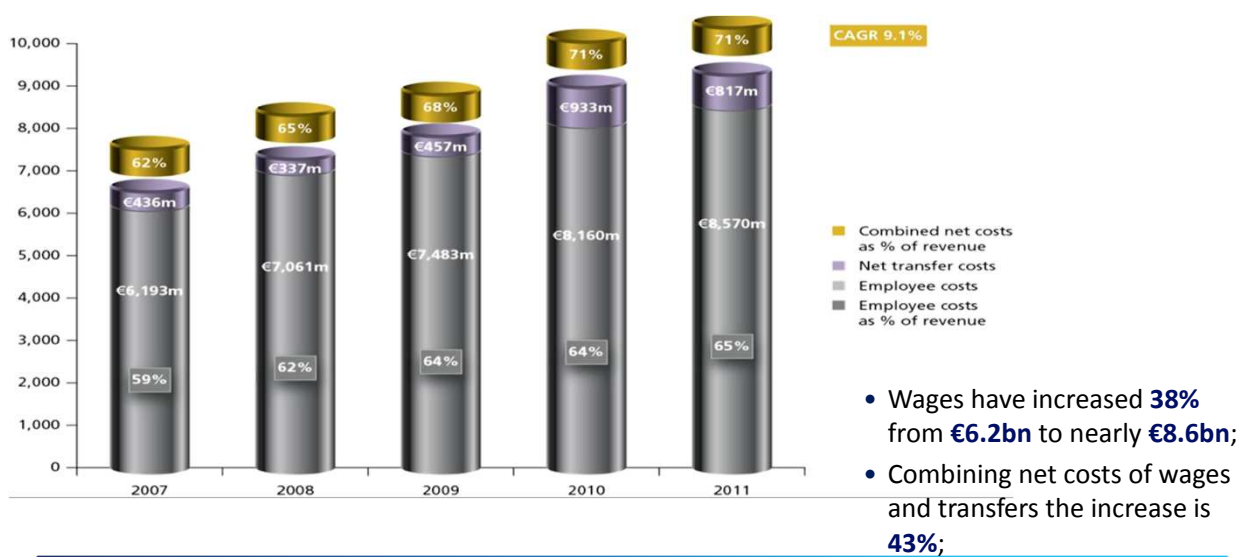
- Club revenue grew in **40** of the 53 top divisions over the past five years;
- Revenues have increased approx. **5.6%** per year and **24%** over the whole period;



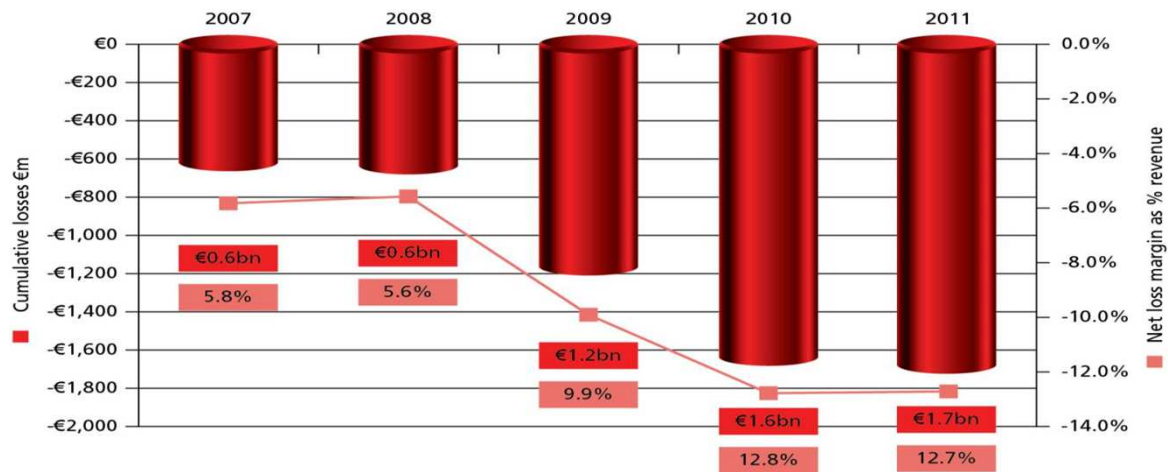
Change in club revenues between 2007 and 2011



Top division combined employee costs – FY2007 to FY2011



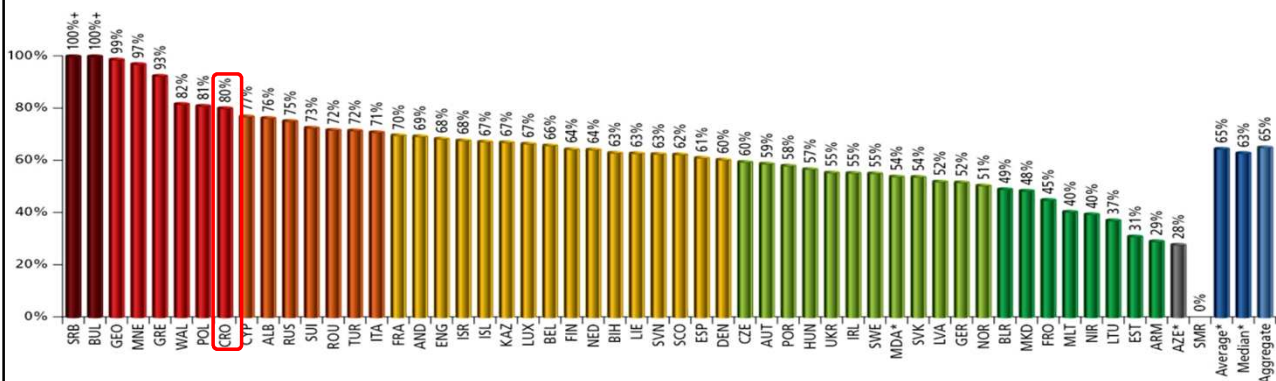
Top division net losses – five year trend FY2007 – FY2011



