THE ANNUAL SURVEY OF FOOTBALL CLUB FINANCE DIRECTORS 2017

BEHIND THE NUMBERS GAME

HOW FOOTBALL CLUBS AND INVESTORS ARE RESPONDING TO DEVELOPMENTS IN FOOTBALL FINANCES

BDO

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IAN CLAYDEN
Partner,
Head of BDO Professional Services

12 months ago, who would have thought that by comparison to the wider socio-political and economic landscape, we would be looking to Football to give us a sense of strength and stability?

The unwavering domestic and global popularity of our leagues, the compelling theatre in the board rooms as well as on the pitch, and not to forget the ensuing impacts of enhanced 2016-19 English Premier League broadcasting rights, is certainly giving the football sector the financial strength that owners and fans crave.

86% of clubs consider their clubs current financial position to be 'healthy' or at least 'not bad', only one respondent is experiencing acute financial difficulties, and virtually all respondents have complied with FFP (or 'profitability and sustainability') regulations.

But what about stability?

A deeper analysis of the data within this report (generously and candidly provided by our survey respondents) suggest that the sector is anything but stable - but let us reserve judgement for now as to whether this is a good or bad thing:

- Investor activity is buoyant and agile. Despite the healthy investor appetite for clubs, EPL and FLC shareholders are now largely taking a 'hold' position, even though exit values have never been higher. Not to be deterred, investors are assertively turning their attention towards FL1 and FL2 clubs who (with 30% considering a full or partial exit) are much more inclined to hand over the baton and realise some capital. The bullish money in the market is now coming from China (driven by a desire for participation and prestige) and America (confident in its ability to deliver enhanced commercial performance) rather than the Middle East or Europe.

FOREWORD

- Player transfer fees and wages are inflated and the market is rampant. With the enhanced media rights giving EPL clubs a guaranteed central contribution upwards of c£100m, coupled with increased revenues from commercial partnerships and sponsorship, 9 out of 10 EPL clubs are profitable - before player trading and amortisation at least. However, the impact of player trading is still taking one-third of these clubs into a net loss position. Elsewhere, in the Football League, player trading is an increasingly rich profit centre – an indirect distribution of the enhanced EPL wealth derived from broadcasting rights.
- The FLC is no less precarious than we reported last year. Notwithstanding the positive impact of player trading, aggressive spending on salaries (8 out of 10 clubs stating that they operate with a wage to turnover ratio in excess of 75%, although we believe many have a ratio of over 100%) means three-quarters of clubs are still dependent on their shareholder(s) to finance operating losses. This spending is, of course, driven by the motivation of promotion to the EPL. There are also increasing concerns that the competitive advantage afforded to clubs relegated from the EPL retaining media rights money and/or EPL standard players, as well as receiving parachute payments, will preclude other FLC clubs from being able to realistically compete for promotion. It will come as no surprise then that Middlesbrough, Aston Villa and Fulham are currently the bookies favourites for promotion this season.
- Squad sizes are falling as wages are rising. Wage inflation has resulted in the majority of respondents saying squad sizes will either be the same or smaller in the coming season even though half will be spending more on aggregate first team payroll next season, suggesting a sacrificing of squad size in order to compete for the best talent - quality trumping quantity maybe but this may well contribute to the theatre on the pitch.

So, is this instability a bad thing? Well, this is a matter of opinion – which we know is a rich commodity in football – but we think not.

- On the investor side, increased international diversity of ownership and participation appears to be a natural reflection of the global appeal of English football (facilitated in part by some favourable foreign exchange movements for overseas investors). This is unlikely to reverse in the short-to-medium term and, in the wake of Brexit, let's embrace inbound investment into the economy and diversity in general.
- Only 14% of our respondents across all divisions believe that the enhanced EPL broadcasting right have had a negative impact on their club. Clearly this is causing some wage and transfer fee inflation (which may or not be sustainable long term) but a consistent response to this is for clubs to prioritise investment in academies, driven by the desire to compete and profit from player trading in equal measure. On the face of it, the quality of player development should be positive for the sector. However, four-fifths of respondents believe this will have a negative impact on our national teams.
- We remain moderately concerned about the high risk strategies being applied in the FLC. Time will tell whether academy development and player trading will be enough to create a natural correction to current levels of aggressive spending, or whether a salary cost protocol similar to the EPL and Football Leagues 1 and 2 will be recommended.
- Despite the observed financial impacts above, we are delighted to report that improving fan engagement and experience are the most common priorities for football clubs. The sector also continues to make unparalleled investment into community care and participation.

Market forces are hard at work in the football sector, albeit within the parameters of FFP regulation which was ultimately designed to protect the interest of owners and fans alike. The response of clubs to financial, as well as social and economic, developments is broadly positive.

The football "tree" still has its roots in socialism but the reach of its branches are being extend by capitalism. Football is increasingly reported as being "all about money" but this is not necessarily its problem, rather a consequence of its success as a first class product with global appeal. As football continues down the path of being a sophisticated, global, multi-media, consumer entertainment industry, share prices, player wages and player transfer fees become harder to fully understand and appreciate. However, entertaining and connecting with an ever more diverse and ever more demanding fan base is the driving force behind many of these developments, and in this regard, fans are getting that they want; continuous investment in their teams so they can compete, entertain, and give them something to be passionate about. Football clubs are dynamic organisations and will continue to adapt to their environment with unwavering commitment to balancing the interests of all of their stakeholders.

In this context, the one thing that is certain is that the life of a Football Club FD is not an easy one and, on that note, we thank our respondents, on behalf of all readers of this report, for their trust and generosity in taking the time to complete our 2017 survey.

EXECUTIVE SUMMARY

01: FINANCING THE CLUB

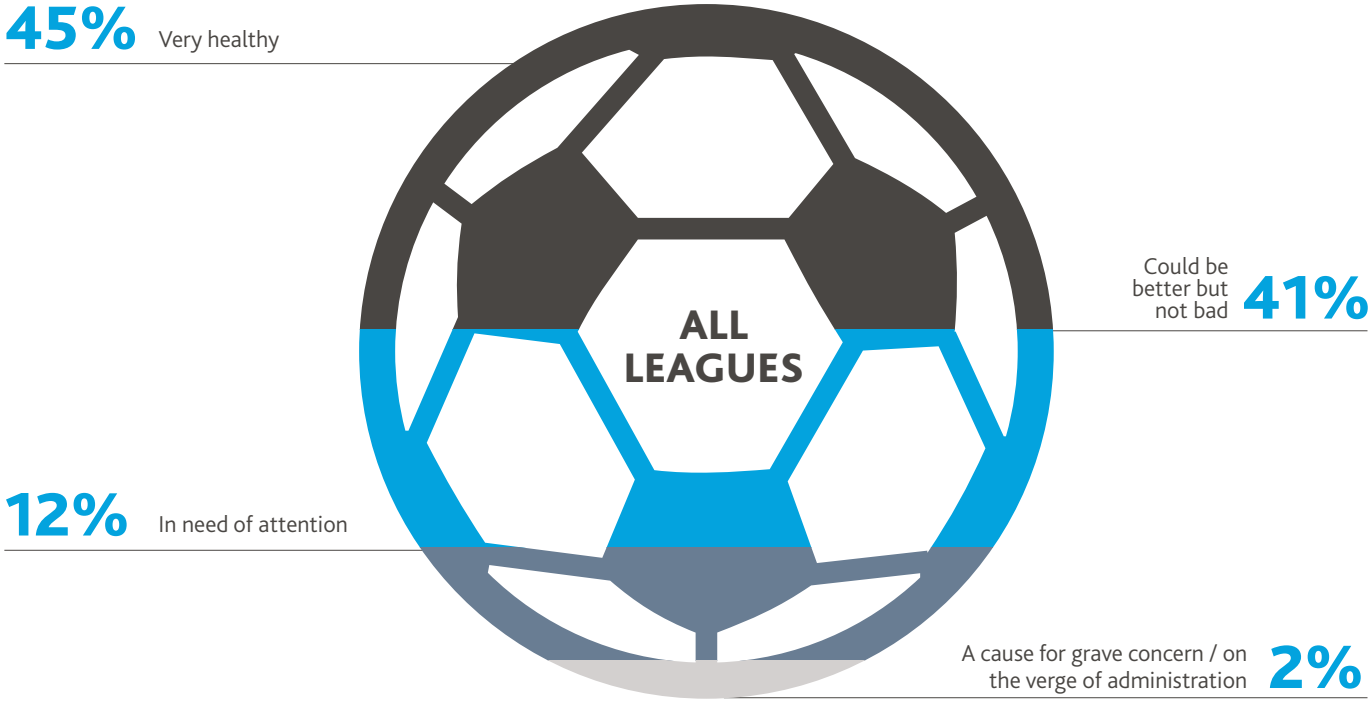
IAN COOPER
Partner, BDO Corporate Finance

- The football sector continues to demonstrate its economic stability with only a handful of clubs finances needing attention, and only one respondent experiencing acute difficulties. We note that as recent as 2014, one quarter of respondents were in need of attention or worse.
- Unprecedented demand for media content, supported by salary control regulation (restricted to £7m increase p.a. for those clubs spending more than £60m prior to 2016/17), has resulted in no EPL clubs having finances in need of attention. However, one-third of clubs claim to be dependent on shareholder financing to fund operating losses.
- In the FLC, the rewards of promotion and fierce competition for such encourage clubs' owners to invest heavily in transfers and player wages. Owners are paying for this privilege, with over three-quarters of clubs being dependent on shareholder funding.
- In FL1 there is similar competitive pressure but the level of centrally distributed media rights revenues remains comparatively low and we are still seeing over one-quarter of clubs with finances in need of attention and two-thirds requiring shareholder support.
- Three-fifths of FL2 clubs require shareholder support but, in the main, these clubs are financially stable, albeit there are a couple of outliers with finances in need of attention.
- There is a downward shift in appetite for equity exits in the sector (14% are considering exit – down from 21% in 2016). However, there are two very different sets of results in this area. On the one hand, EPL and FLC clubs owners are maintaining their equity ownership, presumably as a result of enhanced EPL media rights, or for FLC club owners, the lure thereof. On the other hand, there remains a high level of investor interest in English football clubs at all levels and this is creating some attractive exit prospects for existing owners. 30% of owners in FL1 and FL2 are now considering exit.
- Much has been made of the influx of Chinese investment into English football, and, along with US interest, this is the origin of the majority of recent activity and current interest.
- One could certainly argue that English football, in particular the EPL, has a diverse mix of ownership that represents the international appeal of our leagues, reflecting the global spectatorship that has helped drive profound increases in international media and commercial revenues for clubs over recent years. English football is truly a global product.

THE FOOTBALL SECTOR CONTINUES TO DEMONSTRATE ITS **ECONOMIC STABILITY** WITH ONLY A HANDFUL OF CLUBS NEEDING ATTENTION

ANALYSIS OF KEY FINDINGS

01: FINANCING THE CLUB



1. How would you rate your club's current financial position?

- 86% (2016: 84%) of clubs financial position is very healthy or could be better but not bad.
- With enhanced EPL media rights (contracted for 2016-19 and providing clubs with minimum receipts of £100m), over 70% of EPL clubs are in a very healthy financial position and none are in need of attention.
- One-in-eight clubs have a financial position in need of some attention. Unsurprisingly, these clubs are largely concentrated in the FLC and FL1.

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Very healthy	45	71	46	36	30	0
Could be better but not bad	41	29	38	36	50	100
In need of attention	12	0	15	27	10	0
A cause for grave concern / on the verge of administration	2	0	0	0	10	0

Base: 51

86% (2016: 84%) OF CLUBS' FINANCIAL POSITION IS VERY HEALTHY OR COULD BE BETTER BUT NOT BAD

ANALYSIS OF KEY FINDINGS

01: FINANCING THE CLUB

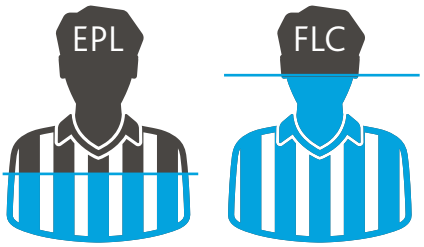
2. Is your club dependent on its principal shareholder(s) to finance annual revenue shortfalls or operating losses?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	57	36	77	64	60	33
No	43	64	23	36	40	67

Base: 51

- Over three-quarters of FLC clubs are dependent on shareholder funding, driven by shareholders' willingness to invest either in the hope of promotion to the riches of the EPL, or by fear of relegation to less lucrative lower leagues.
- Three-fifths of clubs in FL1 and FL2 remain dependent on shareholder support to fund operating losses. However, such losses remain within the parameters of "FFP" rules (profitability and sustainability regulation) - see Section 5 - and is generally well planned and managed by clubs in these leagues.

