



**DIVISIONS OF WEALTH**  
HOW CLUBS AND INVESTORS ARE  
RESPONDING TO CHANGES IN  
FOOTBALL FINANCES

The Annual Survey of Football Club  
Finance Directors 2016

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## FOREWORD

It was inevitable that the impact of enhanced English Premier League broadcasting rights for 2016-19 was going to feature highly in our 2016 BDO Annual Survey of Football Finance Directors, and indeed it does. However, fierce competition within the FLC, amplified divergence between divisions, and some fascinating observations on investor behaviour in the Football Leagues grab their fair share of the headlines.

At BDO, we have felt a shift in investor behaviour over the last 12 months and we were keen to understand whether there were trends to report across the sector as a whole, and indeed there are – albeit with some surprises.

£8.3bn of English Premier League broadcasting rights available for distribution to clubs over the next three seasons (2016-19), a 63% increase from £5.1bn for the three year term just ended, means that from 2016/17, after parachute and solidarity allocations, EPL clubs will receive between c£100m and c£150m in central distributions of TV rights money alone. Coupled with Short Term Cost Control and Sustainability Provisions, profitability and investment are expected to become common features of the EPL.

Accordingly, three-quarters of EPL respondents claim to be in a very healthy financial position (the remainder responding could be better, but not bad) and 88% expect to make a profit in 2016/17.

With broadcasting rights now making up such a high proportion of EPL club revenues, the relative financial opportunity within the EPL is becoming more equitable and our previously reported wealth gap within the top division can be expected to narrow. However, this is certainly not the case between leagues where the gap between the EPL and the Football League and Scottish Premiership is expected to widen.

Could the broadcasting bubble burst? We think this is incredibly unlikely. English Premier League football is still the go-to content for domestic and international sports broadcasters. We would expect more competition in the future, rather than less, and with ever-increasing media channels opening up, one cannot discount the potential impact of a move by global technology goliaths like Google. Certainly, the

## “We appear to be witnessing a greater distinction between the three different sub-sectors of English football”

entry into the market by BT has taught us to expect the unexpected.

The above notwithstanding, our findings this year are not all about EPL broadcasting rights. With their full and candid responses to our survey, our contributors across all leagues have given us some fascinating business insights into the current financial position and future prospects of English and Scottish football clubs.

We appear to be witnessing a greater distinction between the three different sub-sectors of English football: the very healthy international brands of the EPL; the exciting, aspirational, yet financially precarious challengers from the Football League Championship, and the custodians of grass-roots football from Football Leagues 1 and 2 who, under steadfast ownership and some carefully managed player development and trading, have largely stabilised their financial positions and managed their clubs within the requirements of FFP limits.

The Scottish Premiership remains a mixed bag with widely varying results across most of our survey. Certainly, with incredibly low TV rights income compared with English football, SP clubs are facing many financial challenges. Clubs are largely dependent on their loyal fan-base and player trading activity, and are not attracting significant investor interest.

In the context of the above, investment activity within the sector is fascinating. Enhanced wealth within the EPL is prompting owners to hold their positions, rather than take this as an opportunity to exit as might be the case outside of the football world. A staggering 73% of FL2 clubs respondents are aware of an informal or formal approach from potential equity investors over the last 12 months, with interest coming from the four corners of the globe as much as from domestic fans and funds. This suggests a more medium to long term strategy from investors recognising

the potential for returns on investment that may not be available from investing in higher league clubs where enhanced revenues may already be reflected in valuations.

The Championship, characterised by a widening gap developing behind the EPL and incredible competition requiring significant investment in order to push for promotion, presents a more fragile and varied financial picture. However, this risks and rewards dynamic makes clubs in this league an interesting investment opportunity that attracts both domestic and international investors.

Football clubs appear to be continuing to move away from simply being a rich man's playground, towards being potentially lucrative commercial businesses attracting sophisticated commercial partners.

But what about the fans?

Our analysis suggests that football clubs have not lost sight of their fan base. 76% of responding clubs cite growing their domestic fan base as one of their top 3 priorities. In the EPL, this extends to growing the clubs international fan base, with 89% of respondents having this in their top 3 priorities.

Financial stability and the growth of football clubs as brands that engage with their domestic and global audiences appears to have augmented their agendas, with over one-third having diversification into other leisure activities within their top four priorities. A similar number of respondents have included exploitation of media rights (such as streaming of club generated media content) within their top four priorities. This is a clear indication of the potential and desire for football clubs to enhance their commercial offering to their fans and develop into well rounded commercial businesses.

More routes to engagement with fans,

whether for purely sporting or commercial reasons, can only be a good thing for the consumer.

And the community?

Most FD's regard their football club as a public interest business, with a high degree of scrutiny that leads them to manage the club with heightened corporate governance. Interest in local geographies manifests itself in significant time and financial investment into local communities and charities, with clubs and players working with, among others, local children and the disadvantaged – often with incredibly inspirational stories to tell.

Taking a short moment for some crystal ball gazing - eSports is on the rise, and is already reported to be a \$1bn industry that will undoubtedly infiltrate the football sector in one way or another. Over a quarter of our respondents already believe that eSports will have a significant impact on their business in the future and two early adopters are already taking action to associate the club with eSports.

Once again, we have thoroughly enjoyed engaging with FDs from English and Scottish football clubs this year, we thank them enormously, and we hope you enjoy and appreciate our findings. It is the nature of this incredible sport, and the business of football, that the reader will not agree with all of our conclusions. At BDO we celebrate difference and debate and would welcome any feedback from those of you who enjoy this sector as much as we do.



**IAN CLAYDEN**

Partner  
Professional Sports Group

# EXECUTIVE SUMMARY

## FINANCING THE CLUB

- Unsurprisingly given the well-publicised enhanced broadcasting rights, the financial position of EPL clubs continues to improve with more than three-quarters (78%) claiming to be very healthy (the remainder responding could be better but not bad). This is in contrast to FLC and SP clubs where nearly 25% and 40% of respondents, respectively, claim to have finances in need of attention or a cause for grave concern.
- It would appear that this enhanced wealth within the EPL is prompting owners to hold their positions rather than take this as an opportunity to exit, with only 11% of EPL respondents saying their club's owners are considering a full or partial exit within the next 12-18 months. This is equally applicable to FLC clubs (with the potential for promotion) with only 15% responding this way.
- Over a third of respondents (including 73% of FL2) are aware of an approach from potential equity investors over the last 12 months, up from a quarter last year.
- Interest in English football clubs has been a global phenomenon in the last 12 months with potential investors originating from the UK, Europe, the US & Americas, the Middle East, and the Far East.
- In the English Football Leagues, as expected, promotion is the number one priority for most clubs. Three-quarters of FLC and FL1 clubs cite this as their first priority. Growing the clubs' domestic and international fan bases are the key priorities for most EPL clubs.

## CLUB REVENUE AND PROFITABILITY TRENDS

- Fewer than half (40%) of respondents (across all leagues surveyed) expect to make a profit before player trading in their next accounting period - including

88% of EPL clubs. By contrast, only 15% of FLC respondents expect to make a profit before player trading. However, given the high levels of FFP compliance (98%), these losses are expected to be within acceptable limits.

- Player trading is expected to be broadly advantageous for FL1 and FL2 clubs (net sellers) where 45% of both divisions' respondents anticipate profits after player trading, compared to 36% in both divisions anticipating profits before player trading.
- Overall, the vast majority of clubs have seen revenues either holding flat or increasing compared to 2014/15, ranging from 86% to 92% of clubs responding this way across the different revenue streams.
- No EPL respondents expect any reduction in season ticket revenue despite significant increases in broadcasting rights.
- The FLC and FL1 have the most positive outlook with the highest number of respondents expecting increases in non-broadcasting revenue streams in excess of 5% across the following revenue streams: season tickets; match tickets (except SP); merchandising; corporate entertaining and sponsorships.
- FL2 clubs expect economic conditions to result in an upturn in performance with the following percentage of respondents expecting increases in the following revenue streams; match tickets (54%), merchandising (45%), catering (45%), corporate entertaining (36%) and sponsorship (54%). The majority of the remainder expect there to be no change.
- Half of all respondents anticipate a negative impact of Brexit, whereas only 14% anticipate a positive impact.
- The primary concern for clubs in the wake of Brexit is with regard to player mobility and cost.
- Only 23% of FLC clubs believe enhanced

broadcasting rights will be more positive for their division. FL1 and FL2 respondents are more positive with 64% and 55% respectively expecting that higher TV revenues will filter through the leagues (most likely through higher player sales values) resulting in a positive impact overall.

- One third of clubs in the FLC believe that the increasing gap between the EPL and other divisions will be financially detrimental.
- There is a high level (63%) of support for the current level and timing of parachute payments.
- However, 33% of respondents, all of which are outside of the EPL, believe them to be too high and anti-competitive for other clubs.
- 83% of FLC respondents operate above a 75% wage to turnover ratio, while all EPL clubs operate below this level (with two-thirds actually operating below 60%).