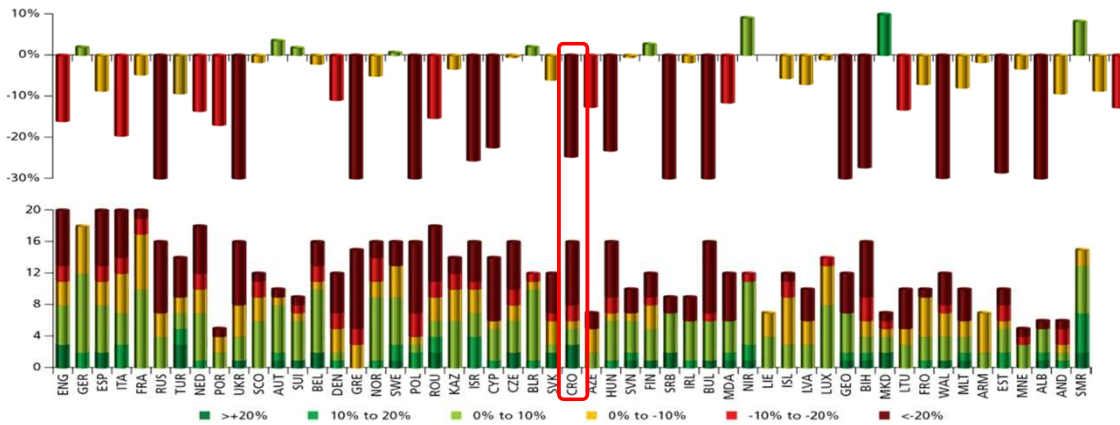
- The net loss margin increased from **5.8%** to **12.7%** of revenues, which, in simple terms, means that European clubs on aggregate spent roughly **€9** for every **€8** of revenue in 2010 and 2011.;

How much did clubs spend on players' wages – FY2011

- The share of revenue spent on wages and social costs remained consistent at **65%**;
- Number of divisions with a ratio of more than **70%** decreased from 18 in FY2010 to **15** in FY2011, and the number of divisions with a ratio above **80%** increased from 7 in FY2010 to **8** in FY2011.
- In total, at least **257** individual clubs (254 in FY2010) reported a personnel cost to income ratio above **70%**;



What proportion of clubs are loss-making?



- The net loss margin increased from **5.8%** to **12.7%** of revenues, which, in simple terms, means that European clubs on aggregate spent roughly **€9** for every **€8** of revenue in 2010 and 2011.;

The impact of transfer activity on FY2011 results

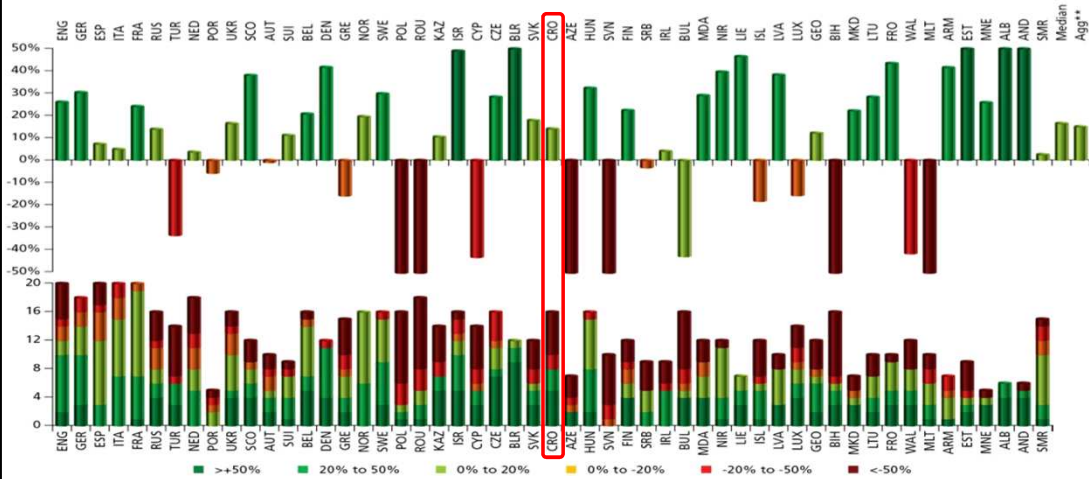
- Transfers improved the bottom-line profit margin by over **10%** for **126** clubs and **13** leagues in FY2011;
- Overall net transfer costs were **€817m** in FY2011 compared to **€933** in FY2010.