Yes



36%
2017
an increase of of 3% from 2016

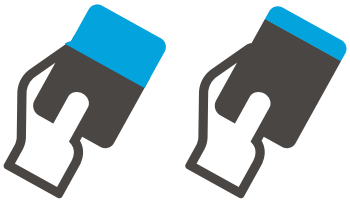
77%
2017
a decrease of 8% from 2016

3. Are current equity owners of the club considering a full or partial exit within the next 12-18 months?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	14	8	0	30	30	0
No	86	92	100	70	70	100

Base: 49

- Based on recent activity, we expected there to be more EPL and FLC owners considering exit than these results suggest. We question whether (i) recent liquidity in the market is slowing as those owners that wanted to exit have already done so and/or (ii) owners are enjoying the greater wealth in the EPL (or prospect thereof) and feel under less financial pressure to exit.



30%
FL1 & FL2

14%
ALL LEAGUES

Respondents who believe that their owners are considering a full or partial exit in the next 12-18 months

ANALYSIS OF KEY FINDINGS

01: FINANCING THE CLUB

- Consistent with 2016 results, and what we are seeing in the market, investor appetite for English football clubs remains high. However, it is FL1 that is attracting the most interest from investors with three-quarters having been approached in the last 12 months. Investors are of course ambitious but appear to:
  - appreciate the relative financial stability and simplicity of FL1 clubs (compared to FLC clubs). Incidentally they are easier to understand and therefore easier to value;
  - see value in FL1 equity prices and consider two potential promotions as opportunities for a step-change in equity value;
  - have a more holistic view of the overall appeal of clubs, which takes into account heritage, location, potential fan base, potential real estate opportunities and ability to grow other commercial revenue streams and have a willingness to invest for the medium to longer term.

4a. As far as you are aware, within the last 12 months has the Club been subject to an informal or formal approach from prospective investors with a view to taking an equity stake in the club?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	38	36	25	73	30	0
No	62	64	75	27	70	100

Base: 50

- Institutional investors in EPL clubs make up a quarter of approaches again this year. However, 'other' includes consortiums that would have a value growth exit strategy.
- 'Profile building' investors are more prominent this year and this is consistent across all divisions. This is particularly the case with overseas investors most notably those from the Far East.
- One would assume that long-term fans of football clubs are being largely priced out of the opportunity to own their clubs. Investment enquiries from long term supporters has only been observed in FL2 in this years survey.

4b. If yes, have these interested parties been:

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Institutional/investment portfolio investors?	11	25	0	13	0	0
Long term supporters of the club?	11	0	0	0	67	0
Football fans seeking entry into English or Scottish football	17	0	67	13	0	0
Other profile building or speculative investors	33	25	33	38	33	0
Other (please specify)	28	50	0	38	0	0

Base: 18

- There has been a shift away from European and Middle Eastern investor interest (7 and 5 respectively in 2016) towards the US and the Far East (mainly China).
- We note that new domestic investor interest in football clubs has fallen from 14 in 2016 to just 6 in 2017.

4c. If yes, have these interested parties been:

COUNT*	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Domestic investors	6	1	-	2	3	-
Overseas investors:						
US / Americas	9	2	1	4	2	-
European	2	-	-	2	-	-
Middle Eastern	1	-	-	-	1	-
Far Eastern	9	2	3	4	-	-

Base: 17

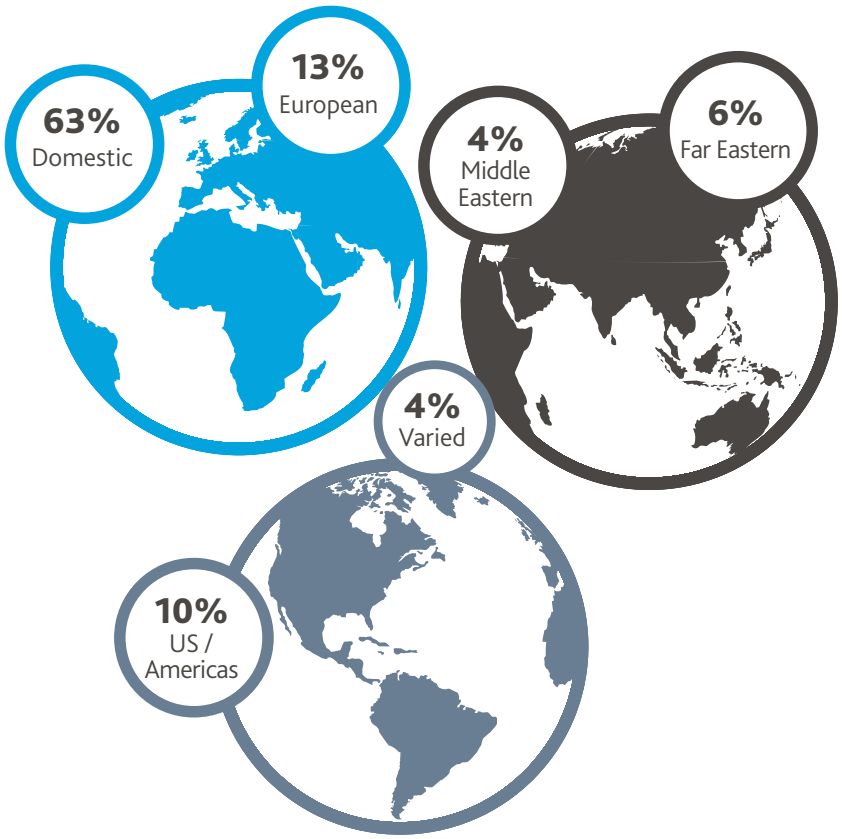
ANALYSIS OF KEY FINDINGS

01: FINANCING THE CLUB

OVERSEAS OWNERSHIP IS MOST PRONOUNCED IN EPL CLUBS WHERE THE ENTRY LEVEL FOR INVESTORS IS IN THE HUNDREDS OF MILLIONS (OR BILLIONS IN THE TOP TIER). DIVERSITY OF OWNERSHIP IS A REFLECTION OF THE PRESTIGE AND GLOBAL APPEAL OF THE RICHEST DIVISION IN THE WORLD.

4d. Are the Club's current controlling parties:

All leagues



%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Domestic investors	63	31	55	73	90	100
Overseas investors:						
European	13	23	9	18	0	0
Far Eastern	6	8	18	0	0	0
Middle Eastern	4	8	0	0	10	0
US / Americas	10	31	9	0	0	0
Varied (more than one apply)	4	0	9	9	0	0

Base: 48

ANALYSIS OF KEY FINDINGS

01: FINANCING THE CLUB

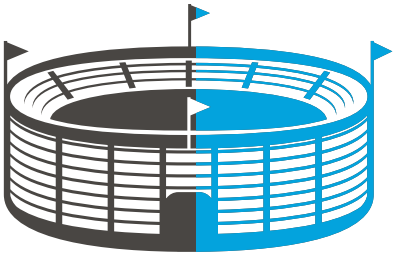
5. What are your key strategies for development/growth in order to further strengthen the football Club?

- The "theatre" of football - entertaining fans, winning matches and getting promoted (or avoiding relegation) - is the raison d'etre of football clubs and these remain the key priorities of club management.
- However, the most common top priority for FLC, FL1 and FL2 clubs remains promotion; representing 35%, 40% and 50% respectively. Avoiding relegation is the second most common.
- Fans will be delighted to hear that within the most common priorities for football clubs are improving fan engagement and experience (51% include this in their top 4 priorities) and growing the club's domestic fan base (47%).
- Over half of EPL clubs have qualifying for European cup competitions in their top 4 priorities, whilst 40% have avoiding relegation in their top 2 priorities.
- For the top tier of the EPL, European competitions are critical to meeting fans expectations and providing the additional revenues and prestige required to attract players and remain competitive at this level. For the lower tier of this division, keeping ones place at the top table and avoiding the immediate reduction in media revenue that accompanies relegation is of critical importance.
- One-third of EPL clubs have real estate investment (principally stadia and training facilities) as one of their top 2 priorities. Given the interaction between increasing EPL wealth and cost controls (with capital expenditure falling outside of permitted loss restrictions), this is an area where we expected to see increased activity. This is likely to continue over 2017/2018 and 2018/2019.
- It is interesting to note that a disproportionate number of FL1 and FL2 clubs are looking to develop their academies. We believe this is largely due to the high price of players in the current market that is both making quality acquisitions more expensive for clubs in these divisions and also creating a lucrative income stream for clubs.
- EPL and FLC clubs on the other hand are more inclined to be prioritising monetising data sets and media rights where there is greater demand and opportunity to do so. It is fair to say that without further capture and analysis of data and content, clubs could miss out on profiting from this valuable IP. This could open the door for other 'big-data' companies to profit at their expense.
- 13% of all respondents now have further development of women's football as one of their top 4 priorities. In light of the number of demands on a football club's resources this is encouraging in many ways. In future years, we will be interested to see how this develops as a priority. We intend to keep this high on the agenda and provide meaningful data for stakeholders to consider.
- Sponsorship revenues is the most common priority cited within 'other'.

Most common priorities for clubs across all leagues

51%
Improving fan engagements and experience

47%
Growing the club's domestic fan base



13% OF CLUBS ACROSS ALL LEAGUES LIST FURTHER DEVELOPMENT OF WOMEN'S FOOTBALL AS ONE OF THEIR TOP 4 PRIORITIES

ANALYSIS OF KEY FINDINGS

01: FINANCING THE CLUB

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Promotion						
1st	34	14	35	40	50	33
2nd	4	0	0	14	10	0
3rd	2	0	6	0	0	0
4th	6	6	8	10	0	0
Avoiding relegation						
1st	21	29	30	7	10	33
2nd	10	11	13	0	20	0
3rd	2	0	0	11	0	0
4th	3	0	0	10	10	0
Qualifying for European cup competitions						
1st	5	21	0	0	0	0
2nd	7	17	4	0	0	33
3rd	5	12	6	0	0	0
4th	6	6	8	10	0	0
Obtaining additional principle shareholder investment						
1st	6	0	5	13	10	0
2nd	7	0	9	14	10	0
3rd	7	12	0	0	10	33
4th	8	6	12	0	10	0
Creation of an international football group						
1st	0	0	0	0	0	0
2nd	1	6	0	0	0	0
3rd	9	12	13	11	0	0
4th	5	6	8	0	0	0
Growing the clubs domestic fan base						
1st	8	0	15	7	10	0
2nd	18	11	17	21	30	0
3rd	15	12	13	22	20	0
4th	6	13	8	0	0	0
Growing the clubs international fan base						
1st	2	7	0	0	0	0
2nd	10	22	9	7	0	0
3rd	9	12	13	0	10	0
4th	5	6	8	0	0	0

ANALYSIS OF KEY FINDINGS

01: FINANCING THE CLUB

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Diversification into other leisure activities (hotels, restaurants & bars, travel & tourism, retail)						
1st	0	0	0	0	0	0
2nd	4	0	4	14	0	0
3rd	0	0	0	0	0	0
4th	13	13	16	0	20	0
Monetising data sets and exploiting media rights (streaming of club generated content for example)						
1st	2	7	0	0	0	0
2nd	6	6	9	7	0	0
3rd	11	18	19	0	0	0
4th	9	13	12	0	10	0
Further investment into women's football						
1st	0	0	0	0	0	0
2nd	3	0	9	0	0	0
3rd	4	0	0	11	10	0
4th	6	6	8	10	0	0
Development of academy facilities						
1st	5	0	0	20	0	0
2nd	9	0	13	7	10	33
3rd	22	18	6	33	40	33
4th	6	6	4	0	10	33
Improving fan engagement and experience (communicating with fans, SMS, emails and other digital content)						
1st	5	0	10	7	0	0
2nd	15	17	13	7	20	33
3rd	11	6	19	11	10	0
4th	20	13	0	50	40	67
Other real estate development / investment / stadium expansion						
1st	13	21	5	7	20	33
2nd	4	11	0	7	0	0
3rd	4	0	6	0	0	33
4th	6	6	8	10	0	0