## CLUB OPERATIONS

- One-third of EPL clubs are now planning to spend between £25-50m on capex over the next two years and the proportion of all respondents projecting spending between £25-50m has increased compared to 2015.
- The top two concerns of clubs are once again loss of income due to relegation and increasing player salaries. However, increasing financial inequality between leagues is now their third biggest concern.

## TAXATION

- Almost three-quarters of respondents are confident that their tax position on payments to players is robust and defensible. All leagues other than the EPL are more confident in this regard than in 2015 (over 80% in every division).
- Over a third of clubs have been subject to an HMRC enquiry within the last 12 months. However, only a small percentage

(6%) found the outcome to be worse than expected.

- In an interesting turnaround from 2015, most respondents now consider player payments to be, in-part, their concern and not simply a player issue where the club does not get involved, which was the case for two-thirds of respondents last year.

### FINANCIAL FAIR PLAY (FFP)

- All but one respondent (in the SP) said they complied with the requirements of applicable FFP and sustainability rules last season and 100% expect to comply in 2016/17.
- More than two-thirds (69%) of respondents agree that the structure of the FFP rules are appropriate for their league – and more than half (56%) believe that FFP regulations meet the objective of promoting sustainability – the same proportions as in 2015.
- 56% of EPL respondents this year stated that "some refinement is required". One might assume that with enhanced broadcasting revenues, EPL clubs believe they can remain sustainable even if sustainability and cost control regulations are relaxed somewhat.
- 33% of EPL clubs would be spending significantly more in realising their ambitions in the absence of FFP regulations. However, in all leagues (including the EPL) there has been a marked increase in clubs expressing satisfaction with the amounts that they are able to spend in realising their ambitions (overall 63% this year compared to 38% in 2015). Only 15% have responded that there is no more to invest compared to 27% of cases in 2015. This suggests that clubs may be reluctant to invest all revenues in players and players' salaries; preferring to promote sustainability for their clubs going forward and perhaps retain profits to invest in the broader infrastructure of the club.



### YOUTH DEVELOPMENT

- Almost two-thirds (63%) of respondents have a higher budget for youth development again next season; this is further growth on top of a similar amount last year. This rises to 78% for EPL clubs.

### PLAYER COSTS AND TRANSFERS

- More than half (58%) of respondents say that more than 75% of the players in their senior squad have clauses in their contracts stipulating wage reductions on relegation. This rises to 75% of FLC respondents.
- Around a quarter (24%) of respondents expect a bigger first team squad next season. This rises to 33% of EPL and 38% of FLC. 46% and 45% of FLC and FL2 respectively expect to reduce their first team squad next season.
- 40% of respondents will be spending more on first team payroll next season. As in 2015, 75% of EPL respondents will be spending more despite only 33% increasing squad size. Clearly player salary inflation is still prevalent in the EPL where it can be afforded.
- Over half (51%) of respondents will have the same amount of transfer budget this year and only 22% will be reducing it. However, 43% and 42% of EPL and FLC respondents will be increasing their transfer budget, the latter apparently investing more on the back of higher potential gains from promotion to the EPL.

### GOVERNANCE AND PROPRIETY

- 90% of respondents regard their football club as a public interest business with high degrees of scrutiny.
- 73% of respondents believe that the level of public interest in their club leads them to manage the club with heightened corporate governance in comparison to similarly-sized companies outside the football sector.
- Overall, 52% of all clubs are either against the new FA proposals in their current form (including the introduction of a fifth professional division with 20 teams per league and the additional eight teams being drawn from, for example, the National League, Premier League B teams or Scotland). FL2 clubs (72%) are the most opposed to these recent proposals.

### BRANDING AND SOCIAL MEDIA

- Over three-quarters (77%) of respondents say that social media is highly important in contributing towards their club's brand value. No respondents believe that social media is of low importance to their brand.
- 22% of respondents believe that eSports will have a significant impact on their business in the future.

# EXECUTIVE SUMMARY

## METHODOLOGY

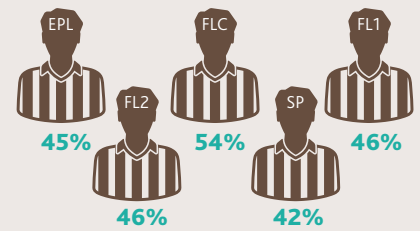
BDO UK's Professional Sports Group commissioned an independent researcher in June and July 2016 to complete a structured questionnaire with finance directors of football clubs.

A total of 49 interviews were completed with finance directors or equivalents in the English Premier League (EPL), English Football League Championship (FLC), English Football Leagues One (FL1) and Two (FL2) and the Scottish Premiership (SP).

Throughout this survey, results are presented as column percentages rounded to the nearest whole and arithmetic means, unless otherwise stated. This will occasionally result in column percentages presented not totaling exactly to 100%. League abbreviations are used in the report to aid brevity.

## PROFILE OF SAMPLE

LEAGUE	NUMBER OF CLUBS	% RESPONDENTS IN LEAGUE
English Premier League	9	45%
Football League Championship	13	54%
Football League 1	11	46%
Football League 2	11	46%
Scottish Premiership	5	42%



## ANALYSIS OF KEY FINDINGS

## 01: FINANCING THE CLUB

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

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Very healthy	37	78	23	27	36	20
Could be better but not bad	47	22	54	73	36	40
In need of attention	12	0	15	0	27	20
A cause for grave concern/on the verge of administration	4	0	8	0	0	20

Base: 49

The financial health of football clubs overall appears to have marginally declined this year with only 37% of respondents claiming to have a very healthy position compared to 45% in 2015. However, consistent with last year, only 12% (2015: 13%), see their financial position as being in need of attention (arising in FLC and FL2) and only 4% (2015: 3%), are a cause of grave concern (arising in FLC).

Unsurprisingly, the financial position of EPL clubs continues to improve with more than

three-quarters (78%) claiming to be very healthy. Unlike last year, no EPL respondents this year have claimed to have finances in need of attention or worse (2015: 8%).

Nearly a quarter of FLC clubs claim to have finances in need of attention or a cause for grave concern (up from only 6% in 2015) and the number of respondents claiming to be in a very healthy position has fallen this year from 31% to 23%. This is in contrast to FL1 where all respondents cited a not bad or very healthy position, and to FL2 which has

seen a modest improvement in the financial situation of its clubs.

The proportion of respondents in FLC, FL1 and SP who comment that their club is very healthy has reduced from 2015. This may suggest that while revenues may have increased, there is a sense that these clubs feel the financial gap between them and higher divisions is widening.

Perhaps the most obvious concern is in the Scottish Premiership where only 60% of respondents claim to have a very healthy or not bad financial position, compared to 100% in 2015.

Whilst these results are generally positive and present an overall position of stability and sustainability within the sector, they highlight an ongoing divergence between the EPL and FLC that is evident elsewhere within this report.

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

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	61	33	85	64	64	40
No	39	67	15	36	36	60

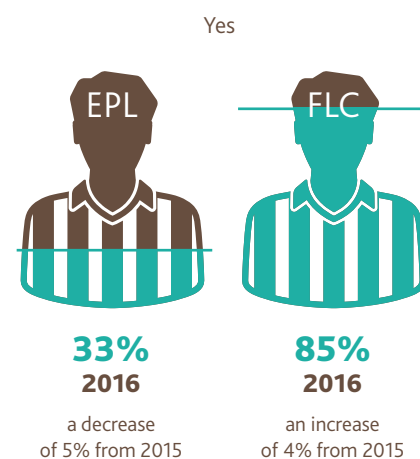
Base: 49

61% of clubs are dependent on the principal shareholder to finance losses, down slightly from 65% in 2015, and back in line with 2014.

Only a third of EPL clubs surveyed are now dependent on their principal shareholder (2015: 38%). By contrast almost twice as many FL1 and FL2 clubs remain dependent on their principal shareholder.

The FLC remains the league in which most clubs (85%) are reliant on their principal shareholders.

The level of competition in the FLC, coupled with the significant rewards for promotion to the EPL (with recently enhanced 2016-19 broadcasting rights), continues to drive high levels of investment that require shareholder contributions.



## ANALYSIS OF KEY FINDINGS

## 01: FINANCING THE CLUB

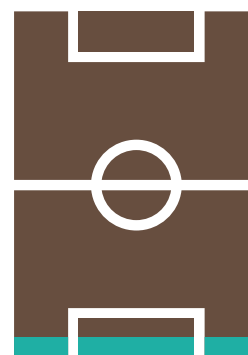
### 3. Has your club used funding from a secondary source (i.e. not main bankers) secured on any of the following in the last year?

% OF RESPONDENTS WHO HAVE USED FUNDING	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Advance on media/central distributions	6	11	8	0	9	0
Advance on season tickets – one year	2	0	8	0	0	0
Advance on season tickets – two or more years	2	0	8	0	0	0
Player transfer fee receivables	2	0	8	0	0	0
Other receivables	2	0	8	0	0	0

Base: 49

The only widely used form of security for this funding is central distributions of broadcasting revenues. This level of funding has fallen again this year to 6% from 10% across all leagues in 2015 (including 23% of EPL clubs). In most cases this represents low

risk, short term funding during the summer in advance of first tranche league revenues for the following season.