Net transfer result as % revenue	Count
> +10%	13x
+3% to +10%	8x
+0% to +3%	5x
0% to -3%	17x
-3% to -10%	5x
< -10%	5x



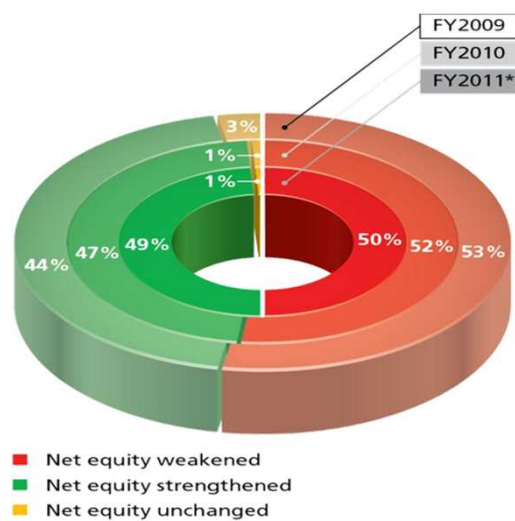
How many clubs reported net equity in FY2011?

- 255 or 38% of clubs reported negative equity;



Did club balance sheets strengthen or weaken in FY2011?

- 50% of clubs still had their balance sheet position deteriorate during FY2011 by an aggregate of €1,485m;