FOOTBALL CLUBS REMAIN UNCERTAIN TERRITORY FOR BANKS, NOT LEAST BECAUSE OF THE PROSPECT OF RELEGATION INCREASING THE RISK OF DEFAULT

EXECUTIVE SUMMARY

02: DEBT & INVESTMENT TRENDS

SIMON HALL
Assistant Director, BDO Corporate Finance

- Investors are increasingly looking for non-football returns , including investing in residential and commercial real estate development.
- 'In response to increasing player transfer fees (see section 8), 58% of clubs are planning academy expansion in the next 12/18 months; this being the most common response across all divisions. Academy development not only bolsters squads, at a time when fixture lists are busier than ever, it has now become a key profit centre for clubs as youth players graduate and are subsequently sold.
- It is worth noting that academy costs do not feature in Financial Fair Play tests, and therefore ambitious clubs with the resources to invest, but with limited FFP headroom, do not need to be concerned about academy costs contributing to non-compliance and sanctions.
- 45% of the clubs surveyed believe there is insufficient financial liquidity in the debt market, with clubs citing financial position and security impacting on availability and credibility of lenders.
- In recent years we've seen an increasing reluctance on the part of high street banks to lend to football clubs, sensitive to the impracticalities of using stadia as security and the perceived higher reputational risk compared with more typical businesses. This has caused a number of banks some discomfort in the past.
- Football clubs remain uncertain territory for banks, not least because of the prospect of relegation increasing the risk of default. However, the financial landscape continues to strengthen in the football sector and improved governance and FFP compliance provides a foundation on which contracted, secure income streams (central league revenues and player receivables) should be safer to lend against. However, it remains to be seen whether this will increase the appetite of banks.
- Secondary funding (leverage of receivables and future income streams from sources other than club's principal bankers) used for relatively short term working capital and player trading requirements is relatively low across the Football League. It is more common in the EPL, where there is a pool of approved lenders who can price short term debt competitively due to the high security of these future income streams.

ANALYSIS OF KEY FINDINGS

02: DEBT & INVESTMENT TRENDS

6a. Are you considering any of the following areas of investment/commercial expansion in the next 12/18 months?

COUNT	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Stadium expansion	17	7	4	2	3	1
Academy development/ expansion	29	8	6	5	8	2
Residential real estate investment/development	8	2	4	1	1	0
Commercial real estate development	11	2	4	4	1	0
Hotel/restaurant/other commercial development	9	1	2	4	2	0
None of the above	8	3	2	3	0	0

Base: 50

58%

of clubs are planning academy expansion in the next 12/18 months

ANALYSIS OF KEY FINDINGS

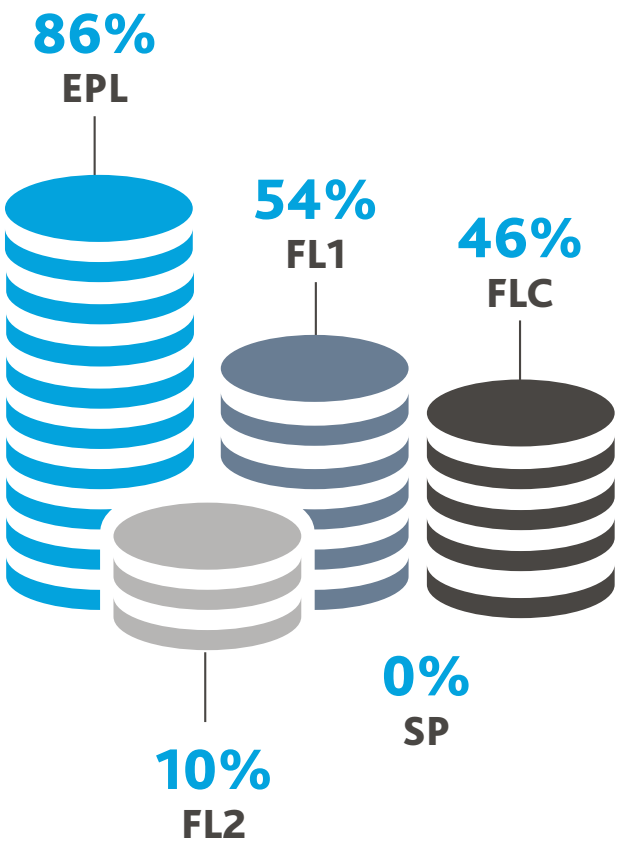
02: DEBT & INVESTMENT TRENDS

6b. What is the projected level of your non-player (stadium and infrastructure) capital spend during the next two years?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Less than £2.5m	43	0	38	45	90	100
£2.5m-£10m	27	43	31	27	10	0
£10m-£25m	14	29	15	9	0	0
£25m-£50m	8	14	0	18	0	0
£50m-£100m	4	7	8	0	0	0
Other	4	7	8	0	0	0

Base: 51

Which leagues have a projected level of non-player capital spend during the next two years of £2.5m - £50m?



- On the back of broadcasting and commercial revenues/growth respondents from the EPL continue to invest heavily, in line with trends seen in 2016.

ANALYSIS OF FINDINGS

02: DEBT & INVESTMENT TRENDS

6c. How will future investment be funded?

COUNT	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Cash	24	9	4	6	4	1
Shareholder investment (debt or equity)	24	5	7	5	5	2
Third party debt	15	4	4	5	2	0

Base: 42

Note: Respondent could pick more than one option above

7. Are you currently seeking third party debt finance?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	16	29	8	20	10	0
No	84	71	92	80	90	100

Base: 50

How will future investment be funded?

57%
cash

57%
shareholder investment

36%
Third party debt

ANALYSIS OF KEY FINDINGS

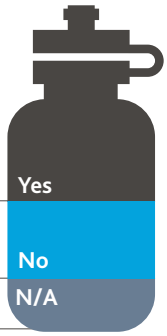
02: DEBT & INVESTMENT TRENDS

8a. Do you feel there is sufficient debt liquidity in the market, such that your Club could obtain third party debt finance if it was needed?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	55	69	62	60	30	33
No	33	8	31	40	50	67
N/A	12	23	8	0	20	0

Base: 49

Is there sufficient debt liquidity in the market?



- In spite of planned expansion activity, few clubs are telling us that they are seeking external debt finance (16%). This is in part a reflection of the improved profitability of EPL clubs, partly due to the continued support of shareholders (FLC and FL1 clubs in the absence of cost effective credible lenders) and to some extent (FL2) due to insufficient debt liquidity in the market.

8b. If 'no' to the above, what do you feel are the main obstacles to obtaining debt? (Select 1st, 2nd and 3rd)

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Availability of lenders						
1st	50	0	29	50	75	100
2nd	23	100	40	0	0	0
3rd	0	0	0	0	0	0
Credibility of lenders						
1st	0	0	0	0	0	0
2nd	23	0	40	100	0	0
3rd	57	0	0	0	100	100
Cost of debt being too high						
1st	11	0	14	25	0	0
2nd	15	0	20	0	25	0
3rd	14	0	50	0	0	0
Financial condition of the club						
1st	22	0	29	25	25	0
2nd	15	0	0	0	50	0
3rd	29	0	50	100	0	0
Available security in the club to lend against						
1st	17	100	29	0	0	0
2nd	23	0	0	0	25	100
3rd	0	0	0	0	0	0

Base: 49

KEY ISSUES AFFECTING DEBT LIQUIDITY IN THE MARKET? **AVAILABILITY** AND **CREDIBILITY OF LENDERS**

ANALYSIS OF FINDINGS

02: DEBT & INVESTMENT TRENDS

9a. Has your Club used funding from a secondary source (i.e. not main bankers) secured against any of the following in the last year?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Advance on Media/ Central distributions	6	21	0	0	0	0
Advance season tickets- one year	2	0	0	9	0	0
Advance season tickets- two or more years	0	0	0	0	0	0
Player transfer fee receivables	12	14	15	9	10	0
Other receivables	6	0	8	9	10	0

Base: 51 for each, except for Advance season - two or more 50

9b. If yes, was the purpose of the loan to:

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Build or expand the stadium	9	20	0	0	0	0
Build or expand the academy	0	0	0	0	0	0
Cash flow for the club	45	40	50	33	100	0
Player trading	27	40	50	0	0	0
Other commercial expansion	0	0	0	0	0	0
If so, please give details...	18	0	0	67	0	0

Base: 11

- Use of transfer fees receivable as security is higher across all divisions this year (only 2% in 2016). This is considered relatively low risk given the preferred creditor status of football clubs and the low risk of default.
- Across the EPL and FLC, as one might expect, leverage of transfer fees is most often used to fund working capital, or to facilitate investment in other players.

SPONSORS ARE INCREASINGLY REQUIRING DATA, CONTENT AND ACCESS TO CONSUMERS THAT CLUBS NEED TO DELIVER ON

EXECUTIVE SUMMARY

03: CLUB REVENUE AND PROFITABILITY

HARRIET RICHARDS
Manager, BDO Business Assurance

- Before taking player trading into account, there is a substantial gap in profitability between the EPL, where almost all clubs are profitable, and the Football League, where less than a quarter are profitable.
- However, this gap narrows significantly after player trading where EPL clubs continue to invest heavily (and are seeing more player cost inflation than expected) whilst Football League clubs are finding increased value in developing players to trade out (selling players is often used to avoid breaching FFP rules and receiving sanctions).
- This is most pronounced in the FLC (where clubs are more likely to sell players into the EPL) and increasingly a priority for FL1 and FL2 clubs who, in light of a decline in commercial revenues, are likely to see this as an important income stream. In this regard, FLC clubs are more positive about the enhanced EPL media rights than they were prior to the 2016/17 season.
- Wage to turnover ratios represent a good barometer for financial control for football clubs and with the exception of the FLC ratios do not indicate sustainability issues. The FLC is still the division of high stakes wage levels (in pursuit of promotion) with 8 out of 10 clubs operating at over 75%. However, encouragingly, targets have been reined in somewhat from 2016. One-third of FLC clubs now have a benchmark ratio of over 75%, compared to half this time last year. However, we don't expect the risk/rewards balance to move in the FLC and therefore would be (pleasantly) surprised if these benchmarks were met.
- There is a particularly wide spread of total revenues across the FLC that is certainly a contributing factor to the high wage to turnover ratio for 'smaller' clubs in what is a highly competitive division.
- That said, parachute payments are not universally considered to be a good form of distribution of wealth with over half of Football League respondents believing these to be anticompetitive. Recently relegated FLC clubs' revenues can be double that of a FLC club without parachute payments. However, this needs to be considered against the higher wage costs that the relegated clubs may have (despite relegation clauses). There are conflicting pressures as the EPL would not want to discourage investment by promoted clubs (and those 'normally' fighting relegation) and jeopardise the competitive nature of the EPL.
- Sponsorship revenue is very important to the sector and on balance clubs have a relatively positive view on maintaining or growing sponsorship income. In particular global branding and global broadcasting channels remain a huge appeal for sponsorship partners of EPL clubs. Sponsors are increasingly requiring data, content and access to consumers that clubs need to deliver on. We believe that clubs need to invest more in this area in order to avoid downward pressure on this income stream.
- Our survey results are in line with our expectations and results from 2016, in that revenues from sponsorships and commercial contracts are predominantly increasing across all divisions in English and Scottish football. As the most watched sport in the world, all teams are benefiting from the growth in global sponsorship, fuelled by increased sophistication in consumer engagement.
- Unsurprisingly, there is virtually no positivity in response to Brexit (though some are less concerned than they were before the event) with concerns principally relating to freedom of movement of players and sponsorship revenues.
- Just under half of all respondents will be investing less than £2.5 million on non-player capital spend over the next two years. This includes no EPL respondents but rises to 90% of FL2 respondents.
- While these results are similar to 2016, one major change is that 54% of FL1 respondents will be spending between £2.5m and £50m compared to just 9% last year. With increasing player transfer fees and delivery challenges, the emphasis of capital investment by clubs has increasingly been towards enhancing existing stadiums, as well as on improving first team training and academy facilities. Clubs (most likely those with wealthy owners), are beginning to take a long term view and invest more in infrastructure in order to become more competitive in the long run.

ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

10. Do you expect to make a profit **before** player trading and amortisation in your next accounting period?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	43	93	23	18	30	33
2016	**40**	**88**	**15**	**36**	**36**	**40**
No	53	7	62	82	70	67
Don't know	4	0	15	0	0	0

Base: 51

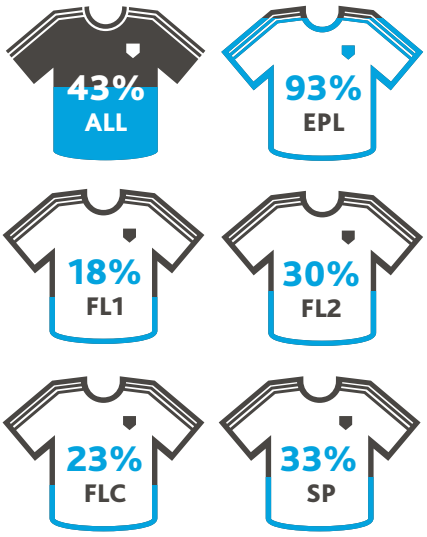
11. Do you expect to make a profit **after** player trading and amortisation in your next accounting period?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	41	57	38	27	30	67
2016	**40**	**88**	**8**	**45**	**45**	**60**
No	49	36	31	73	70	33
Don't know	10	7	31	0	0	0

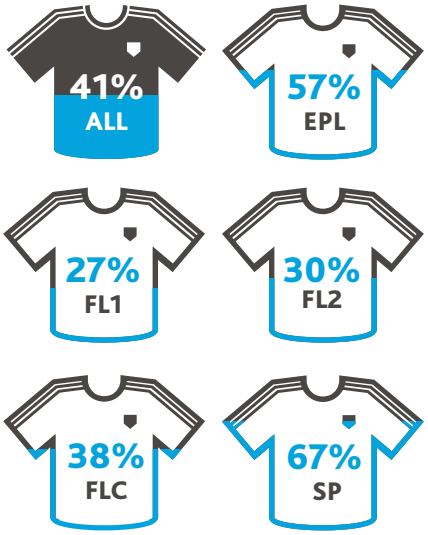
Base: 51

- Profitability in the EPL is now at a reassuring 93% (2016: 88%) before player trading and amortisation. However, compared to 2016 this is much less likely (only 57% of cases) to translate into profits after player trading and amortisation (2016: 88%). This is indicative of the pressure that EPL clubs are under to invest in players in order to challenge for domestic and European competitions or avoid relegation.
- FLC, FL1 and SP clubs are finding some financial relief in player trading with higher profitability after player trading and amortisation than before it. Only 23% of FLC clubs (2016: 15%) expect to make a profit before player trading and amortisation, but at least 38% expect to make a profit after player trading - compared to just 8% last year. With higher transfer fees impacting profitability, one might have expected more than just 23% of FLC clubs stating development of their academy as being a top 4 priority (question 5).
- Profitability (under both measures) is falling in FL1 and FL2, which is contrary to the more encouraging data compiled in 2016. In particular, FL1 clubs expecting to make a profit after player trading and amortisation has fallen from 45% to 27% and for FL2 the same has fallen from 45% to 30%. This raises the question of whether these clubs are finding it harder to sell players up into higher leagues as improved wealth is being diverted more into the international player markets. However, data in the FFP section of this report remains encouraging.

profit **before**
player trading and amortisation?



profit **after**
player trading and amortisation?



ANALYSIS OF KEY FINDINGS

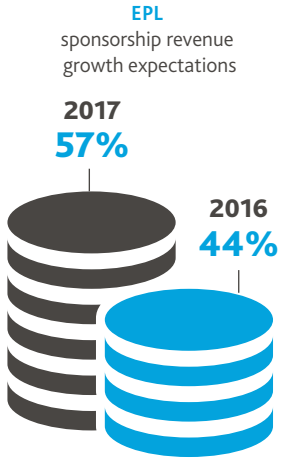
03: CLUB REVENUE AND PROFITABILITY

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Season ticket sales						
Improved >5%	10	7	23	0	10	0
Improved <5%	14	7	15	18	20	0
No Impact	57	86	31	45	60	67
Reduced <5%	10	0	15	18	10	0
Reduced >5%	10	0	15	18	0	33
Match tickets						
Improved >5%	12	0	23	0	20	33
Improved <5%	12	7	15	9	20	0
No Impact	61	93	38	64	50	33
Reduced <5%	10	0	15	18	0	33
Reduced >5%	6	0	8	9	10	0
Merchandising						
Improved >5%	14	7	23	9	20	0
Improved <5%	20	29	15	9	20	33
No Impact	47	64	31	55	50	0
Reduced <5%	12	0	15	18	10	33
Reduced >5%	8	0	15	9	0	33
Match day catering						
Improved >5%	8	0	23	0	10	0
Improved <5%	10	7	8	9	20	0
No Impact	63	86	54	73	40	33
Reduced <5%	18	7	15	18	20	67
Reduced >5%	2	0	0	0	10	0
Corporate entertaining packages						
Improved >5%	12	0	23	0	30	0
Improved <5%	18	29	15	9	20	0
No Impact	43	64	31	36	30	67
Reduced <5%	25	7	31	55	10	33
Reduced >5%	2	0	0	0	10	0
Sponsorships						
Improved >5%	25	36	31	18	20	0
Improved <5%	14	21	15	0	10	33
No Impact	39	43	31	36	50	33
Reduced <5%	20	0	23	45	10	33
Reduced >5%	2	0	0	0	10	0

Base: 51

12. What has been the impact of economic conditions on the following revenue streams in the current (2016/17) financial year?

- 2016/17 has been harder than expected on FLC and FL1 clubs with more clubs than forecast in 2016 seeing a decline in all areas of commercial income other than match day catering and, for FLC clubs, sponsorship revenue.
- FL2 has seen some marginal growth in ticket sales and corporate entertaining: broadly in line with 2016 expectations.
- For the EPL, ticket and catering revenues have been relatively benign while merchandising has increased marginally above 2016 actuals and expectations. Increases in corporate entertaining have been in line with 2016 expectations. However, the significant increases in sponsorship revenues in the EPL have been the stand-out movement in the current year with 57% experiencing sponsorship revenue growth against 44% having such expectations this time last year.



ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Season ticket sales						
Improved >5%	10	0	23	0	20	0
Improved <5%	16	14	8	27	20	0
No Impact	59	64	54	64	50	67
Reduced <5%	6	8	8	0	0	33
Reduced >5%	10	14	8	9	10	0
Match tickets						
Improved >5%	10	7	23	0	10	0
Improved <5%	10	14	0	9	20	0
No Impact	65	57	54	82	70	67
Reduced <5%	8	7	15	9	0	0
Reduced >5%	8	14	8	0	0	33
Merchandising						
Improved >5%	12	0	23	0	20	33
Improved <5%	22	29	8	27	30	0
No Impact	57	57	54	64	50	67
Reduced <5%	10	14	15	9	0	0
Reduced >5%	0	0	0	0	0	0
Match day catering						
Improved >5%	10	0	23	0	20	0
Improved <5%	18	14	8	27	30	0
No Impact	61	71	54	64	40	100
Reduced <5%	12	14	15	9	10	0
Reduced >5%	0	0	0	0	0	0
Corporate entertaining packages						
Improved >5%	13	0	25	0	33	0
Improved <5%	15	15	8	18	22	0
No Impact	46	54	50	36	33	67
Reduced <5%	17	8	17	36	0	33
Reduced >5%	10	23	0	9	11	0
Sponsorship						
Improved >5%	16	14	33	0	20	0
Improved <5%	16	36	0	18	10	0
No Impact	50	36	50	45	70	67
Reduced <5%	12	7	17	27	0	0
Reduced >5%	6	7	0	9	0	33

Base: 51 for each, except for corporate entertaining 48 and sponsorship 50

13. What effects do you expect the state of the economy to have on your 2017/18 revenue streams compared with the season just ended?

- There is a strong sense of positivity within FL2 with between 30-55% of clubs expecting an increase in each of the revenue streams opposite and with 89% expecting no fall in any of these streams.
- Across all revenue streams, FL1 is expected to be relatively benign. However, in light of only 27% of FL1 clubs making profits after player trading in 2016, the forecast further decline in sponsorship and corporate entertaining is a concern.
- On balance, FLC clubs are expecting improvement in revenues with the most pronounced increases expected in corporate entertaining, sponsorship (33% of clubs in both cases), season ticket revenues, merchandising and match day catering (31% of clubs in each case).
- The headlines for the EPL is increased sponsorship (continuing the trend for 2016) but a reduction in corporate entertaining (reversing the increases seen in 2016).
- Despite high demand for attendances at EPL games, 85% of EPL respondents expect to have no change or reduced season ticket sales income next season: a welcomed price freeze for fans in most cases.

ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

14. What level of impact do you anticipate the British exit from the EU (Brexit) to have on the UK football sector?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Highly negative impact	6	17	8	0	0	0
Moderately negative impact	33	50	23	27	30	33
No net impact	59	33	69	64	70	67
Moderately positive impact	2	0	0	9	0	0
Highly positive impact	2	13	0	0	0	0

Base: 49

- In 2016 half of respondents expected a negative impact of Brexit, albeit 4 in every 5 of these expected the negative impact to be moderate. In this sense, the outlook is marginally more positive. However, the EPL has a more negative outlook than last year.
- It is the potential impact on player availability and cost (due to the uncertainty over free mobility of EU nationals) and sponsorship revenue that has EPL clubs most concerned.

59%

OF CLUBS ACROSS ALL LEAGUES ARE EXPECTING **NO NET IMPACT OF BREXIT** ON THE FOOTBALL SECTOR

ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

15. Are your revenues from key commercial contracts including sponsorships increasing, unchanged or falling?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Increasing	61	86	54	64	40	33
Largely unchanged	31	14	38	27	50	33
Falling	8	0	8	9	10	33

Base 51

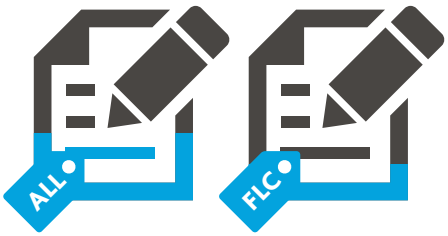
- The increase in the value of commercial deals reflects higher levels of activation, delivery and engagement (including capture and provision of data).

16. Do you think suitable sponsors are:

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Becoming easier to find	14	14	23	9	10	0
Becoming harder to find	31	21	23	36	40	67
No real change	55	64	54	55	50	33

Base 49

- We have found that 31% of clubs continue to find suitable sponsors, especially in FL1, FL2 and the SP. This suggests that sponsors are demanding broader (and global) engagement and activation in return for the increased fees paid.



31%
of all respondents think suitable sponsors are becoming harder to find, compounding to 35% in 2016

23%
of FLC find sponsors easy to find, up from 15% in 2016

61%

REVENUES FROM KEY COMMERCIAL CONTRACTS, SUCH AS SPONSORSHIP ARE **INCREASING**

ONLY 14% OF OUR RESPONDENTS ACROSS ALL DIVISIONS BELIEVE THAT THE ENHANCED EPL BROADCASTING REVENUES HAVE HAD A NEGATIVE IMPACT ON THEIR CLUB

ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

17. What impact has the enhanced (2016/17 to 2018/19) EPL television rights had on your Club?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Overall positive, the increased revenues will filter through the leagues improving profitability	50	57	54	36	50	0
2016 expectations	53	78	23	64	55	60
Neutral, any additional revenues will be matched by additional player costs	35	36	31	36	40	0
2016 expectations	22	11	38	18	18	20
Overall negative, player wage inflation will exceed revenue increases	6	7	0	18	0	0
2016 expectations	0	0	0	0	0	0
Overall negative, the increasing gap between the EPL and the Football Leagues will be financially detrimental	8	0	15	9	10	0
2016 expectations	22	11	31	18	27	20

Base: 48

- Compared to 2016, three times as many EPL clubs (now 36%) are finding the increased media rights to be financially neutral, with additional revenues being matched by additional player costs.
- In questions 10 and 11, we noted that the FLC has found some financial relief in player trading. This observation is consistent with the change in perceptions of FLC respondents where the number expecting a positive impact has doubled to over half. 31% now expect a neutral impact with additional revenues matched by additional costs and only 15% now expect an overall negative impact arising out of the increasing gap between the EPL and FLC.
- Conversely, this is not the experience of FL1 clubs, where two-thirds of respondents are not seeing this additional wealth filter through to their clubs.