**6%** of all respondents have used funding from a secondary source secured on media or central distributions.

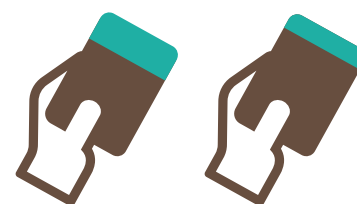
### 4. Are the current owners of the club considering a full or partial exit within the next 12-18 months?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	21	11	15	18	36	33
No	79	89	85	82	64	67

Base: 47

Overall, this year's results are broadly in line with the previous year with only 21% of owners considering a full or partial exit within the next 12-18 months (17% in 2015). However, when we look closer we see that the number of EPL club owners considering a full or partial exit has halved, in contrast to the FLC and FL2 where this number has more than doubled.

It appears that the enhanced wealth within the EPL, brought about by enhanced broadcasting rights, is prompting owners to hold their positions rather than take this as an opportunity to exit.



**23%**  
2015

**11%**  
2016

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



“Whilst EPL clubs are generally regarded as the most stable investment; more speculative investors are looking to the lower leagues seeking out the opportunity of promotion with the possibility of earning higher returns.”

Over a third of respondents are aware of an informal or formal approach from potential equity investors over the last 12 months.

This is up from a quarter of respondents last year.

EPL, FLC, FL1 and SP are largely unchanged but we have seen a marked increase in interest in FL2 clubs, with known approaches increasing from 25% to 73%.

With the value of EPL and FLC clubs increasing in line with enhanced broadcasting revenues, more investors looking to FL2 to invest appear to be in football clubs with a view to a more medium to long term growth (promotion) plan.

**5a.** As far as you are aware, within the last 12 months has the club been subject to an informal or formal approach from interested external parties with a view to taking an equity stake in the club?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	37	33	23	27	73	20
No	63	67	77	73	27	80

Base: 49

Until recently, there was little knowledge of what the new broadcasting rights meant for lower league clubs, and there was possibly an expectation that more cash would filter

down than is now expected to be the case. Specific interest in lower league clubs is often driven by the location of clubs and/or their fan base growth potential.

The increase in institutional investment is consistent with the predictions in our 2015 report.

**5b.** If yes, have these interested parties been:

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Institutional/investment portfolio investors?	30	25	25	67	25	0
Long term supporters of the club?	15	0	25	0	13	100
Other please specify	55	75	50	33	63	0

Base: 20

Both domestic and overseas investors are showing a preference for either FLC clubs or FL2 clubs; presumably because they are more affordable than EPL and FL1 equivalents. At the top end, FLC clubs potentially provide a lower cost and potentially quick entry point to the EPL. At the lower end, FL2 clubs provide a lower cost entry point into the Football League with the potential for value enhancement through promotions.

However, responses to question 4 tell us that FLC clubs owners are less inclined to sell so we expect to see this drive up the price of equity in the FLC. Equity stakes in FL2 clubs are more accessible.

**5c.** If yes, have these interested parties been:

COUNT*	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Domestic investors	14	1	3	1	8	1
Overseas investors:						
US / Americas	5	1	2	-	2	-
European	7	1	2	1	3	-
Middle Eastern	5	1	1	-	3	-
Far Eastern	4	1	1	-	2	-

The English leagues (and not just the EPL) continue to make for attractive investments, either for financial or for sporting reasons (or both) and our findings above demonstrate that the level of interest is genuinely global.

For sporting reasons, English league football is still one of the global go-to areas for international brand association and there is increased interest in investors owning sports clubs in more than one country.

\*Note: Absolute numbers given, rather than percentages, as respondents were able to respond to more than one answer.

## ANALYSIS OF KEY FINDINGS

## 01: FINANCING THE CLUB

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
<b>Promotion</b>						
1 <sup>st</sup>	55	22	77	73	55	20
2 <sup>nd</sup>	6	0	8	18	0	0
3 <sup>rd</sup>	2	0	0	0	9	0
4 <sup>th</sup>	0	0	0	0	0	0
<b>Creation of an international football group</b>						
1 <sup>st</sup>	0	0	0	0	0	0
2 <sup>nd</sup>	2	0	0	0	0	20
3 <sup>rd</sup>	0	0	0	0	0	0
4 <sup>th</sup>	2	0	8	0	0	0
<b>Growing the club's domestic fan base</b>						
1 <sup>st</sup>	27	44	15	18	27	40
2 <sup>nd</sup>	37	11	54	45	45	0
3 <sup>rd</sup>	12	11	8	18	18	0
4 <sup>th</sup>	2	0	0	9	0	0
<b>Growing the club's international fan base</b>						
1 <sup>st</sup>	4	22	0	0	0	0
2 <sup>nd</sup>	10	56	0	0	0	0
3 <sup>rd</sup>	4	11	8	0	0	0
4 <sup>th</sup>	6	0	15	0	9	0
<b>Diversification into other leisure activities (hotels, restaurants &amp; bars, travel &amp; tourism, retail)</b>						
1 <sup>st</sup>	4	0	0	9	9	0
2 <sup>nd</sup>	16	0	23	9	27	20
3 <sup>rd</sup>	6	0	15	0	9	0
4 <sup>th</sup>	10	11	31	0	0	0
<b>Exploitation of media rights (streaming of club generated content for example)</b>						
1 <sup>st</sup>	2	0	8	0	0	0
2 <sup>nd</sup>	2	0	8	0	0	0
3 <sup>rd</sup>	20	11	31	18	18	20
4 <sup>th</sup>	6	11	0	9	9	0
<b>Other</b>						
1 <sup>st</sup>	8	11	0	0	9	40
2 <sup>nd</sup>	16	22	0	18	27	20
3 <sup>rd</sup>	8	11	0	18	0	20
4 <sup>th</sup>	2	0	0	0	9	0

Base: 46

### 6a. Outside of obtaining additional principal shareholder investment, what are your key strategies for development/growth in order to further strengthen the football team?

Unsurprisingly, in the English Football Leagues, promotion is the number one priority for most clubs. Three-quarters of FLC and FL1 clubs cited this as their first priority.

However, beyond this, it is encouraging that football clubs have not lost sight of their fan base and 76% cite growing their domestic fan base as one of their top three priorities. In the EPL this extends out to growing the clubs international fan base with 89% of respondents having this in their top three priorities.

Financial stability and the growth of football clubs as brands that engage with their domestic and global audiences appears to be bringing diversification into other leisure activities on to the agenda of owners, with over one-third having this within their top four priorities. A similar number of respondents have included exploitation of media rights (such as streaming of club generated media content) within their top four priorities. This is a clear indication of the potential and desire for football clubs to enhance their commercial offering and develop into well rounded commercial businesses. Increasing their commercial revenue also allows clubs to further invest in player wages, as allowed under FFP.

Amongst other priorities, clubs have cited development of training and stadium facilities, academy development, stadium control/ownership, Champions League qualification and increasing commercial revenues as key objectives.

### 6b. Over what period has the management of the club set its growth/development strategy?

Over 90% of clubs have set their development strategy over a period of up to five years, of which two-thirds have a medium term two to five year strategy.

Building for the future is clearly a priority for clubs who are increasingly looking beyond the here-and-now.

### 6c. Is pro-active tax planning factored into this strategy?

On a slightly more concerning note, two thirds of clubs do not include tax planning within this strategy. However, this contrasts with two-thirds of EPL clubs who, in light of anticipated profits arising from enhanced broadcasting rights, are seeing tax efficiency as an ever increasing priority.

**2/3**  
of clubs do not include tax planning in their development strategy



### 7a. Has your club given a fixed charge over the stadium as security for a loan?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	27	11	31	27	18	60
No	73	89	69	73	82	40

Base: 49

Just over a quarter of respondents are giving a fixed charge over the stadium as security for a loan this year – up from 20% in 2015. The percentage of EPL respondents who have given a charge over their stadium has fallen this year from 30% in 2015 to 11%.

### 7b. If the club has given a fixed charge over the stadium as security for a loan, what was the purpose of the loan?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Build or expand the stadium	23	100	0	33	50	0
Cash flow for the club	77	0	100	67	50	100

Base: 13

Of the clubs that have given a fixed charge over its stadium, three quarters have done so to fund working capital. This leverage of long-term fixed assets to fund short term working capital is unsustainable in the long term. However, banks are generally insistent on such security for funding of overdrafts and short term loans so this is, to some extent, not surprising data.

## EXPERT COMMENTARY

Enhanced broadcasting rights have significantly improved the financial position and outlook for EPL clubs and, with this already embedded in to their value, and with owners showing a reluctance to exit, investment opportunities for institutional or private investors may be limited. The financial position of FLC clubs, characterised by incredible competition requiring significant investment in order to push for promotion, is more precarious but this risk and rewards dynamic makes this league an interesting investment opportunity that attracts both domestic and international investors.