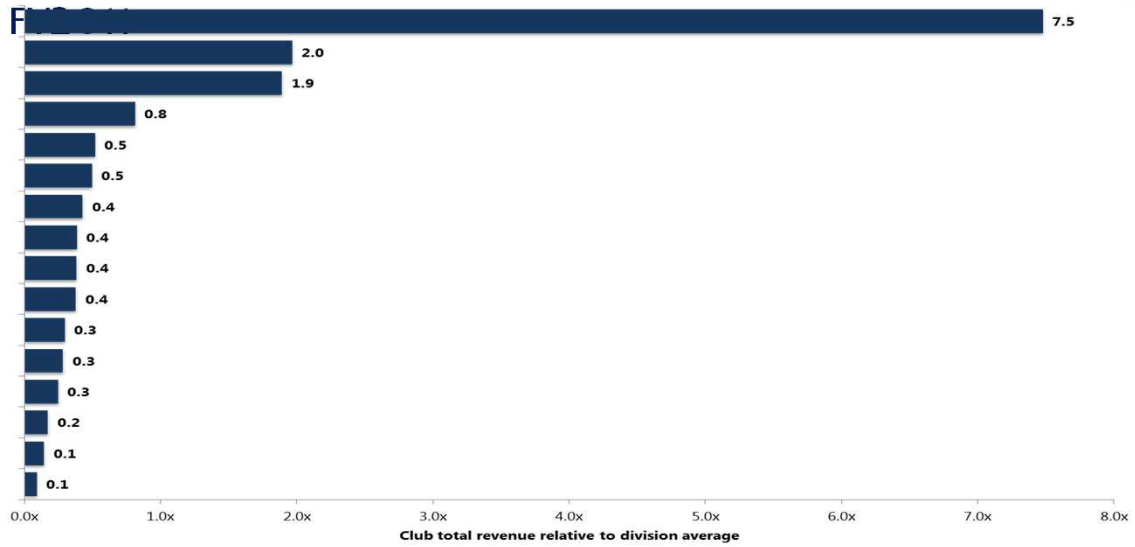


UEFA CLUB LICENSING BENCHMARKING FY2011

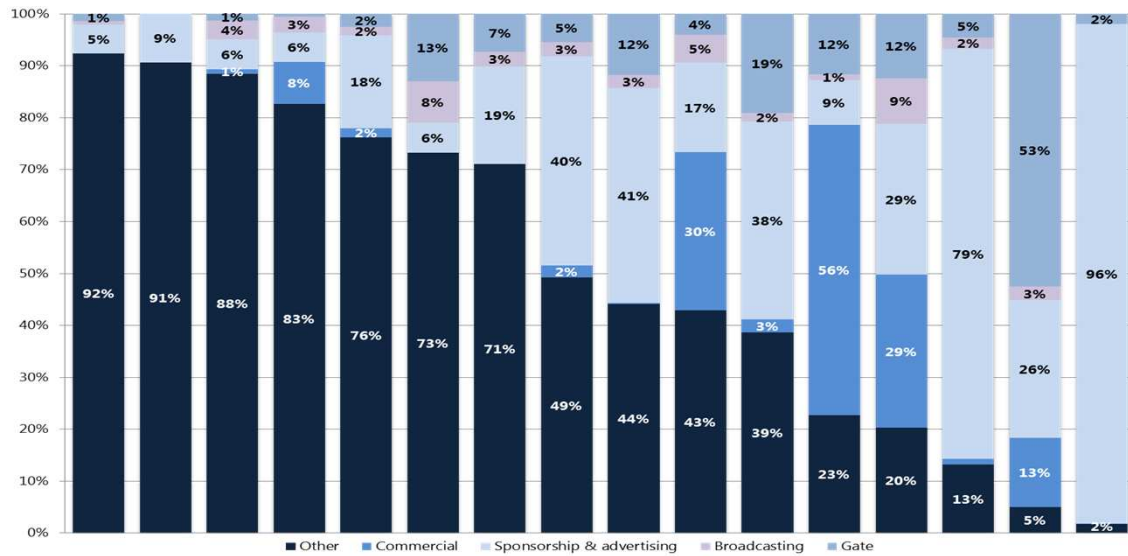
First division Croatian clubs

WE CARE ABOUT FOOTBALL

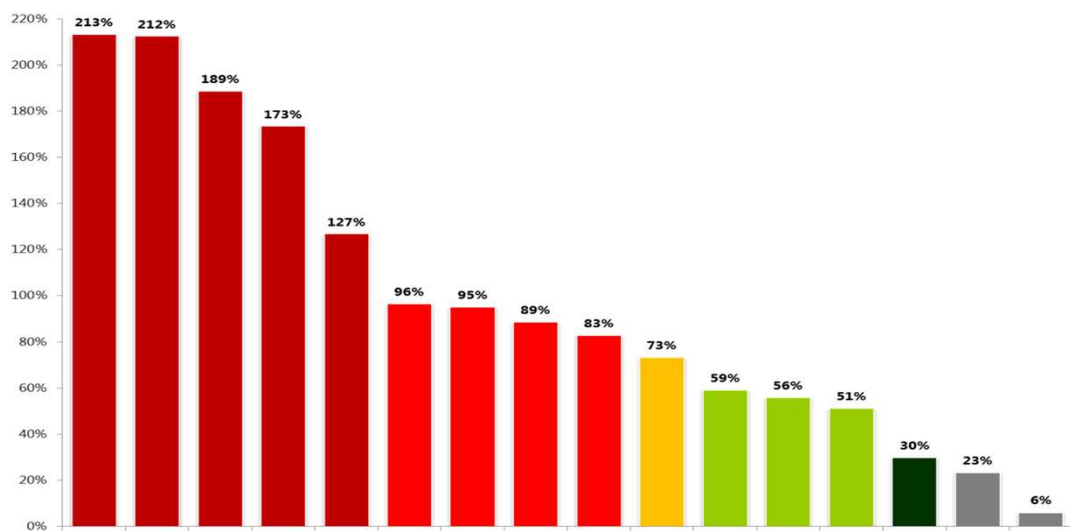
Croatian first division clubs – club revenue versus division average



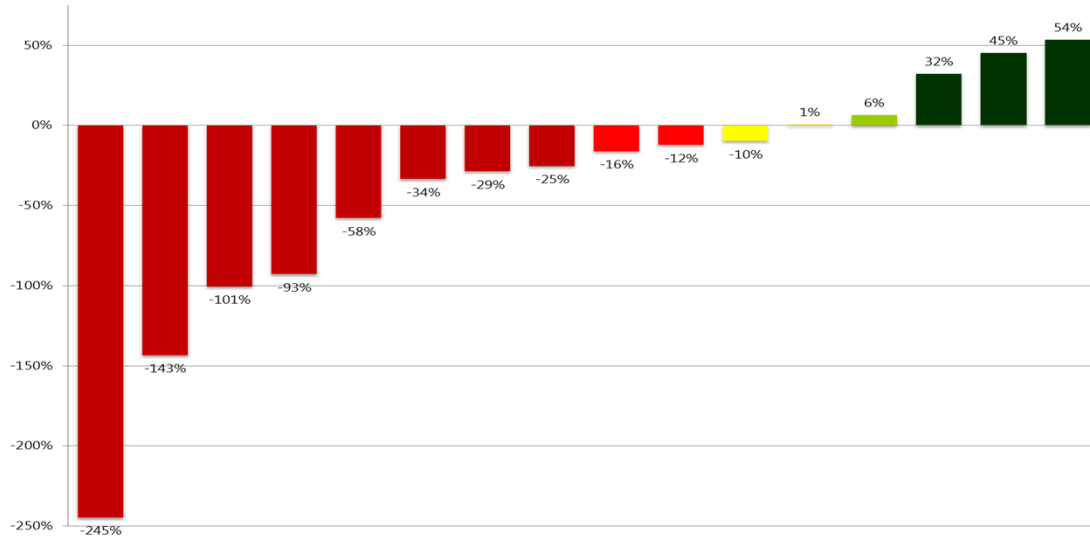
Croatian first division clubs – revenue breakdown FY2011 (%)