18. In light of the new parachute payment system, do you agree with these payments for clubs relegated from the EPL?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes, I agree with the amounts and periods of payments	53	77	54	30	38	100
No, the payments are too high and anticompetitive for other clubs	40	15	38	70	50	0
No, the amounts are too low and create too much financial risk for relegated clubs	0	0	0	0	0	0
No, the period of receipts should be shortened	4	8	0	0	13	0
No, the period of receipts should be extended	2	0	8	0	0	0

Base: 45

- Whilst more than half of clubs responding are in favour of the current system, this support is not as strong as it was prior to the recent changes. 38% of FLC clubs and 70% of FL1 clubs still believe these to be too high and anticompetitive (2016: 38% and 73% respectively). 50% of FL2 clubs now hold this view compared to 20% in 2016.
- One can draw a not-unreasonable conclusion that FL1 clubs see parachute payments perpetuating inequality between FLC and FL1.
- Interestingly, even in light of enhanced EPL media rights, no recipients held the view that parachute payments are too low and create too much financial risk for relegated clubs. Clubs are wise to this risk and manage this with appropriate measures such as relegation clauses in player contracts.

ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

19a. Do you use the wages to turnover ratio as a key performance indicator (KPI) of the club's financial health?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	59	57	46	73	50	100
No	41	43	54	27	50	0

Base: 51

- Following a decline in 2016, we are now seeing a move back to 2015 levels where three-fifths of clubs are using wages to turnover as a KPI.
- FL1 has a wage to turnover cap (Salary Cost Management Protocol) of 60% so the high level of use of this metric is entirely expected. The level is lower in FL2 but owner contributions to the club are treated as revenue so that any "overspend" can be more easily rectified.
- EPL clubs have absolute limits imposed on player wages under Short Term Cost Control (STCC) rules, albeit these can be flexed with increased commercial income, so this drives their wages KPI.
- The FLC has no wage restrictions outside of their overall permitted loss limits.

19b. If yes, in which range is your benchmark?

NUMBER OF CLUBS	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
< 50%	23	33	0	25	40	0
51% - 55%	10	22	0	0	0	33
56% - 60%	26	11	33	38	40	0
61% - 65%	6	0	17	0	20	0
66% - 75%	23	33	17	13	0	67
>75%	13	0	33	25	0	0

Base: 31

- There has been no discernable movement in results for EPL clubs compared to 2016. Given the nature of EPL STCC (expected to prevent increased media rights from flowing directly into significant wage growth) this is a little surprising as we might have expected a fall in wage to salary targets. However, a relaxation of restrictions for 2016-19 in light of the current media rights deal (allowing an increase of £7m p.a. rather than the previous £4m and increases allowed in line with commercial and player trading income) have facilitated this.
- The FLC is still the division of high stakes wage levels (in pursuit of promotion). However, encouragingly, targets have been reined in somewhat from 2016 where half of clubs had a target over 75%.

ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

20. What wages to turnover ratio do you currently operate in?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
< 50%	27	55	0	10	67	0
51% - 55%	7	9	0	10	0	33
56% - 60%	15	9	9	30	17	0
61% - 65%	10	18	9	10	0	0
66% - 75%	5	0	0	0	17	33
>75%	37	9	82	40	0	33

Base: 41

- For the EPL, comparing benchmark to actual wage to turnover ratios, one can see that on balance clubs might be expected to further increase wages, taking advantage of STCC allowable increases (as above).
- Consistent with 2016, 8 out of 10 FLC clubs spend over 75% of their revenues on wages, significantly outside of their stated target ratios. Competition for promotion is clearly driving continued investment in players.
- In 2016, 63% of FL1 respondents were operating with wage to turnover ratios below 50% and no clubs were operating above 75%. 2017 responses show a leaning towards higher spending (4 in 10 now operating above 75%). The question we need to ask here is whether FL1 owners see promotion to the FLC (and that one step closer to the riches of the EPL) as being worth the risk of augmented financial investment.

21. What impact do you expect growth in international leagues such as in the US and China to have on the domestic football market?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Overall positive, driven by an increased international fan base for UK clubs (and related media rights)	39	50	54	9	40	33
Overall negative, driven by a reduced international fan base for UK clubs (and related media rights)	8	7	0	18	10	0
Overall positive, driven by an increase in international supply of players	6	7	8	0	0	33
Overall negative, driven by player transfer fee and wage inflation	31	7	38	45	40	33
Other (e.g. multiple answers)	16	29	0	27	10	0

Base: 51

- There is no real majority position here. While most clubs are positive about the benefits of growing an international fan base, a clubs overall position on this depends on whether, on balance, they expect increased demand for players to push transfer prices and wages up or increased supply to push transfer prices and wages down.
- Taking this into account, views then depend on whether clubs expect to be net buyers or net sellers.

ANALYSIS OF KEY FINDINGS

03: CLUB REVENUE AND PROFITABILITY

22. What are your two biggest concerns for your club over the next 12 months?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Relegation	1st	1st	1st	=1st	1st	0
Potential fall in TV income	0	0	0	4th	0	=1st
Ability to attract/retain sponsorship	3rd	0	3rd	3rd	3rd	3rd
Increasing players' salaries	2nd	2nd	=2nd	0	2nd	=1st
Increasing player transfer fees (general player cost inflation)	0	3rd	=2nd	0	0	=2nd
Ability to raise new capital	4th	4th	=4th	=1st	4th	4th
Season ticket pricing	0	0	0	0	0	=2nd
Falling attendances due to current economic environment	0	0	0	2nd	0	3rd
Compliance with financial fair play regulations	0	0	0	0	0	0
Tax issues	0	0	=4th	0	0	0

Base: 51

- It will come as no surprise that the top two concerns in 2017, as in 2016, continue to be loss of income due to relegation and increasing player salaries.
- Interestingly, the ability to attract / retain sponsorship is the third biggest concern across all the divisions except for the EPL, compared to only FL2 citing this as a key concern in 2016.
- Due to the ongoing media surrounding player transfer fees, we decided to include an option of "increasing player transfer fees" this year, which appears to be a key concern for the EPL, FLC and SP.
- FL1 respondents are concerned about their ability to raise new capital. However, with increasing levels of investor interest (question 4a), there may be a solution here.

55% OF CLUBS BELIEVE THEIR TAX POSITION IS ROBUST AND VERY DEFENDABLE

EXECUTIVE SUMMARY

04: TAXATION

SHAWN HEALY
Principal, BDO Human Capital

- With the UK Football salary bill exceeding £2bn it is perhaps no surprise that HM Revenue & Customs ("HMRC") is focussing on tax compliance in the sector. Coupled with the high profile investigations into Newcastle United and West Ham United, it is perhaps no surprise that Clubs feel they are under the spotlight. However, whilst the national interest in Football ensures any tax related football story garners significant press interest, in truth, this reflects a wider change in approach being taken by HMRC in tax compliance generally.
- Organisations in all sectors are experiencing an increase in compliance activity (including new Corporate Criminal Offence legislation from September 2017 that can attribute criminal liability to corporates when its employees, contractors and other 'associated persons' are seen to be facilitating tax evasion) and a more robust approach being taken by HMRC. Our survey responses show overall that, year-on-year, Clubs are taking a more pro-active approach to tax compliance and building better relationships with HMRC, allowing for more open dialogue and reducing potential flashpoints.
- That said, this may be the lull before the storm as HMRC has over 40 players and 12 clubs under review and has also announced it will review all EPL and FLC clubs over the next 3 years.
- In future surveys we may therefore see tax issues become more front of mind.

49% OF RESPONDENTS ARE CONFIDENT THAT THEY **CAN RECOVER 75% OR MORE** OF THEIR **APPRENTICESHIP LEVY PAYMENTS**

ANALYSIS OF KEY FINDINGS

04: TAXATION

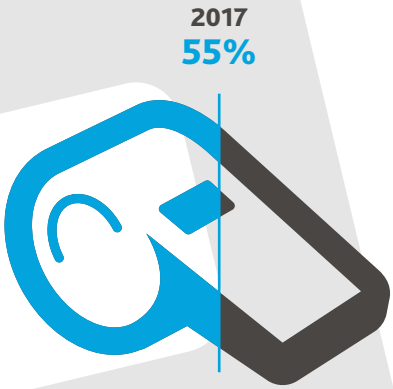
23. HMRC continues to target complex salary structures including certain aggressive image rights payments, employee benefit trusts, agent payments, and even other third party sponsorship income. This could lead to large potential tax and/or NIC liability for affected Clubs. Are you:

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Not concerned, the tax position on payments to our players is robust and very defendable	55	21	62	73	60	100
Somewhat uncertain given the pace of change of HMRC enquiries	22	29	31	9	20	0
Somewhat concerned that a sizeable challenge could create a problem	18	43	8	0	20	0
Very concerned that a sizeable challenge would create a problem	6	7	0	18	0	0

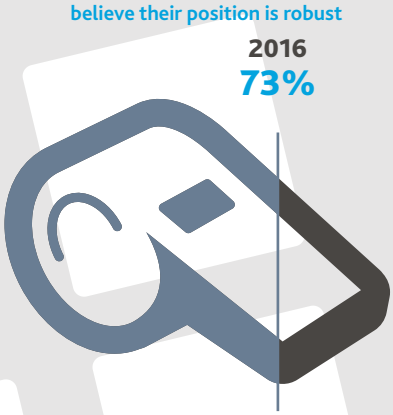
Base: 51

- In light of recent HMRC activity, confidence in clubs' tax affairs has fallen slightly (in 2016 73% believed their tax position was robust).
- Given the announcement that HMRC has "initiated a specific football compliance project" and will review all EPL, FLC and SP clubs over the next 3 years, and the anticipated top-down approach that might be applied by HMRC, the EPL have a relatively high level of concern.
- That said, despite HMRC's focus on the football ector, Football League and SP respondents are more confident that HMRC intervention will not generate an issue. This may be due to the lack of use of complex structures outside of the EPL.

Confidence in tax affairs has fallen:



believe their position is robust



ANALYSIS OF KEY FINDINGS

04: TAXATION

24a. UK Football Clubs will pay over in excess of £10 million in annual apprenticeship levy payments from April 2017 onwards. Is your Club confident it can maximise recovery of its levy payments?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	66	64	69	80	70	0
No	34	36	31	20	30	100

Base: 50

24b. How much of your levy payment do you think you can utilise on qualifying training?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
0% - 25%	20	43	8	11	0	100
25% - 50%	11	21	8	0	11	0
50% - 75%	20	7	25	33	22	0
75% - 100%	49	29	58	56	67	0

Base: 45

- Less than half of respondents are confident that they can recover 75% or more of the Levy payments they will make - and this drops to less than a third in the EPL which will have the largest Levy liability. Some Clubs will see this as simply an increase in operating costs (or tax bill!), but for Clubs in England the opportunity exists to explore wider training opportunities to maximise the use of the levy.
- The Government has also said it will consider allowing employers with excess Levy payments to utilise the funds for training with other organisations in their supply chain in the future. This may be something that the sector could consider lobbying for. Whilst the Levy is a UK wide liability, rules for recovery differ across the 4 nations in the UK.

ANALYSIS OF KEY FINDINGS

04: TAXATION

25. HMRC are continuing to target players with tax enquiries in relation to aggressive tax schemes, agents fees and image rights payments, is this

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Not an issue as the club has a conservative approach to player payment arrangements	55	21	46	82	80	67
A concern for clubs as it is distracting and concerning for players	14	21	0	9	20	33
Changing the way the club deals with player emoluments, agents and structure payments.	4	7	8	0	0	0
Both 2 and 3 above	6	21	0	0	0	0
Largely a player matter therefore the club does not get involved	22	29	46	9	0	0

Base: 51

- On the whole, our experience tells us that clubs are increasingly conservative in their approach to player payment arrangements. However, this is not necessarily reflected in the table opposite where, compared to 2016 responses, more respondents are concerned about the potential distraction for players and more respondents see this as a player matter.
- HMRC has stated publicly that it has over 40 players under investigation and it is our experience that an investigation can be a long process, and over time can become a major distraction to the individuals involved. It will be interesting to see whether the impact on those players subject to an investigation is reflected in their performance and whether Clubs feel the need to offer more support.