The level of investor interest in FL2 is fascinating, and indicative of a longer term investment strategy within the sector.

### IAN COOPER

Partner  
Professional Sports Group



## ANALYSIS OF KEY FINDINGS

## 02: CLUB REVENUE AND PROFITABILITY TRENDS

## 8. 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	40	88	15	36	36	40
No	56	13	85	64	55	40
Don't know	4	0	0	0	9	20

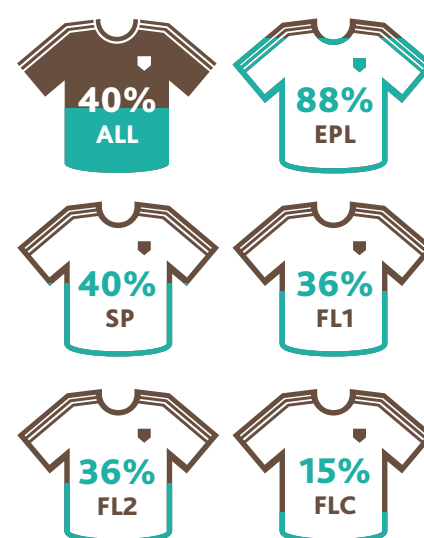
Base: 48

Consistent with 2015, 40% of respondents expect to make a profit before player trading in their next accounting period.

Divergence between the divisions remains broadly consistent with 2015 with 88% of EPL clubs expecting to make a profit compared with just 15% of FLC respondents. FLC clubs appear to be taking the highest level of financial risk, consistent with the higher level of rewards on achieving promotion.

There have been marginal improvements in FL1 and FL2 this year, with those expecting to make a profit before player trading increasing by 9% and 5%, respectively.

There has been no improvement in profitability expectations in the SP where 50% anticipated profits in 2015.

profit **before**  
player trading and amortisation?

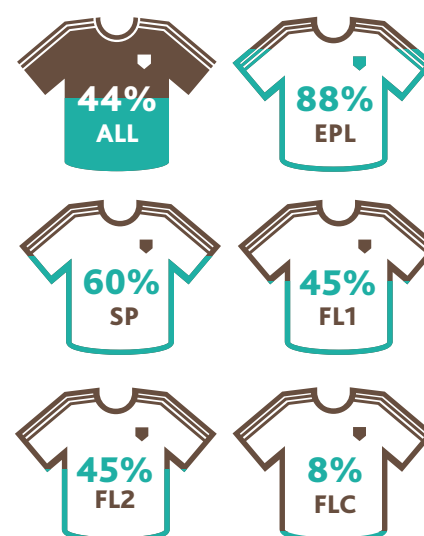
## 9. Do you expect to make a profit after player trading and amortisation in your next accounting period?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	44	88	8	45	45	60
No	50	13	92	55	36	20
Don't know	6	0	0	0	18	20

Base: 48

Player trading is expected to be broadly advantageous for FL1 and FL2 clubs (who are typically net sellers). 36% of both divisions' respondents anticipate profits before player trading, though this then increases to 45% after player trading. This is also around a 100% improvement from 2015.

The same number of EPL clubs anticipate profits before and after player trading, but over 90% of FLC clubs expect to make a loss even after player trading. We believe this is a further indication of clubs seeking to retain key players and investing for promotion (or the avoidance of relegation to FL1).

profit **after**  
player trading and amortisation?

## ANALYSIS OF KEY FINDINGS

## 02: CLUB REVENUE AND PROFITABILITY TRENDS

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
<b>Season ticket sales</b>						
Improved >5%	20	0	38	18	18	20
Improved <5%	16	22	15	9	18	20
No Impact	55	78	46	64	36	60
Reduced <5%	6	0	0	9	18	0
Reduced >5%	2	0	0	0	9	0
<b>Match tickets</b>						
Improved >5%	12	0	15	9	9	40
Improved <5%	18	11	23	18	27	0
No Impact	57	89	38	73	36	60
Reduced <5%	2	0	8	0	0	0
Reduced >5%	2	0	8	0	0	0
<b>Merchandising</b>						
Improved >5%	12	11	8	18	9	20
Improved <5%	24	33	31	27	18	0
No Impact	49	44	46	55	45	60
Reduced <5%	6	11	8	0	0	20
Reduced >5%	8	0	8	0	27	0
<b>Match day catering</b>						
Improved >5%	10	0	23	0	9	20
Improved <5%	24	33	31	18	27	0
No Impact	55	67	38	73	45	60
Reduced <5%	4	0	0	9	0	20
Reduced >5%	6	0	8	0	18	0
<b>Corporate entertaining packages</b>						
Improved >5%	6	0	8	9	9	0
Improved <5%	29	44	38	27	9	20
No Impact	51	56	31	55	55	80
Reduced <5%	8	0	8	9	18	0
Reduced >5%	6	0	15	0	9	0
<b>Sponsorships</b>						
Improved >5%	18	22	23	9	9	40
Improved <5%	35	44	38	36	27	20
No Impact	35	33	23	45	36	40
Reduced <5%	4	0	0	9	9	0
Reduced >5%	8	0	15	0	18	0

Base: 49

## 10. What has been the impact of economic conditions on the following revenue streams in the current financial year?

Overall, the vast majority of clubs have seen revenues either holding flat or increasing compared to 2014/15, ranging from 86% to 92% of respondents across the different revenue streams above.

FLC clubs have benefited most from relatively stable, albeit slightly uncertain, economic conditions in 2015/16 with more than half experiencing increased revenues from season tickets, catering and sponsorship revenues and more than a third experiencing increases from match tickets, merchandising and corporate entertaining. Experience tells us that this League is the most susceptible to changes in economic conditions due to a higher proportion of total revenue being attributable to the above revenue streams (as opposed to Football League distributions). Reductions in the above revenue streams were rare for FLC clubs in 2015/16.

These improvements are a reversal of the trends that we saw in 2014/15 where reduced revenues for FLC clubs were more common than increases for all revenue streams.

FL2 clubs are the most likely to have suffered declining revenue in 2015/16, where more than a quarter of respondents saw a decline in season ticket, merchandising, corporate entertaining and sponsorship revenue.

Variations in results both across divisions and within each division are a feature that we are seeing this year, suggesting that prevailing economic conditions are not having an overwhelming impact on clubs' performances.

Interestingly, no EPL respondents expect any reduction in season ticket revenue, despite significant increases in broadcasting rights.

## 11. What effect do you expect the state of the economy to have on your 2016/17 revenue streams compared with the season just ended?

Expectations for 2016/17 are broadly similar to the results seen for last season with 30-39% (2015/16: 30-36%) of clubs expecting an increase in all revenue streams other than sponsorship where 51% (2015/16: 53%) are expecting to see growth.

Very few clubs expect to see declining revenues.

The FLC and FL1 have the most positive outlook with a higher number of respondents than other divisions expecting increases in revenue streams in excess of 5% across the following revenue streams: season tickets; match tickets (except SP); merchandising; corporate entertaining and sponsorships.

Following last year's relatively benign performance, FL2 clubs remain positive and expect an upturn in performance. The percentage of respondents expecting increases in the following revenue streams are: match tickets (54%), merchandising (45%), catering (45%), corporate entertaining (36%) and sponsorship (54%). The majority of the remainder of clubs expect there to be no impact rather than declines.

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
<b>Season ticket sales</b>						
Improved >5%	12	0	23	18	9	0
Improved <5%	18	22	23	18	18	0
No Impact	55	78	31	64	45	80
Reduced <5%	8	0	8	0	18	20
Reduced >5%	6	0	15	0	9	0
<b>Match tickets</b>						
Improved >5%	17	0	25	18	9	40
Improved <5%	17	11	17	0	45	0
No Impact	58	78	42	82	36	60
Reduced <5%	4	0	8	0	9	0
Reduced >5%	4	11	8	0	0	0
<b>Merchandising</b>						
Improved >5%	16	0	23	27	18	0
Improved <5%	14	22	8	9	27	0
No Impact	59	67	54	64	45	80
Reduced <5%	8	11	8	0	9	20
Reduced >5%	2	0	8	0	0	0
<b>Match day catering</b>						
Improved >5%	16	0	31	18	9	20
Improved <5%	20	22	15	18	36	0
No Impact	51	67	31	55	45	80
Reduced <5%	6	0	8	9	9	0
Reduced >5%	6	11	15	0	0	0
<b>Corporate entertaining packages</b>						
Improved >5%	12	0	15	27	9	0
Improved <5%	27	33	31	18	27	20
No Impact	51	67	31	55	45	80
Reduced <5%	8	0	15	0	18	0
Reduced >5%	2	0	8	0	0	0
<b>Sponsorship</b>						
Improved >5%	22	11	31	36	9	20
Improved <5%	29	33	23	18	45	20
No Impact	39	44	23	45	36	60
Reduced <5%	4	0	8	0	9	0
Reduced >5%	6	11	15	0	0	0

Base: 49

## ANALYSIS OF KEY FINDINGS

## 02: CLUB REVENUE AND PROFITABILITY TRENDS

## 12. 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	10	25	10	9	0	0
Moderately negative impact	40	25	50	55	30	33
No net impact	36	25	30	27	60	33
Moderately positive impact	12	13	10	9	10	33
Highly positive impact	2	13	0	0	0	0

Base: 42

Half of all respondents anticipate a negative impact of Brexit and just over a third of respondents anticipate no net impact. Only 14% anticipate a positive impact. The most extreme responses have come from EPL respondents where 25% anticipate a highly negative impact, 13% anticipate a highly positive impact and 25% anticipate no impact.