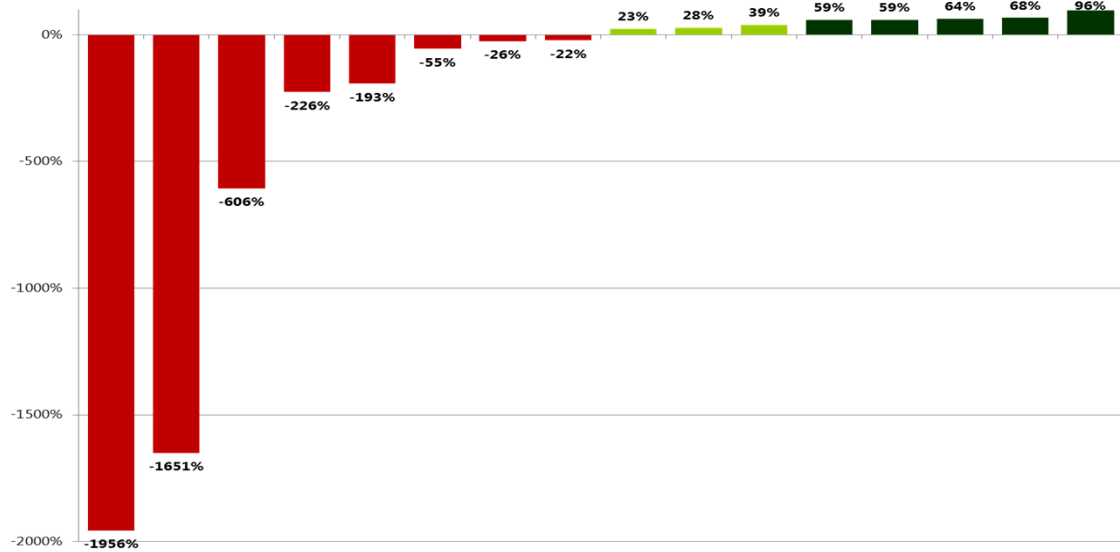
Croatian first division clubs – wage to revenue ratio FY2011



Croatian first division clubs – net profit margin FY2011



Croatian first division clubs – net equity FY2011





WE CARE ABOUT FOOTBALL

INTRODUCTION TO FINANCIAL FAIR PLAY

The Financial Fair Play concept

Background – financial losses

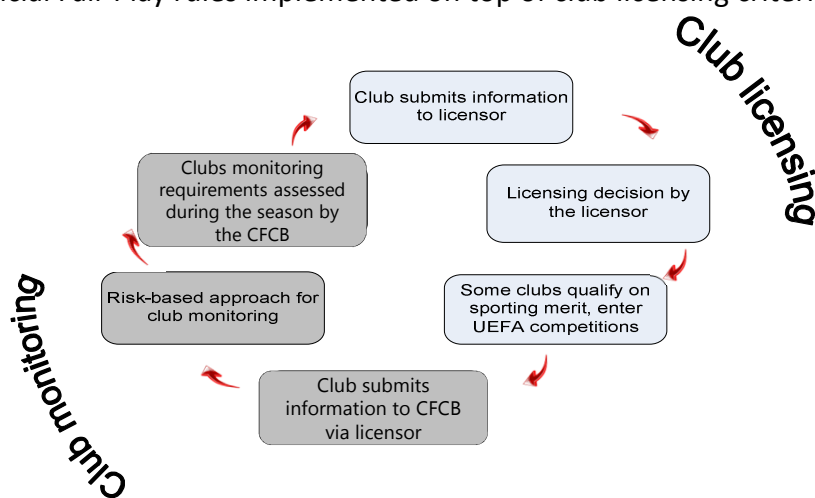
- Financial losses setting records every season;
- 55 to 60% of clubs were recording losses;
- Longer term investment in football has not matched spending – Less than 1 in 4 clubs own stadium and less than 1 in 3 own training facilities;
- Increasingly difficult for clubs with sustainable business plans to compete with those living beyond their means.

Background - overdues

- Worrying trend of clubs not paying their debts on time;
 - Clubs delaying and deferring payments to players and other staff;
 - Complaints received about non-payment of transfer and related fees;
 - Evidence of non-payment to social and tax authorities.
-

Financial Fair Play concept

- Financial Fair Play rules implemented on top of club licensing criteria



Financial Fair Play rules

- Financial Fair Play rules implemented over a staged approach;
 - Enhanced **overdue payable rule and future financial information** monitored as from June 2011;
 - 1st cycle : June & September 2011
 - 2nd cycle : June & September 2012
 - Implementation of **the break even rule** as from 2012 with first assessment that will be done during the 2013/14 season.
-

Break-even rule

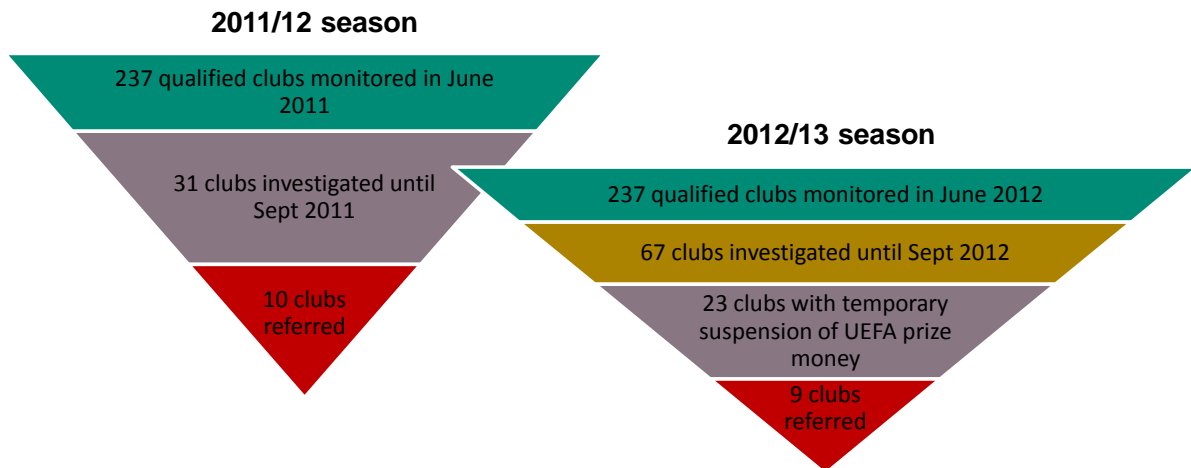
- The cornerstone of the Financial Fair Play concept;
 - A club must not repeatedly spend more than its revenues;
 - Stabilize and rationalize club's spending in Europe;
 - Club to « break-even » on a yearly basis, means that football relevant expenses < football relevant income.
-