26a. Do you currently have a formal tax strategy?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	26	36	15	30	20	33
No	74	64	85	70	80	67

Base: 50

ANALYSIS OF KEY FINDINGS

04: TAXATION

26b. If yes, does your tax strategy cover the following areas, which represent the incoming legislation for large businesses?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
The club's approach to risk management and governance arrangements	86	100	100	67	50	100
The clubs attitude towards tax planning	100	100	100	100	100	100
The level of risk that the club is prepared to accept	100	100	100	100	100	100
The approach of the group toward its dealings with HMRC	93	100	100	100	50	100

Base: 14

- These results are broadly consistent with 2016. However, with the current level of interest from HMRC and the new CCO legislation, we anticipate this changing over coming months/years.

70% OF RESPONDENTS WOULD NOT EXPECT THEIR CLUB'S OWNERS TO INVEST MORE MONEY IN THE ABSENCE FFP

EXECUTIVE SUMMARY

05: FINANCIAL FAIR PLAY

JULIEN RYE
Partner, BDO Business Assurance

- Although 83% of clubs believe FFP rules in their division to be workable (down from 91% in 2016), still only two-thirds see them as appropriate and only 58% believe they are achieving their objectives. A common objection is that revenue-based spending allowances perpetuate the success of the larger clubs. However, this leads us to a debate on equality rather than financial sustainability; one for the purists rather than the accountants, although we suspect each of us will have our own view on this.
- One question with regard to sustainability is how can allowable losses over rolling 3-year periods of £105m and £39m in the EPL and FLC, respectively, be considered financially stable? This talks to whether the financial system in football should continue to allow for shareholders to act upon their ambition and desire for success. Our view is that so long as the funding of allowable losses does not risk ongoing solvency (i.e. equity rather than debt) and the competitive integrity of divisions are not unduly compromised (at the expense of the consumers interests). Market forces should prevail.
- The majority of clubs continue to proclaim that they would not invest more if FFP controls were relaxed. We think it is important that these controls remain in place to remove that temptation and prevent the dangerous and unsustainable levels of wage inflation lambasted prior to the advent of FFP.

MOST CLUBS APPEAR TO STILL BE RELUCTANT TO **RISK FINANCIAL INSTABILITY** BY OVER-SPENDING ON PLAYERS AND PLAYER WAGES

ANALYSIS OF KEY FINDINGS

05: FINANCIAL FAIR PLAY

27. Do you believe FFP rules to be broadly workable as they currently stand?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	83	86	69	75	100	100
No	17	14	31	25	0	0

Base: 47

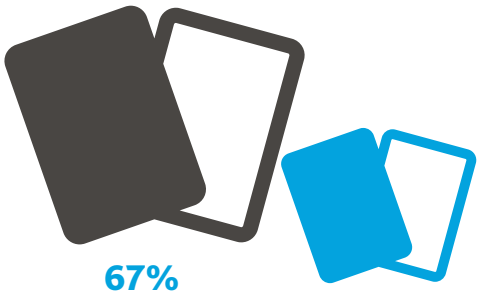
83% believe that FFP rules are broadly workable

17% do not agree

28. Do you believe the structure of the Financial Fair Play rules, applicable to your division, to be appropriate?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	67	57	62	63	90	100
Not yet, some refinement required	20	36	15	25	0	0
No, a lot needs to change	4	0	8	13	0	0
Other (please specify)	9	7	15	0	10	0

Base: 46



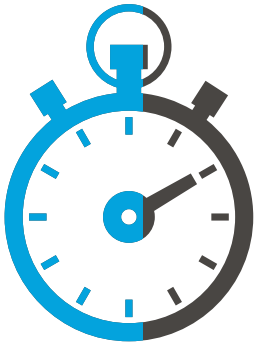
67% feel the structure of FFP rules are appropriate

33% feel the structure of FFP rules are not yet appropriate

29. Do you believe that the FFP regulations meet the principal objective of promoting sustainability?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	58	79	46	56	60	0
No, but this is moving in the right direction	29	14	23	33	40	100
No, there are better ways to ensure sustainability	10	7	23	11	0	0
Regulation is not necessary	2	0	8	0	0	0

Base: 48



58% The FFP regulations are meeting their principal objective of promoting sustainability

ANALYSIS OF KEY FINDINGS

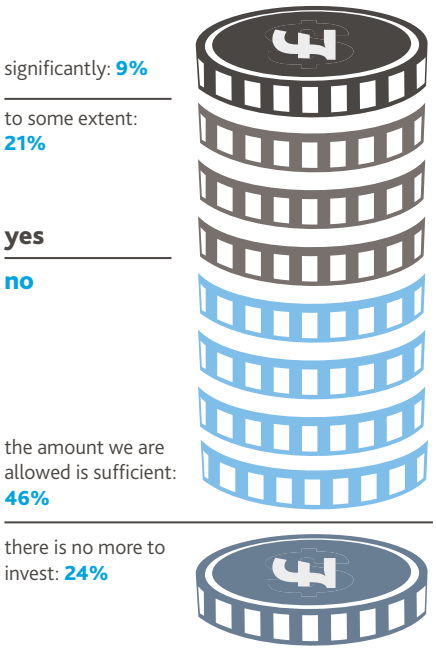
05: FINANCIAL FAIR PLAY

30. In the absence of FFP regulations, would you or your owner invest more money into trying to realise the club's ambitions?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes, to a significant degree	9	8	17	11	0	0
Yes, to some extent	21	31	33	0	20	0
No, the amount that we are allowed to invest is sufficient	46	54	33	56	30	100
No, there is no more to invest	24	8	17	33	50	0

Base: 46

- Broadly consistent with responses in 2016, 70% of respondents would not expect their club's owners to invest more money in the absence of FFP, including 62% of EPL clubs, 89% of FL1, 80% of FL2 and 100% of the SP. Clubs appear to still be reluctant to risk financial instability by over-spending on players and player wages.
- Of course, a higher proportion (50%) of FLC clubs would spend more given the financial incentive of promotion to the EPL. However, if so many clubs were to do this there would inevitably be more financial losers than winners.



31. Do you feel well represented by your league with regards to financial fair play/ sustainability rules?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	87	93	69	88	100	100
No	13	7	31	13	0	0

Base: 47

32. Do you feel that FFP sanctions are being appropriately enforced?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	44	43	38	44	63	0
No, they are enforced too strongly	9	7	15	11	0	0
No, they are not enforced strongly enough	47	50	46	44	38	100

Base: 45

- There has been a shift in confidence in the FLC this year that will be a function of ongoing losses, high wages and the adoption of a new profitability and sustainability system consistent with that of the EPL. In 2016, only 15% of FLC clubs did not feel well represented.
- One might expect this to be a response to the way the division has transitioned into the new structure (there has been immediate adoption of a system that considers three years of performance - the current season and the two previous seasons - which in this year pre-date adoption of the current system) and the level of uncertainty over how sanctions will be applied.
- With such widespread compliance within all divisions, it is not surprising that clubs want a tough stance on non-compliance.

93% OF EPL RESPONDENTS HAVE A HIGHER BUDGET FOR YOUTH DEVELOPMENT IN THE 2017/18 SEASON

EXECUTIVE SUMMARY

06: YOUTH DEVELOPMENT

NICOLAS JACOBSON
Manager, BDO Transaction Services

- Over two-thirds of respondents have a higher budget for youth development again next season, continuing the upward trend that we have seen over the past few years. This rises to 93% of EPL clubs.
- No respondents will be reducing their youth team budget next year.
- On the one hand, the Elite Player Performance Plan that removed "catchment area" restrictions on the signing off of players under 18 has increased competition for the best young talent and favours the clubs who invest in the highest rated academies.
- On the other hand, clubs are responding to inflation in the transfer market that has augmented player trading as a critical revenue and profit stream for clubs.
- Both of these factors, combined with FFP rules, make investment in youth development essential for ambitious clubs if they want to 'balance their books'.

GIVEN THE HIGH LEVEL OF ONGOING INVESTMENT INTO YOUTH DEVELOPMENT, CLUBS WILL NEED A RETURN IN THE FORM OF EITHER **LUCRATIVE PLAYER TRADING ACTIVITY** OR **HIGHER RATES OF CONVERSION TO THE FIRST TEAM** – OR BOTH.

ANALYSIS OF KEY FINDINGS

06: YOUTH DEVELOPMENT

33. For financial year 2017/18, how does your youth development budget compare to financial year 2016/17?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Significantly higher	20	43	8	9	20	0
Higher	58	50	67	64	50	67
The same	22	7	25	27	30	33
Slightly lower	0	0	0	0	0	0
Significantly lower	0	0	0	0	0	0

Base: 50

34. If there is a change in the youth development budget, is this being driven by?

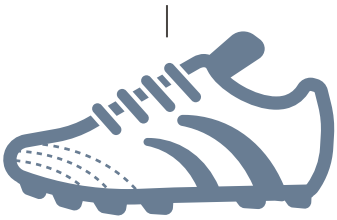
%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
FFP	2	0	0	11	0	0
EPPP	54	67	45	56	50	0
A need / desire to realise future gains on player sales	44	33	55	33	50	100

Base: 41

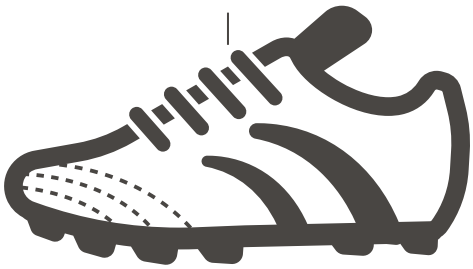
For financial year 2017/18, how does your youth developmental budget for compare to 2016/17?

All leagues

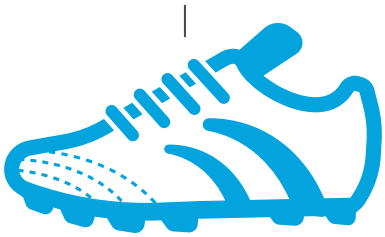
20%
Significantly higher



58%
Higher



22%
The same



CLUBS ARE ACCOMMODATING THEIR WAGE INFLATION BY REDUCING THE SIZE OF THEIR FIRST TEAM SQUAD

EXECUTIVE SUMMARY

07: PLAYER COSTS

JONATHAN HICKMAN
Partner, BDO Corporate Finance

- Liquidity across divisions and within division is complex with no obvious trends. However, the least volatility in liquidity is seen in the FLC, where the increased buying power of the EPL is having a positive impact on transfers out and the ability to replace first team players from lower leagues or overseas.
- Otherwise, mixed results suggest some very different experiences within divisions depending on the relative size and financial position of clubs (including the 'need' to sell players).
- As in 2016 and 2015, clubs are accommodating wage inflation by reducing the size of their first team squad - as noted by 41% of all respondents. This rises to 50% in FL2 and 70% in FL1.
- Despite this, 47% of clubs will be spending more on first team payroll next season, whilst only 22% will be spending less. This indicates that in response to wage inflation and cost control regulations, clubs are willing to cut squad sizes in order to attract the best players their money can buy.

47% OF CLUBS WILL BE **SPENDING MORE ON FIRST TEAM PAYROLL** IN THE 2017/18 SEASON

ANALYSIS OF KEY FINDINGS

07: PLAYER COSTS

35. Is liquidity in the transfer market...

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Improving	26	29	17	27	40	0
Unchanged	56	57	83	45	30	67
Worsening	18	14	0	27	30	33

Base: 50

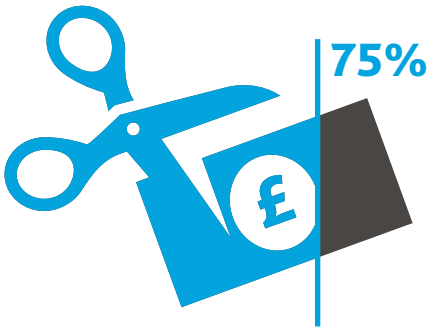
- 14% of the EPL say that liquidity is worsening (up from 0% in 2016), whilst 29% say it is improving (2016: 33%); a gap within the EPL over what certain clubs can afford and what other clubs and players expect.