Unsurprisingly FL1, FL2 and SP respondents anticipate less extreme impacts of Brexit as they are less exposed to the foreign player transfer market and other overseas exposures.

The above responses suggest that uncertainty is a feature of Brexit for the football sector as well as the wider economy.

SP respondents are perfectly divided with one-third expecting each of no impact, a moderately negative impact and a moderately positive impact.

## 13. How would you anticipate the following being impacted by the British exit from the EU (Brexit) for your club?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
<b>Player availability</b>						
Highly negative	5	0	22	0	0	0
Moderately negative	38	100	44	9	22	67
No impact	54	0	33	82	78	33
Moderately positive	3	0	0	9	0	0
Highly positive	0	0	0	0	0	0
<b>Player cost</b>						
Highly negative	3	0	13	0	0	0
Moderately negative	33	80	63	9	22	0
No impact	58	0	25	91	78	67
Moderately positive	6	20	0	0	0	33
Highly positive	0	0	0	0	0	0

The primary concern for football clubs is with regard to player mobility and therefore cost. Whilst the majority of clubs surveyed anticipate no impact, over a third of clubs expect a moderately negative impact with this being most pronounced in the EPL with 100% and the FLC with 44%. Similarly one-third of respondents anticipate that this will increase player costs.

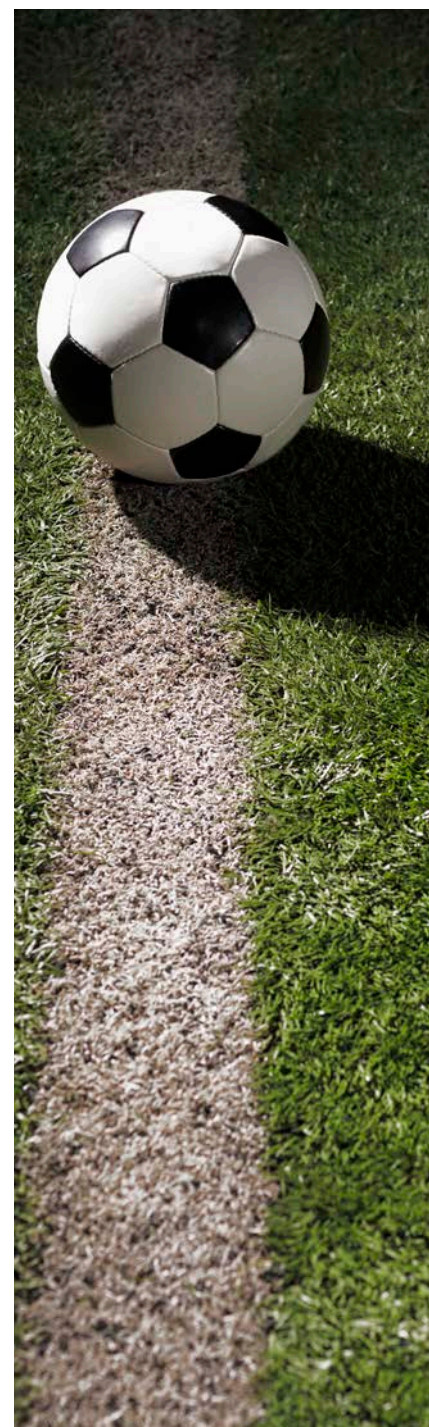
The vast majority of Football League clubs and SP clubs foresee no impact on media revenues. However, this is a different story in the EPL where 60% anticipate that media revenues, a large proportion of which is international broadcasting rights, could be adversely impacted.

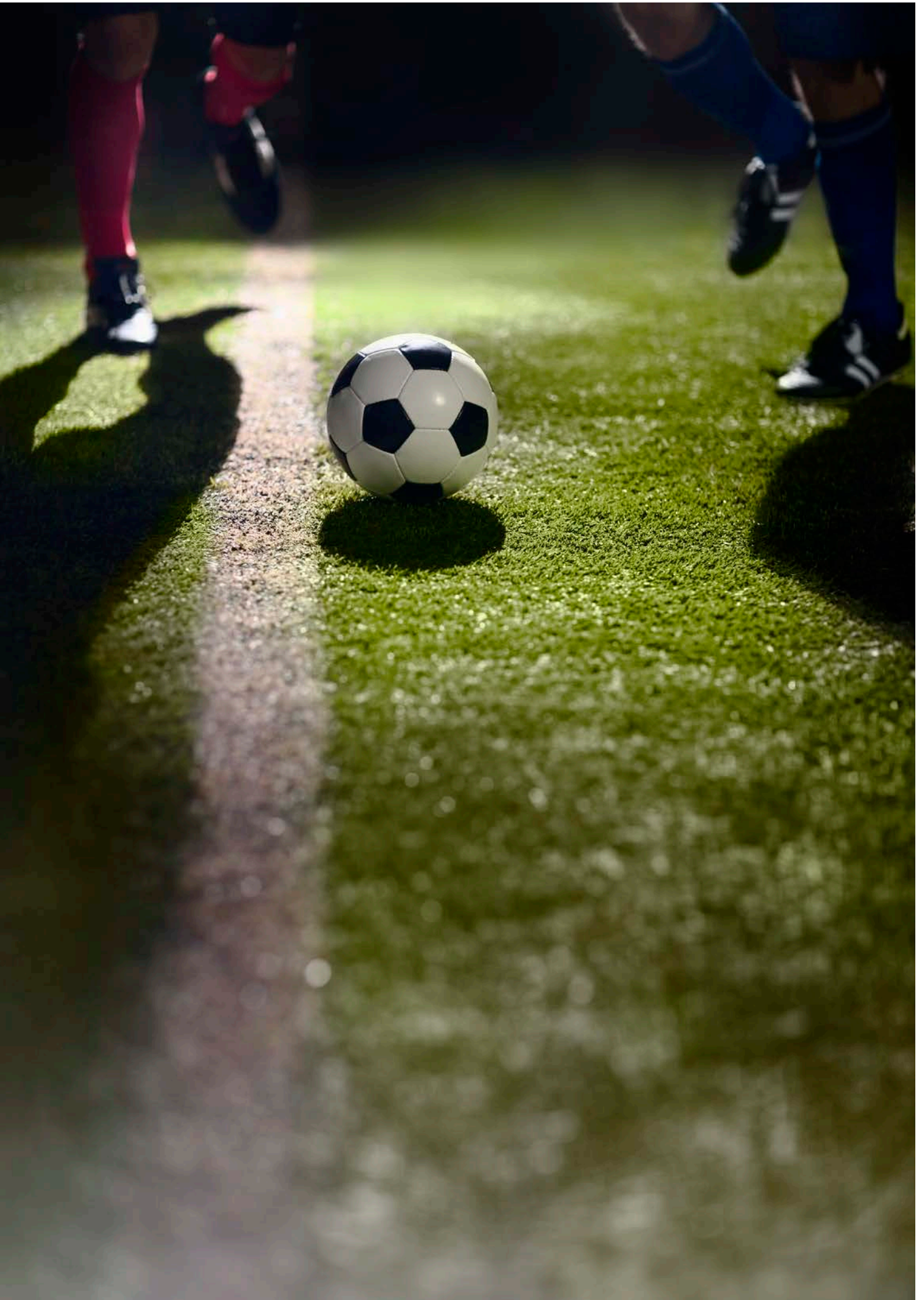
The majority of EPL respondents also share concerns over the future cost of financing with 80% anticipating a moderately adverse impact.

Brexit is anticipated to have virtually no impact on what can be considered local revenue streams such as season ticket revenues, gate receipts and club controlled media income.