Enhanced Overdue Payables

- **In seasons 2011/12 and 2012/13** licensees were assessed against the first monitoring requirements that form part of the financial fair play concept.
 - Overdue payables :
 - **towards clubs**
 - **towards employees**
 - **towards social/tax authorities**
 - Info submitted:
 - in July (for **June 30th** deadline)
 - in October (for **September 30th** deadline)
 - Submission platform: - **CL/FFP IT Solution**
 - All clubs were reviewed by **CFCB at meetings** in Aug/Sept & Nov.
-

Enhanced Overdue Payables



Enhanced Overdue Payables

- The following sanctions and combination of sanctions were applied to the clubs referred by the CFCB Investigatory Chamber :
 - Straight exclusion** from participation in the next UEFA club competition in the next three/four seasons
 - Suspended exclusion** from participation in the next UEFA club competition **on condition** that existing overdue payables in Sept are paid and no overdue payables in March
 - Fines**

Enhanced Overdue Payables 2012/13

• Declared ODP as at 30 June	€66m
• Paid post assessment date (before 15 July)	€36m
• Total adjusted ODP June 2012	€30m
• Deferred Balances	€225m
• Disputed Balances	€28m
• Year-on-year improvement over 2011	€27m (47%)

Enhanced Overdue Payables 2012/13

• Declared ODP as at 30 September	€30m
• Paid post assessment date (before 15 October)	€12m
• Total adjusted ODP June 2012	€18m
• Deferred Balances	€120m
• Disputed Balances	€15m
• Year-on-year improvement over 2011	€13m (41%)



WE CARE ABOUT FOOTBALL

CLUB LICENSING AND FINANCIAL FAIR PLAY REQUIREMENTS

Overdue payables Submission and disclosure requirements

Overdue Payables – Completeness of Submission

Transfer payables

«Closed» transfers

- All payments are done in accordance with an agreement (including contingent fees the payment condition of which is matured)
- Free agents
- Free of charge transfers/loans

«Open» transfers

- All payments not already done in accordance with an agreement:
 - *Existing payables as at assessment date*
 - *Deferred payables*
 - *Payables in dispute*

Overdue Payables – Completeness of Submission

Employee and Social/ Tax Payables

❑ **Monitoring requirements**

- **Total payables** as at assessment date (including Payables not overdue as at assessment date)
 - **Balance overdue** as at assessment date, including due date for each unpaid element in respect of each employee / social tax authority
 - **Deferred payables** as at assessment date, including due date for each unpaid element in respect of each employee / social tax authority
 - **Payables in dispute** as at assessment date, including due date for each unpaid element in respect of each employee / social tax authority
-

Overdue Payables – Completeness of Submission

Employee	Social/ Tax
all professional players	taxes on salaries (Personal income tax withheld by the employer (club) and paid to the tax authorities on behalf of an employee)
As a minimum, administrative, technical, medical and security staff (Art. 28-33,35-39 CL&FFP Reg)	social contributions (Pension Fund, Social insurance, Health insurance etc)

Overdue Payables – Disputes

- Payables might not be considered as overdue if a claim or proceedings have been opened with a competent authority (*Art. 2 c) and d) of Annex VIII of CL&FFP Regulations(2012)*).
- Payables in dispute **must be disclosed** even if a licence applicant/licensee has not booked them in the accounting system.

Overdue Payables – Disputes

In the following cases the relevant amounts will still be considered **as overdue**:

- If a claim made or proceedings opened with an authority that is **not competent to deal with the case**
- If a claim has been made or proceedings have been opened by a club for the sole purpose of avoiding the applicable deadlines set out in CL&FFP Regulations (i.e. **in order to buy time**).
- If the club **did not contest** the claim brought by a creditor and/or did not provide a competent authority **with founded reasons** for contesting,

Overdue Payables – Contingent liabilities

The transfer payables table must contain **conditional amounts** (contingent liabilities) in accordance with agreement, e.g.:

- contingency payments arising from transfer agreements (e.g. an amount to be paid should a club qualify for a subsequent UEFA club competition);
- bonuses payable to employees (e.g. an amount to be paid at the end of the season).