36a. What percentage of players in your senior squad have clauses in their contracts stipulating that their wages will be cut if the Club is relegated?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
<25%	19	31	8	9	22	50
26-50%	4	8	8	0	0	0
51-75%	2	8	0	0	0	0
>75%	26	15	25	55	11	0
100%	49	38	58	36	67	50

Base: 45

In the event of relegation how many clubs have **more than 75% of their players in their senior squad** have clauses in their contracts stipulating that their wages will be cut?



36b. What are the range of percentage reductions?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
<20%	10	0	8	11	13	50
20-30%	48	56	17	67	63	50
30-40%	15	11	17	22	13	0
40-50%	28	33	58	0	13	0
>50%	0	0	0	0	0	0

Base: 40

- Three-quarters (75%) of respondents say that more than 75% of the players in their senior squad have clauses in their contracts stipulating that their wages will be cut if the club is relegated. This rises to 83% of FLC respondents and 91% of FL1 respondents.
- Within this population almost two-thirds of respondents would reduce their players salaries by between 20% and 40% in the event of relegation.
- 58% of respondents from the FLC and 33% of respondents from the EPL said they would reduce salaries by between 40% and 50% in the event of relegation which highlights the substantial loss of income expected in the event of relegation from these divisions.

ANALYSIS OF KEY FINDINGS

07: PLAYER COSTS

37a. In your budget for 2017/18 will your first team squad size be bigger, the same or smaller than the season just ended?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Bigger	22	21	31	20	10	50
Same	37	57	38	10	40	0
Smaller	41	21	31	70	50	50

Base: 49

41%
planning to reduce squad numbers this year

70%
FL1 clubs planning to reduce squad numbers this year

37b. In your budget for 2017/18 will you spend more, the same or less on the payroll cost of the first team squad than the season just ended?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
More	47	79	54	27	30	0
Same	31	7	23	55	50	33
Less	22	14	23	18	20	67

Base: 51

47%
clubs will be spending more

79%
of EPL clubs will be spending more

82% OF CLUBS FEEL THAT INFLATED PLAYER TRANSFER FEES AND SALARIES ARE HAVING A NEGATIVE IMPACT ON OUR INTERNATIONAL TEAMS

EXECUTIVE SUMMARY

08: PLAYER TRANSFERS

IAN CLAYDEN
Partner, Head of BDO Professional Services

- Premier league spending on acquiring new players reached over £1billion across the 2015/16 season, shattering previous records. Thirteen of the top flight teams broke their own transfer records.
- Increasing distributions from the EPL broadcasting rights to EPL clubs, with some expected to trickle down into lower divisions, suggests that gross player transfer spending in this summer's transfer window will once again reach record levels.
- However, only 33% of respondents say that they will increase their transfer budgets next season. This reduces to 29% of EPL clubs.
- The increasing broadcasting revenues coupled with some relaxation of cost control regulations over wages has enabled EPL clubs to increase their transfer spending whilst still remaining compliant with FFP regulations.
- Nonetheless, from our results below, 65% of respondents do not believe that the current levels of player transfer fees is sustainable for domestic football clubs, which rises to 71% for EPL respondents.
- Due to the influx of revenues into the domestic leagues over recent seasons, there is increased buying power for foreign players who are attracted to the domestic leagues by lucrative wage packages that cannot be matched by other European clubs. This in turn is likely to hinder home grown talent as opportunities to play for the top teams are squeezed.
- Some respondents even suggested that salaries for the younger professionals should be paid into a trust rather than go directly to the player.
- Agent fees is currently a hot and widely discussed topic with many respondents stating that agents' fees are hugely excessive.
- A number of respondents believe that greater regulation should be imposed on player transfer fees, players wages and agents fees.

AGENT FEES IS CURRENTLY A HOT AND WIDELY DISCUSSED TOPIC WITH MANY RESPONDENTS STATING **AGENTS' FEES ARE HUGELY EXCESSIVE.**

ANALYSIS OF KEY FINDINGS

08: PLAYER TRANSFERS

38a. Will you increase/reduce your transfer budget for 2017/18?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Increase	33	29	64	27	20	0
It will remain the same	20	21	27	36	0	0
Reduce	47	50	9	36	80	100

Base: 49

38b. If answered "Reduce" or "Remain the same" to what extent has this decision been driven by the Financial Fair Play rules?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Not at all	84	91	50	78	100	100
Yes to some extent	13	9	33	22	0	0
Yes to a considerable extent	3	0	17	0	0	0

Base: 38

- Only 33% of respondents say that they will increase their transfer budgets. This reduces to 29% of EPL clubs.
- Most notably, 64% of FLC respondents are expected to increase their transfer budgets which is higher than seen in previous years, reflecting the desire of the FLC clubs willingness to spend in the hope of achieving promotion to the EPL.
- Given the higher purchasing power at the top end of the FLC, there is a concern that the gulf within this division may widen, separating the top from the rest who are unable to compete against teams who have benefited from the EPL distributions and subsequent parachute payments.

ANALYSIS OF KEY FINDINGS

08: PLAYER TRANSFERS

39. Do you feel that the current levels of player transfer fees is sustainable for domestic football clubs?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	35	29	38	64	20	0
No	65	71	62	36	80	100

Base: 51

- Most surprisingly, 64% of FL1 respondents believe the current level of transfer fees is sustainable, suggesting that these clubs are seeing an opportunity to develop young talent and selling them on for big fees.

40. Do you feel that current levels of player transfer fees and salaries give domestic football clubs an advantage or disadvantage against other European leagues?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Advantage	41	57	23	50	40	0
Disadvantage	45	36	62	40	30	100
Other	14	7	15	10	30	0

Base: 49

- Due to the value of the broadcasting rights distributed throughout the EPL, it is expected that inflated transfer fees and salaries in the international market would give these clubs an advantage against other European clubs, as responded by 57% of EPL respondents.
- However, the overall picture is that there is inconsistency across the leagues and even within each division, as each club has had its own unique experiences when competing against European clubs for a players signature.

ANALYSIS OF KEY FINDINGS

08: PLAYER TRANSFERS

41. Do you feel that it has a positive or negative impact on domestic players and the home nations' international teams?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Positive	10	0	23	18	0	0
Negative	82	86	77	73	90	100
Other	8	14	0	9	10	0

Base: 50

- Over four-fifths (82%) feel that inflated player transfer fees and salaries are having a negative impact on domestic players and the home nations' international teams.

42. Do you feel the leagues would benefit from further restrictions over the number of overseas players allowed in squads?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	44	29	38	73	56	0
No	56	71	62	27	44	100

Base: 50

- Over half of respondents (56%) do not feel the leagues would benefit from further restrictions over the number of overseas players allowed in squads.
- This would have been higher but for 73% FL1 respondents who feel that the leagues would benefit from these restrictions.

A NUMBER OF RESPONDENTS BELIEVE THAT GREATER REGULATION SHOULD BE IMPOSED ON PLAYER TRANSFER FEES, PLAYERS WAGES AND AGENTS' FEES

EXECUTIVE SUMMARY

09: GOVERNANCE AND PROPRIETY

STUART LISLE
Partner, BDO Corporate Tax

- Over 90% of respondents regard their football club as a public interest business with heightened degrees of scrutiny, consistent with previous years.
- This in turn has led most clubs stating that they manage the club with heightened corporate governance in comparison to similar sized companies outside the football sector.
- Good corporate governance can help improve the clubs economic value by making the club more attractive to sponsors, along with improving relationships with many other stakeholders.

78% OF ALL CLUBS CLAIM THAT **THE LEVEL OF PUBLIC INTEREST** DRIVES THEM TO MANAGE THEIR CLUB WITH **HEIGHTENED CORPORATE GOVERNANCE.**

ANALYSIS OF KEY FINDINGS

09: GOVERNANCE AND PROPRIETY

43. Does your board include remunerated non-executive independent directors?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	16	14	15	18	10	33
No	84	86	85	82	90	67

Base: 51

44. Do you regard yourself as a public interest business with higher degrees of scrutiny?

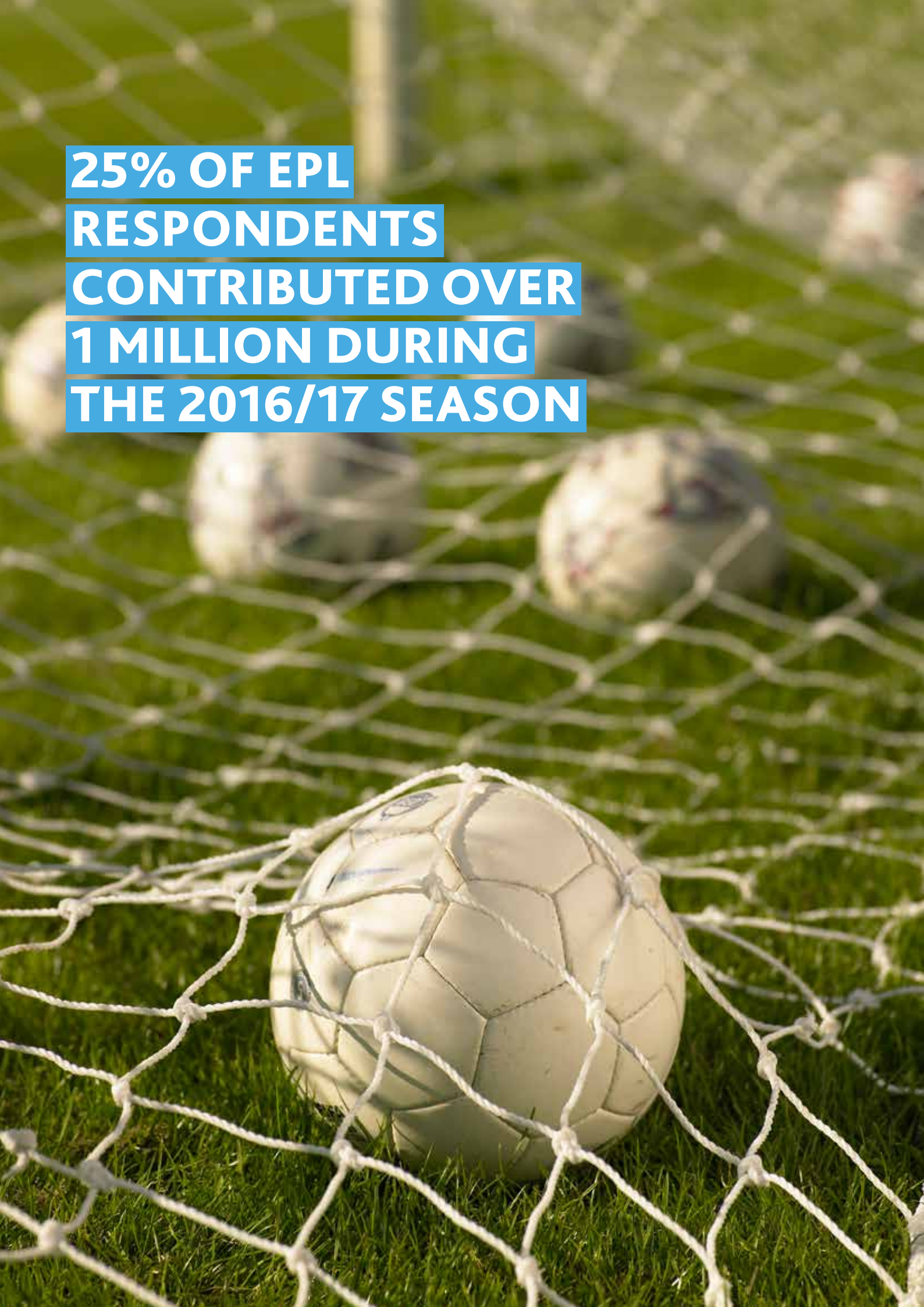
%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	92	85	100	91	100	67
No	8	15	0	9	0	33

Base: 50

45. Does the level of public interest in your Club lead you to manage the Club with heightened corporate governance in comparison to similar sized companies outside of the football sector?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	78	50	77	91	100	100
No	22	50	23	9	0	0

Base: 51



25% OF EPL RESPONDENTS CONTRIBUTED OVER 1 MILLION DURING THE 2016/17 SEASON

EXECUTIVE SUMMARY

10: COMMUNITY PARTICIPATION AND INVESTMENT

ANDREW GROAT
Senior Manager, BDO Business Assurance

- Due to the staggering summer spending spree by top-flight teams and the well publicised increase in income from broadcasting rights, football clubs, especially at the top level, are coming under renewed pressure regarding how the money could be better invested such as investing in grass roots football for the development of the game in England as a whole rather than lavishing on player fees and wages.
- Clubs have long been regarded as central to most communities and their investment and participation in off pitch community activities often goes under the radar.
- Almost all of our respondents say that they currently invest in either community participation projects or community care projects, or both.
- As one might expect, the level of investment within these projects varied across the leagues, with a quarter of EPL respondents contributing over £1 million during the 2016/17 season.
- In addition to their financial investment, our survey has told us that most clubs contribute hundreds or thousands of player and other employee hours to community projects. This is an incredible level of commitment and one that is rarely reflected in popular media.