Commercial / sponsorship revenues						
Highly negative	0	0	0	0	0	0
Moderately negative	19	20	25	18	22	0
No impact	81	80	75	82	78	100
Moderately positive	0	0	0	0	0	0
Highly positive	0	0	0	0	0	0
Season ticket revenue						
Highly negative	0	0	0	0	0	0
Moderately negative	8	20	11	9	0	0
No impact	92	80	89	91	100	100
Moderately positive	0	0	0	0	0	0
Highly positive	0	0	0	0	0	0
Media income (central/league TV)						
Highly negative	0	0	0	0	0	0
Moderately negative	19	60	25	0	22	0
No impact	78	40	63	100	78	100
Moderately positive	3	0	13	0	0	0
Highly positive	0	0	0	0	0	0
Media income (club controlled)						
Highly negative	0	0	0	0	0	0
Moderately negative	6	20	13	0	0	0
No impact	94	80	88	100	100	100
Moderately positive	0	0	0	0	0	0
Highly positive	0	0	0	0	0	0
Gate receipts						
Highly negative	0	0	0	0	0	0
Moderately negative	5	20	11	0	0	0
No impact	92	80	78	100	100	100
Moderately positive	3	0	11	0	0	0
Highly positive	0	0	0	0	0	0
Cost of financing						
Highly negative	0	0	0	0	0	0
Moderately negative	22	80	25	18	0	0
No impact	73	20	63	73	100	100
Moderately positive	5	0	13	9	0	0
Highly positive	0	0	0	0	0	0





## ANALYSIS OF KEY FINDINGS

## 02: CLUB REVENUE AND PROFITABILITY TRENDS

### 14. In light of the substantial increase in EPL television rights, what impact do you expect this to have on the finances of teams in your league?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Overall positive, the increased revenues will filter through the leagues improving profitability	53	78	23	64	55	60
Neutral, any additional revenues will be matched by additional player costs	22	11	38	18	18	20
Overall negative, player wage inflation will exceed revenue increases	0	0	0	0	0	0
Overall negative, the increasing gap between the EPL and the Football Leagues will be financially detrimental	22	11	31	18	27	20
Other	2	0	8	0	0	0

Base: 49

Unsurprisingly the vast majority of EPL clubs see enhanced TV rights as being positive for clubs in their league. By contrast, only 23% of FLC clubs believe this will be positive for their league.

Clearly there are some concerns over the extent to which these additional revenues will filter down to the FLC and a third of their respondents expect a negative impact overall as the increasing gap between the EPL and the Football Leagues will be financially detrimental.

Chasing the EPL dream in the context of an increasing gap between the EPL and the Football League, while desirable, may well become unsustainable for many FLC clubs.

FL1 and FL2 respondents are more positive with 64% and 55% respectively expecting that revenues will filter through the leagues giving them an overall positive impact.

A common comment that we received was that the increased broadcasting revenues will manifest itself in lower leagues being able to sell players up the chain for higher amounts.

### 15. Do you agree with the current system of parachute payments for clubs relegated from the EPL?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes, I agree with the amounts and periods of payments	63	89	62	18	80	80
No, the payments are too high and anticompetitive for other clubs	33	0	38	73	20	20
No, the amounts are too low and create too much financial risk for relegated clubs	2	11	0	0	0	0
No, the period of receipts should be shortened	2	0	0	9	0	0
No, the period of receipts should be extended	0	0	0	0	0	0

Base: 48

There is strong support (63%) for the current level and timing of parachute payments. In particular, 89% of EPL clubs hold this view.

38% of FLC clubs have a concern that the payments are too high and are therefore uncompetitive for other clubs. One might expect this response from those who are not recipients of parachute payments. Interestingly, no FLC clubs held the view that payments are too low and create too much risk for relegated clubs.

This is comforting from the point of view of those who express concern over the potential impact of relegation and is a good indicator that sustainability measures are working.

Nearly three-quarters of FL1 clubs however do see parachute payments as being too high. It is fair to draw the conclusion here that a widening financial gap between the FLC and FL1 is an issue that concerns FL1 clubs.

## ANALYSIS OF KEY FINDINGS

**02: CLUB REVENUE AND PROFITABILITY TRENDS****16a.** 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	49	44	31	64	45	80
No	51	56	69	36	55	20

Base: 49

We have seen a surprising decline in the use of the wages to turnover ratio as a KPI of the clubs financial health – down from 60% in 2015 and back in line with 2014. The most pronounced movements are in the EPL, down 26% and the FLC, down 25%. One might expect this to be a result of a heightened focus on other metrics required for profitability and sustainability rules such as permitted losses and absolute wage limits. The higher level of focus on this metric in FL1 is a reflection of this being an FFP metric in this division.

**16b.** If yes in which range is your benchmark?

NUMBER OF CLUBS	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
< 50%	21	0	0	43	40	0
51% - 55%	38	25	0	43	60	50
56% - 60%	13	50	25	0	0	0
61% - 65%	8	0	0	0	0	50
66% - 75%	13	25	25	14	0	0
>75%	8	0	50	0	0	0

Base: 24

FL1 and FL2 targets are in line with FFP requirements of 60% (75% of which are for newly relegated clubs) and 55% respectively.

Once again, we can see that FLC clubs continue to invest highly in players' wages in their quest to compete for promotion.

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

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
< 50%	33	0	17	63	50	0
51% - 55%	17	0	0	13	25	40
56% - 60%	10	67	0	0	13	0
61% - 65%	7	0	0	13	0	20
66% - 75%	10	33	0	13	13	0
>75%	23	0	83	0	0	40

Base: 30

There is a variation between the leagues with a staggering 83% of FLC respondents operating above 75%, while all EPL clubs responding operate below this level (with two thirds actually operating below 60%).

There are only a small number of FL1 and FL2 clubs operating outside of their target ratios.



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

There are incredibly mixed views across all divisions with regard to the potential impacts of growth in international leagues such as in the US and China on the domestic market. On balance this is seen as a positive direction of travel for domestic clubs with the opportunities for expansion of an international fan-base being largely positive. However, there are mixed views on whether the benefits of an increased supply of players will outweigh the downside of increased demand driving wage inflation.

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Overall positive, driven by an increased international fan base for UK clubs (and related media rights)	44	25	40	67	38	33
Overall negative, driven by a reduced international fan base for UK clubs (and related media rights)	9	25	0	11	13	0
Overall positive, driven by an increase in international supply of players	24	25	30	22	13	33
Overall negative, driven by player transfer fee and wage inflation	24	25	30	0	38	33

Base: 34



#### EXPERT COMMENTARY

At the club level, taking broadcasting rights to one side for a moment, the vast majority of clubs across all leagues have seen stable or increased revenues across their various revenue streams and this is expected to continue. Enhanced broadcasting rights will obviously benefit EPL clubs but, other than in parachute payments, enhanced EPL broadcasting rights are not widely expected to filter down to the FLC proportionately and many clubs in this division have expressed concerns over the impact of the widening gap between the EPL and FLC. However, FL1 and FL2 clubs do anticipate an indirect benefit through higher player sales values.

This widening gap is manifesting itself in a disproportionate level of player investment in the FLC with wage to turnover ratios significantly higher than in any other division. In a sector of increased financial stability, the FLC is the playground of risk-takers, striving for the riches of the EPL.

**IAN CLAYDEN**

Partner  
Professional Sports Group



## ANALYSIS OF KEY FINDINGS

## 03: CLUB OPERATIONS

### 19. 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	57	11	38	91	73	80
£2.5-£10m	20	33	31	0	18	20
£10-£25m	8	11	23	0	0	0
£25-£50m	12	33	8	9	9	0
Don't know	2	11	0	0	0	0

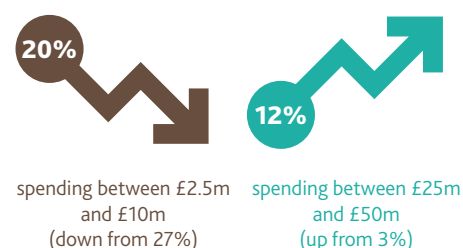
Base: 49

More than half of all clubs will be spending less than £2.5 million on non-player capital spend over the next two years. This percentage rises to 91% of FL1 and 73% of FL2 respondents. These results are virtually the same as in 2015.

One major change from 2015 is that one-third of EPL clubs are now planning

to spend between £25-50m on capex over the next two years – no doubt a response to the enhanced broadcasting rights and commercial revenues.

Additionally, the proportion of all respondents projecting to spend between £25-50m has increased compared to 2015. This suggests that some wealthy lower



league owners are increasingly taking the opportunity to enhance their stadiums and infrastructure to become more competitive in the long term.

With ever-improving stadia at the top level of English and Scottish football, one might expect this to strengthen our case for hosting major international tournaments.



## ANALYSIS OF KEY FINDINGS

## 03: CLUB OPERATIONS

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

COUNT	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Potential fall in TV income				-		
Loss of income due to relegation	1st	2nd	=2nd	1st	=1st	=1st
Ability to attract/retain sponsorship			-		=3rd	-
Increasing players' salaries	2nd	1st	1st		=3rd	3rd
Ability to raise new capital		-			=1st	
Season ticket pricing	-	-	-	-	-	-
Falling attendances due to current economic environment		-		3rd		-
Compliance with financial fair play regulations		-		-		-
Increasing financial inequality between leagues	3rd		=2nd	2nd		=1st
New Football League proposals for a 5th league (see Question 55)					=3rd	-
Other		3rd	-	-		-

Base 49

The top two concerns are once again loss of income due to relegation and increasing player salaries. However, this year, based on data received in 2015, we included an option of "increasing financial inequality between leagues", which has received the third highest response rate.