Disclosure requirements:

Monitoring:

- **Realised contingent liabilities** as at the assessment date
-

Overdue Payables – Due date

- Relevant contracts (either transfer or employment) should explicitly stipulate the exact due date of all payables.
 - Written agreement by involved parties must be signed, if a due date is postponed.
 - Employee or social/tax payables relating to the month of June (or September), but by contract or national law not payable until July (or October), are not considered as overdue at the 30 June (or 30 September) assessment date.
-

Overdue Payables – Supporting documentation

- Licensor stipulates the list of documents that are mandatory for submission to licensor:
 - Within licensing procedure in order to assess the existence of overdue payables;
 - Within club monitoring procedure in order to validate the financial data submitting to the UEFA administration and CFCB.
 - A licensee must provide the necessary documentary evidence upon the request of the UEFA administration and/or the CFCB.
-

Overdue Payables – Supporting documentation

Payments

- Payment transaction confirmation
- Cash payment voucher (if paid in voucher cash)
- Confirmations from tax authorities

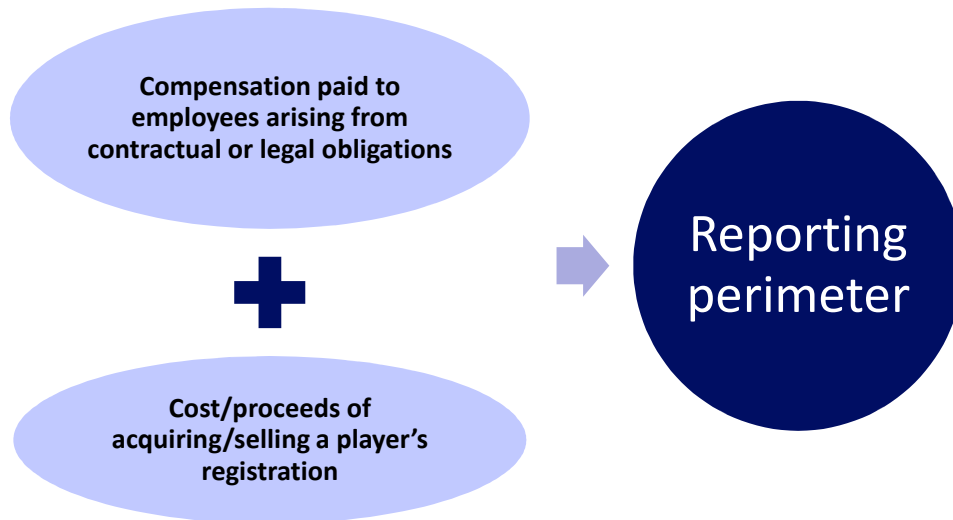
Deferrals

- Written agreement signed by involved parties confirming the new payment date (transfers, employees)
- Written agreement signed by involved parties OR resolution of tax authorities

Disputes

- Official positions of both parties, including letters sent to the competent authorities contesting the merits of claim and supporting documents
 - All other **relevant** correspondence with tax authorities
-

Overdue payables and Reporting perimeter



Break-even requirement – key principles

- A club must not **repeatedly spend** more than the income it generates
 - Encourages clubs to **operate with their revenues**, not owner/related party contributions and not debt
 - Encourages spending on facilities and other activities for the **long term benefit of the club**, rather than short-term speculative spending
 - No obligation for clubs to be profitable
 - A **multi-year assessment**
 - The break-even calculation is primarily based on a club's P&L
 - Break-even requirement enters into force for the financial statements for the reporting period **ending in 2012**
-

Break-even information

- Licensees will continue to prepare their annual financial statements in accordance with their national accounting practice or IFRS
 - The break-even information will be drawn from, and reconcile to, the **audited annual financial statements** (as already submitted to the licensor for club licensing)
-

Financial Fair Play requirements – break-even

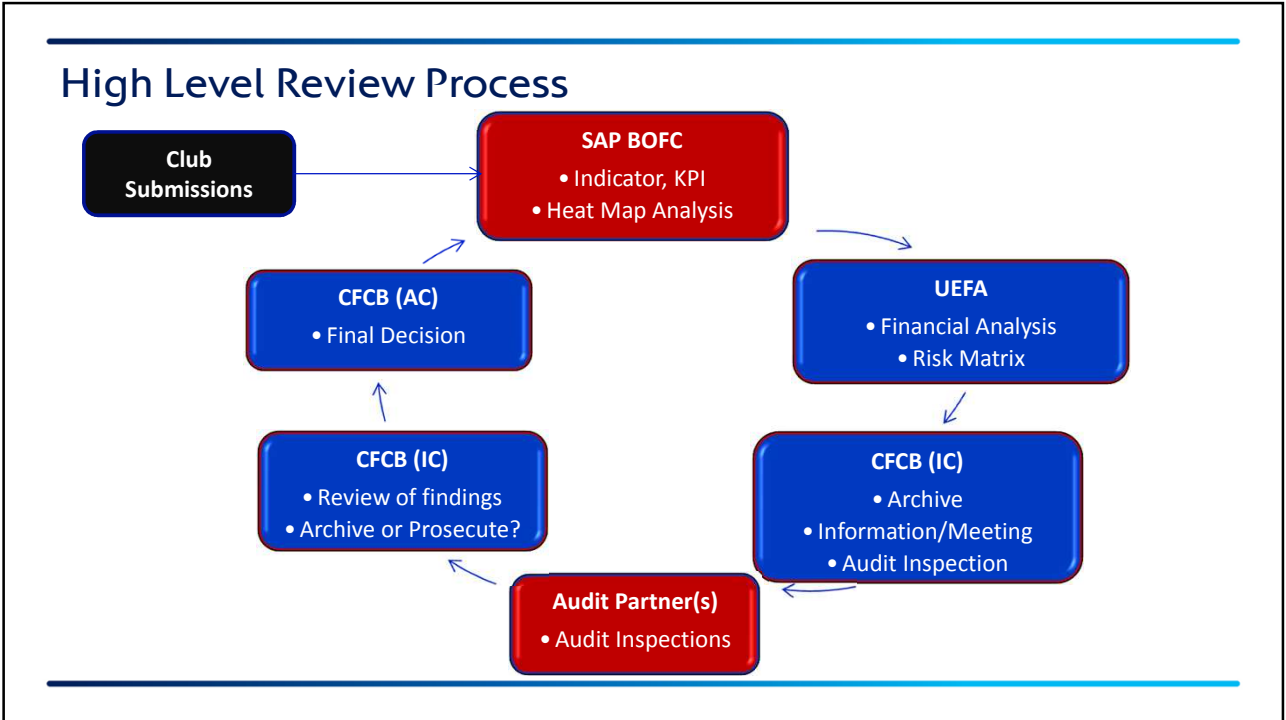
- The *aggregate* break-even result is assessed over **three** reporting periods (T, T-1, T-2);
- But for the first assessment, it will be for only **two** reporting periods;