IN ADDITION TO THEIR FINANCIAL INVESTMENT, OUR SURVEY HAS TOLD US THAT **MOST CLUBS CONTRIBUTE HUNDREDS OR THOUSANDS OF PLAYER AND OTHER EMPLOYEE HOURS TO COMMUNITY PROJECTS.** THIS IS AN INCREDIBLE LEVEL OF COMMITMENT AND ONE THAT IS RARELY REFLECTED IN POPULAR MEDIA.

ANALYSIS OF KEY FINDINGS

10: COMMUNITY PARTICIPATION AND INVESTMENT

46a. Does your Club invest in the following?

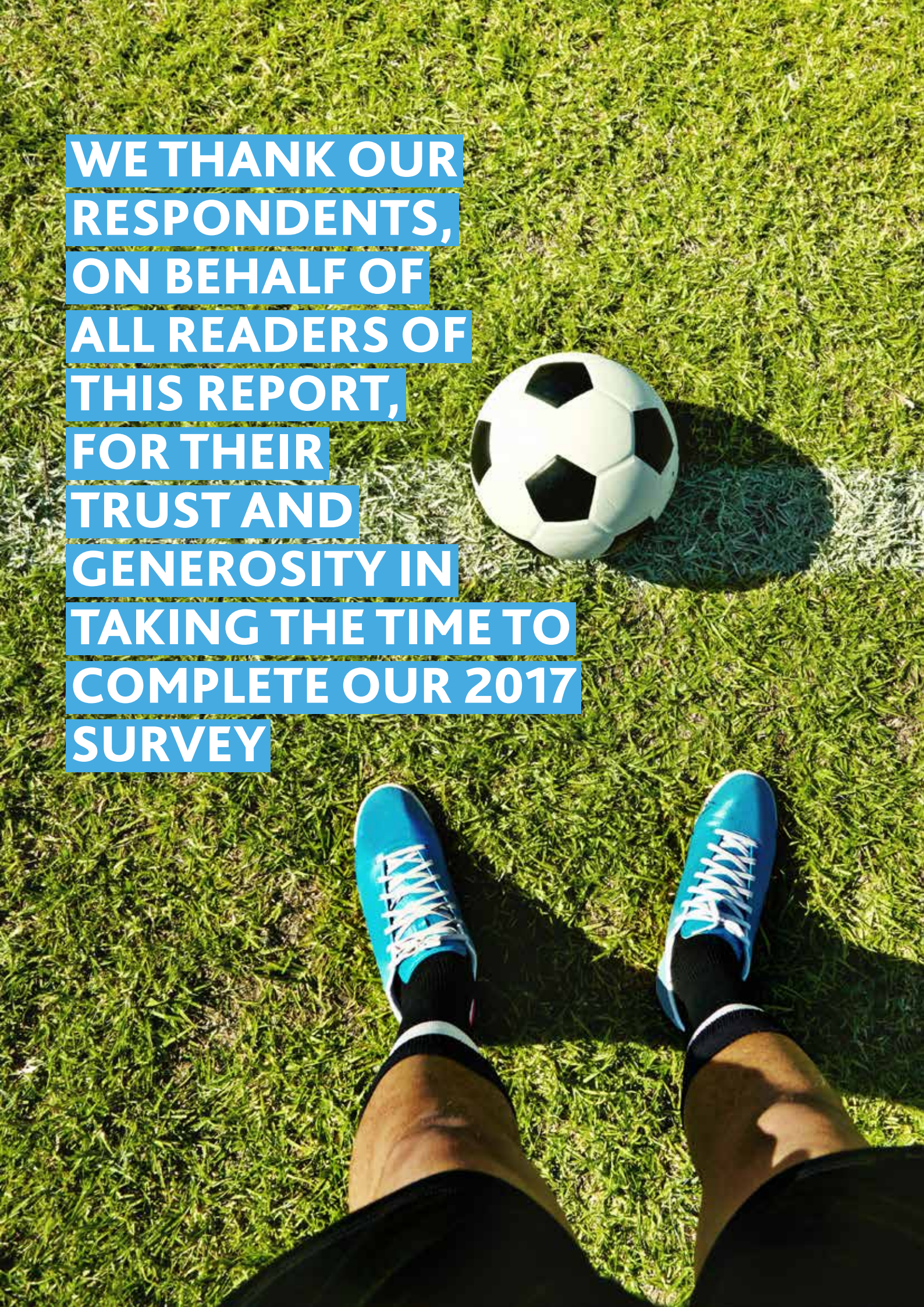
%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Community participation (in football) projects	42	31	55	55	30	33
Community care projects	4	8	9	0	0	0
Both of the above	54	62	36	45	70	67

Base: 48

46b. If yes, what level of financial investment did you make into community projects in 2016/17?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
< £50,000	30	0	27	55	50	0
£50,000 - £100,000	26	25	9	27	40	33
£100,000 - £500,000	30	42	45	9	10	67
£500,000 - £1m	4	8	9	0	0	0
£1m +	11	25	9	9	0	0

Base: 47



WE THANK OUR RESPONDENTS, ON BEHALF OF ALL READERS OF THIS REPORT, FOR THEIR TRUST AND GENEROSITY IN TAKING THE TIME TO COMPLETE OUR 2017 SURVEY

BDO PROFESSIONAL SPORTS GROUP

Our Professional Sports Group client base extends across major professional sports including football, horse racing, rugby, golf and cricket, as well as other active health and fitness businesses.

In professional football we have worked for an array of high profile football clubs and governing bodies providing specialist services ranging from audit and accounting to tax advice on image rights and agents' fees to mergers and acquisitions and insolvency assignments.

Our team of sector experts can provide football clubs with a complete range of business assurance and advisory services including:

- Corporate Tax
- Employment Tax
- Specialist VAT Tax
- Corporate Finance
- Business Restructuring
- Corporate governance
- Forensic and fraud investigations.

PROFESSIONAL SPORTS GROUP KEY CONTACTS

For more information on any of our services for the football industry, contact the relevant BDO expert in your region.

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Our specialist services include:

CORPORATE FINANCE

We have significant experience providing transaction advisory and investigation services across professional sports and professional leagues to a number of clubs for both vendors and acquirers. Our specialist transaction services team performs due diligence for potential investors and for FFP planning and compliance, and specialists in procuring investment/finance, deal origination and club selection, club benchmarking and leading sale processes.

BUSINESS RESTRUCTURING

We have been appointed administrators of a number of club. All completed appointments have led to a successful outcome whereby a dividend was accepted by creditors under a Company Voluntary Arrangement (CVA). All companies survived following the CVAs and are continuing to trade.

EMPLOYMENT TAX

The continued HMRC focus on compliance activity, especially with regard to employment taxes, is likely to lead to clubs, players and agents featuring in HMRC plans. HMRC has also set up specialist units to focus on young high net worth individuals which no doubt will include high profile players.

SPECIALIST VAT CONSULTANCY

Some of our recent assignments have included providing extensive VAT input on the following:

- Affinity card agreements
- Overseas sponsorship issues
- Testimonial/benefit games for current and former players
- Stadium refurbishments and alternative uses, catering issues, retail sales
- Agents' fees.

CORPORATE GOVERNANCE

Good corporate governance is essential if clubs are to be managed effectively by executive directors and legal obligations discharged properly by non-executive directors. Procedural issues include:

- Transfer policy – acquisitions and disposals
- Disciplining regulations and rules – players and directors
- Fraud protection
- Anti-money laundering
- Cost control regulation
- Transparency measures
- Diversity and community.

FORENSIC AND FRAUD INVESTIGATIONS

We provide forensic accountancy, investigatory and expert witness services.

BDO CONSUMER MARKETS

Alongside the Professional Sports Group, our team works with international businesses across other consumer industries, including betting and gaming, hotels, restaurants, bars and pubs, travel and tourism and retail.

BETTING AND GAMING

BDO has acted as auditors, tax advisers and consultants to many UK and international betting and gaming businesses, both private and publicly quoted. Our clients range from many of the major 'bricks & mortar' bookmaking and casino operators to major offshore telephone and internet sports books, casinos, poker and other online gaming activities. As well as the more traditional forms of betting and gaming, we also act for FCA regulated businesses in the financial trading, financial spread betting and CFD sector.

Specialist advice we can provide to the sector includes:

- Audit and assurance
- International tax planning and structuring
- Corporate financing and flotations
- Property and corporate acquisitions and disposals
- Financial Services Act regulations and compliance
- Installation of management reporting and controls and internal audit functions
- IT controls, environment reviews and systems improvement advice.

HOTELS

Our expertise covers the entire spectrum of investment and operating activities and our involvement brings credibility, competence and independence to any project. In short, if you are active in the hotel industry then you should be talking to BDO, the industry experts.

Specialist advice we can provide to the sector includes:

- Audit and assurance
- Feasibility studies
- Business valuations
- Litigation support and expert witness services
- Mergers and acquisitions including MBOs, MBIs and flotations
- Fund raising and refinancing
- Financial investigations and dispute resolutions
- Systems reviews
- Turnaround and distressed situations
- Tips, troncs, National Living Wage, apprenticeship levy and other employment related issues.

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RESTAURANTS, BARS AND PUBS

BDO can help realise opportunities and value, and minimise the challenges associated within roll-out growth – just as we have helped numerous clients to do during our long established history as a leading adviser in this sector.

We have advised clients as diverse as international brands and national chains, to owner managed businesses and outlets looking to expand and/or diversify. Our expertise will assist whether you are the individual restaurateur, the group operator, the restaurant franchisor or franchisee or private equity investors.

Specialist advice we can provide for your sector includes:

- Audit and assurance
- BERR report, TRONCS, National Living Wage legislation, apprenticeship levy
- Tax efficient employee incentive plans
- Property issues and the associated stamp duty and capital allowances
- Business acquisitions
- Raising finance for business expansion – public and private, equity and debt
- Franchise advice.

TRAVEL AND TOURISM

BDO acts as auditor, tax adviser, corporate finance adviser and consultant to many travel and tourism businesses, both private and publicly quoted.

Our commitment to this sector has seen us attract clients from owner managed private businesses through to large listed companies with international networks.

By working with leading organisations from the travel industry, we ensure we are always developing new ways to address industry and regulatory issues. BDO is a member of the Institute of Travel and Tourism, an ABTA Travel Industry Partner.

Specialist advice we can provide for your sector includes:

- Business assurance
- Internal audit
- Tour Operator Margin Scheme
- Industry regulation and compliance
- Floatations, acquisitions and disposals
- Tax planning and compliance for the travel industry
- Business continuity planning
- Working capital improvement reviews and administrative receiverships.

RETAIL

At BDO we have a fully integrated team dedicated to retail and wholesale. This covers the entire sector from traditional retail through to online and wholesale and we have a leading position within UK retail. BDO has excellent credentials in the retail and wholesale market and a depth of financial and commercial experience which allows us to add value to our client's core business.

BDO is a global accountancy organisation and we not only have operations in the countries that are important to UK retailers now but also in the geographical locations that they are interested in expanding into. Our international teams have the flexibility to help our clients in a variety of areas from assistance with local and regulatory compliance requirements to wider strategic matters.

Specialist advice we can provide for the retail sector includes:

- Operational performance advice
- Taxation services include advice on employment issues such as pensions, National Living Wage and apprenticeship levy
- Strategic planning, franchising, internal audit and risk services
- Audit and assurance
- Business continuity planning
- Data analytics
- Advice on IT security controls and cyber security.

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