FL2 respondents are concerned over their ability to raise new capital. However, with increasing levels of investor interest (refer to our analysis in question 5), there may be a matching of buyers to clubs in need of additional equity going forward.

## 21. Are your revenues from key commercial contracts such as sponsorships increasing, unchanged or falling?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Increasing	55	89	54	36	55	40
Largely unchanged	37	0	38	55	36	60
Falling	8	11	8	9	9	0

Base 49

At the highest level of English and Scottish football, sponsorship revenues are increasing. This is not surprising for the EPL who have global brands. The same is true for Football League and SP clubs which is also a hugely positive development and contrasts to a poor result to this question in 2015.



## 22. Do you think suitable sponsors are:

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Becoming easier to find	20	33	15	18	18	20
Becoming harder to find	35	33	23	55	36	20
No real change	45	33	62	27	45	60

Base 49

Only 20% of clubs are finding suitable sponsors easier to find and these are most likely to be in the EPL. We continue to see that sponsors are becoming more demanding and requiring more creative brand engagement and activation.

However, where the club/sponsor relationship is right, there are increasing revenues available.



**35%**  
of all respondents think suitable sponsors are becoming harder to find, compared to 43% in 2015

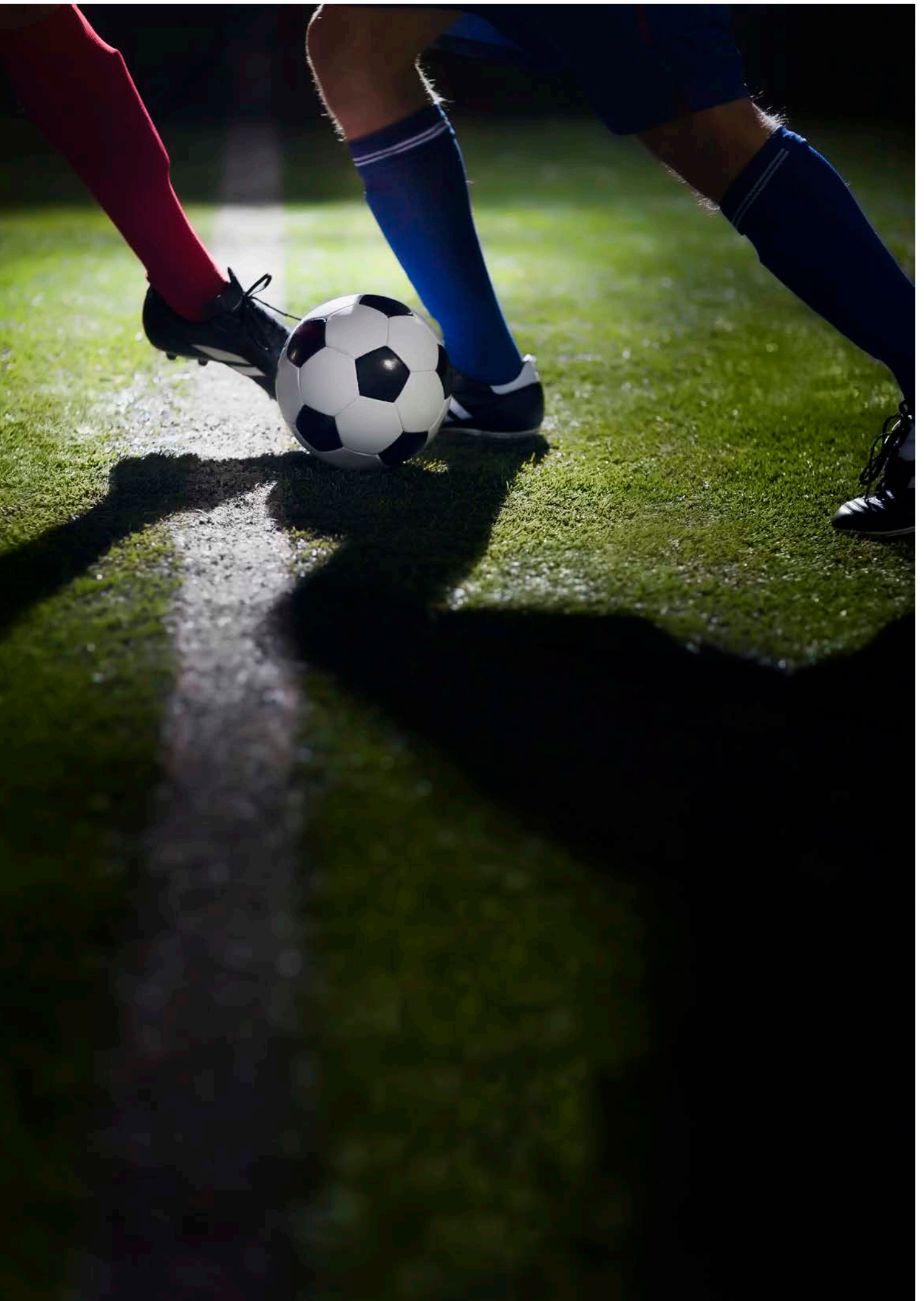
**15%**  
of FLC find sponsors easy to find, up from 0% in 2015

### EXPERT COMMENTARY

There continues to be a high level of capex investment within the upper leagues, which is enhancing spectator experience, building the brands of clubs and attracting an increased fan base. As they build their brands, clubs and sponsors are increasingly aware of the need to brand match with a premium being placed on mutually beneficial commercial partnerships. There is much to be gained from the right medium to long term relationship and cross referrals of supporters and consumers.

**JULIEN RYE**  
Partner  
Professional Sports Group





## 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 liabilities 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 defensible	73	33	85	82	82	80
Somewhat uncertain given the pace of change of HMRC enquiries	10	11	15	0	18	0
Somewhat concerned that a sizeable challenge could create a problem	14	56	0	9	0	20
Very concerned that a sizeable challenge would create a problem	2	0	0	9	0	0

Base: 49

**24a.** Has the club been subject to a HMRC enquiry or review in the last 12 months?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	37	22	38	64	9	60
No	63	78	62	36	91	40

Base: 49

**24b.** If yes, was the outcome

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Better than expected	17	0	20	14	0	33
Worse than expected	6	0	0	14	0	0
As expected	78	100	80	71	100	67

Base: 18

Almost three-quarters of respondents are confident that their tax position on payments to players is robust and defensible. Over 80% of all leagues other than the EPL are more confident in this regard than in 2015. 56% of EPL respondents expressed some concern that a sizeable challenge could create a problem.

There is both a financial and a reputational impact that could arise from an adverse challenge from HMRC.

Over a third of clubs have been subject to a HMRC enquiry within the last 12 months. However, only a small percentage (6%) found the outcome to be worse than expected. Most (78%) found the outcome to be as expected.

Overall this is positive feedback and a possible indication that many clubs have their tax affairs in good order.

## ANALYSIS OF KEY FINDINGS

## 04: TAXATION

**25.** Was your club late on more than one occasion during the year with payment of any tax (i.e. corporation tax, PAYE/NIC, VAT) due to HMRC?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	22	11	23	18	45	0
No	78	89	77	82	55	100

Base: 49

Only 22% (2015: 15%) of respondents were late with their tax payments during the year. Of these, 55% of the Football League clubs responding had formally agreed the delay with HMRC.



More than one late tax payment

**26.** 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	78	67	62	82	91	100
A concern for clubs as it is distracting and concerning for players	4	22	0	0	0	0
Changing the way the club deals with player emoluments, agents and structure payments	4	0	0	18	0	0
Both 2 and 3 above	2	0	8	0	0	0
Largely a player matter therefore the club does not get involved	12	11	31	0	9	0

Base: 49

In most cases, clubs consider player payments to be in-part their issue and not simply a player issue where they do not get involved, as was the case for 6 out of 10 respondents last year. It is promising that the majority (78%) consider their approach to player payments to be conservative.

## 27. Do you currently have a formal tax strategy?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	27	56	31	18	18	0
No	73	44	69	82	82	100

Base: 49



## 28. 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	92	80	100	100	100	n/a
The club's attitude towards tax planning	92	100	75	100	100	n/a
The level of risk that the club is prepared to accept	92	80	100	100	100	n/a
The approach of the group toward its dealings with HMRC	100	100	100	100	100	n/a

Base: 13

Being the most likely to be making taxable profits, more than 50% of EPL clubs have a formal tax strategy in place and of these they are, almost without exception, covering the areas of incoming legislation for large businesses.

### EXPERT COMMENTARY

Given the increased media attention on tax settlements made with public figures, it is perhaps no surprise that respondents appear to have changed their view on players tax affairs. Whilst such investigations are often focused on the personal tax affairs of the individuals concerned, they can have knock on impacts for clubs. HMRC has been relatively inactive in the industry, and it will be interesting to see whether this remains the case.