As assessed in licence season:	Monitoring PERIOD		
	T	T-1	T-2
2013/14	2013	2012	n/a
2014/15	2014	2013	2012
2015/16	2015	2014	2013
2016/17	2016	2015	2014
2017/18	2017	2016	2015

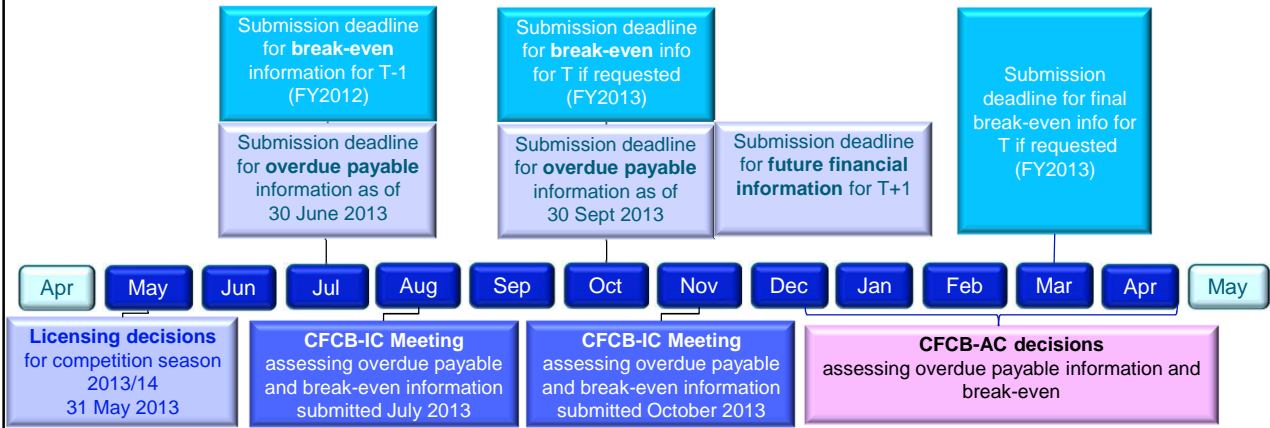
Financial Fair Play requirements – acceptable deviation

- **Acceptable deviation** of €5m (maximum aggregate break-even deficit allowed for compliance of requirement);
- Acceptable deviation is over all **three monitoring periods**;
- Clubs may exceed this level up to the amounts listed in table below if the excess is covered by contributions from equity participants and/or related parties:

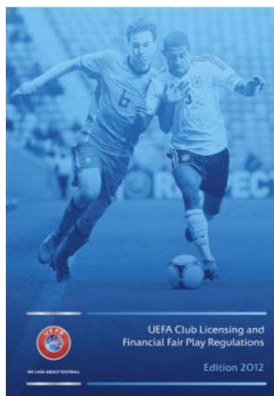
As assessed in licence season:	Acceptable deviation	
	If no contributions, aggregate break-even deficit up to:	If excess over €5 million is covered by contributions, aggregate break-deficit up to:
2013/14	€5 million	€45 million
2014/15	€5 million	€45 million
2015/16	€5 million	€30 million
2016/17	€5 million	€30 million
2017/18	€5 million	€30 million



Implementation of FFP – Season 2013/14



Key FFP Documents





Club Financial Control Body

- **XXXVI UEFA Ordinary Congress decisions**

A number of changes to the UEFA statutes including:

- establishing the **Club Financial Control Body (CFCB)** as a UEFA Organ for the Administration of Justice, thus allowing it to take disciplinary measures;
 - Decisions of the CFCB will be final at UEFA level and appealable directly to the CAS;
-

Composition and Organisation of the CFCB

Two clearly separated chambers : the Investigatory Chamber and the Adjudicatory Chamber

Investigatory Chamber :

- led by the CFCB Chief Investigator;
- 8 members;
- in charge of establishing the facts and collecting evidence

Adjudicatory Chamber :

- led by the CFCB Chairman;
- 5 members;
- in charge of deciding, in case of breach of the UEFA CL&FFP Regs, on the disciplinary measure(s)

Club Financial Control Body (CFCB) Composition

- Investigatory chamber