**SHAWN HEALY**  
TAX PRINCIPAL  
PROFESSIONAL SPORTS GROUP



ANALYSIS OF KEY FINDINGS

# 05: FINANCIAL FAIR PLAY

**29.** Financial sustainability rules are now in force in UEFA club competitions and the top 4 tiers of English football and many consider these to have been broadly successful. Do you believe that similar rules should be introduced by the SPFL?

All SP respondents agree that similar rules should be introduced by the SPFL.

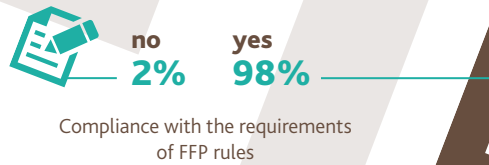
**30.** Did your club comply with the requirements of applicable financial fair play (FFP) and sustainability rules in the 2015/16 season?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	98	100	100	100	100	80
No	2	0	0	0	0	20

Base: 49

This represents a further improvement on previous years and to have 98% of respondents citing compliance with the rules is a great achievement for English and Scottish football.

Just one SP club who returned the survey did not comply.



### 31. Domestic and/or UEFA fair play rules are in operation. Do you expect that for next season your club will:

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Comply with these rules with minimal change to the business model	94	100	85	100	100	80
Only manage to comply by making significant changes to the business model	6	0	15	0	0	20
Not comply, but plan to be compliant within the next 2-3 years	0	0	0	0	0	0
Not comply and have not yet addressed the steps necessary to become compliant	0	0	0	0	0	0

Base: 49

Levels of compliance with fair play rules continue to rise – up from 93% in 2015 to 94% this year. No clubs expect to not comply in 2016/17 and only 6% of clubs will only manage to comply by making significant changes to their business model.

Revenue increases from media rights aren't directly matched by proportionate increases in cost caps, making profitability higher and therefore compliance easier.

**94%**

all clubs will comply with FFP rules without making significant changes.

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

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	91	100	83	90	91	100
No	9	0	17	10	9	0

Base: 47

As in 2015, the vast majority (91%) of respondents believe that FFP rules are broadly workable as they currently stand.

Only a handful of Football League clubs disagree.

**91%**

believe that FFP rules are broadly workable

**9%**

do not agree

ANALYSIS OF KEY FINDINGS

# 05: FINANCIAL FAIR PLAY

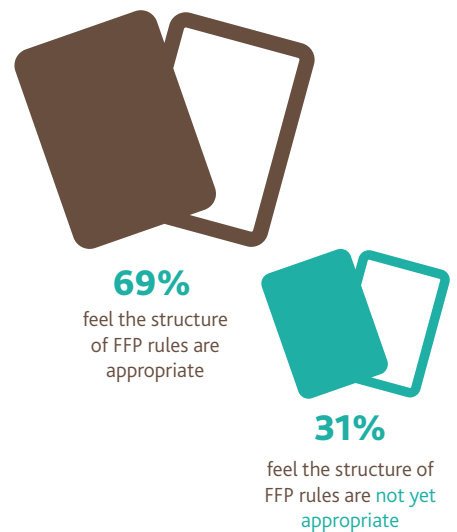
## 33. Do you believe the structure of the Financial Fair Play rules, applicable to your division, to be appropriate?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	69	44	54	100	82	60
Not yet, some refinement required	31	56	46	0	18	40
No, a lot needs to change	0	0	0	0	0	0
Other (please specify)	0	0	0	0	0	0

Base: 49

Despite near 100% current and forecast compliance, and despite 94% of respondents telling us that they feel well represented by their league with regard to financial fair play/sustainability rules, 3 in 10 respondents say these rules are not yet appropriate for their league and require some refinement. This number rises to 56% of the EPL and 46% of the FLC.

One would expect that EPL clubs, with enhanced broadcasting rights, would prefer short term cost control rules to be relaxed somewhat. Equally, given their ambitions for promotion to the EPL, many FLC clubs may want to see some relaxation of profitability and sustainability rules.



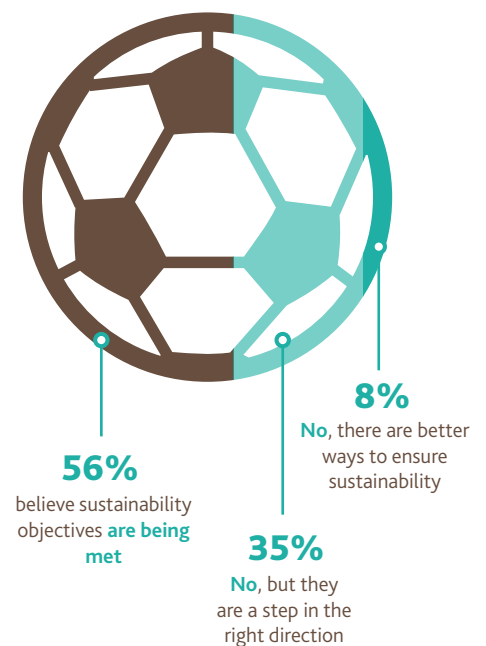
## 34. Do you believe that the FFP regulations meet the principal objective of promoting sustainability?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	56	44	46	64	64	75
No, but this is moving in the right direction	35	44	38	27	36	25
No, there are better ways to ensure sustainability	8	11	15	9	0	0
Regulation is not necessary	0	0	0	0	0	0

Base: 47

The percentage of finance directors who believe that the FFP regulations meet the objective of promoting sustainability has stayed constant at 56% this year. However, within this only 44% of EPL finance directors believe this to be the case, down from 70% in 2015. We suspect this is a response to unchanged regulation despite the increase in broadcasting rights.

Similarly, only 46% of FLC respondents (clubs largely striving to get promoted to the EPL) believe that FFP regulations meet their principal objective. FL1, FL2 and SP are generally more positive with around two-thirds believing that principal objectives are being met.





### 35. 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	13	33	17	9	0	0
Yes, to some extent	10	0	17	0	27	0
No, the amount that we are allowed to invest is sufficient	63	56	58	91	45	60
No, there is no more to invest	15	11	8	0	27	40

Base: 48

33% of EPL clubs would be spending significantly more in realising their ambitions in the absence of FFP regulations. This is not surprising in the context of enhanced broadcasting revenues.

However, what is interesting, and incredibly encouraging from a purely commercial perspective, is that in all leagues (including the EPL) there has been a marked increase in clubs expressing satisfaction with the amounts that they are able to spend (overall 63% this year compared to 38%

in 2015). Only 15% have responded that there is no more to invest compared to 27% of cases in 2015. This suggests that clubs may be reluctant to invest all revenues in players and players' salaries; rather they would prefer to promote sustainability for their clubs going forwards and perhaps retain profits to invest in the broader infrastructure of the club. This would be consistent with the opportunities to develop the clubs and diversify into wider leisure offerings as identified in question 6a.

significantly: **13%**

to some extent:

**10%**

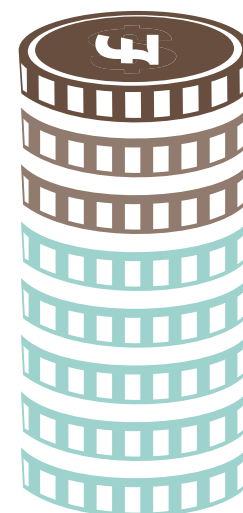
**yes**

**no**

the amount we are allowed is sufficient:

**63%**

there is no more to invest: **15%**



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

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	43	56	15	70	30	60
No, they are enforced too strongly	2	11	0	0	0	0
No, they are not enforced strongly enough	55	33	85	30	70	40

Base: 47

With the vast majority of clubs having complied with FFP regulations, and forecasting to continue to do so, there is a significant level of concern (55%) that sanctions for those who do not comply are not enforced strongly enough. Only a very small minority believe sanctions are enforced too strongly.



#### EXPERT COMMENTARY

One might expect that with enhanced broadcasting rights clubs would be more inclined to spend more money on player transfers and salaries in order to attract the top players. However, the responses that we have had to our 2016 survey tell a different story.

Nearly two thirds are satisfied with the amounts that they are able to spend and would not want to spend more if regulations were relaxed. In reality, such a relaxation would raise the competitive bar and many would need to increase spending in order to compete whether they wanted to or not.

Despite the argument for free markets and open competition, we believe this control, from a purely financial perspective, provides a broadly welcome level of stability to the sector. However, this is not to say that control limits should not evolve over time in line with the specific financial situation of the divisions in question.

**IAN CLAYDEN**

Partner  
Professional Sports Group

## ANALYSIS OF KEY FINDINGS

## 06: YOUTH DEVELOPMENT

### 37. For financial year 2016/17, how does your youth development budget compare to financial year 2015/16?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Significantly higher	20	22	15	27	27	0
Slightly higher	43	56	46	36	45	20
The same	27	22	23	18	18	80
Slightly lower	6	0	8	18	0	0
Significantly lower	4	0	8	0	9	0

Base: 49

Almost two-thirds (63%) of respondents have a higher budget for youth development again next season, being further growth on top of a similar amount last year. This rises to 78% of EPL club. Only 10% of respondents will be reducing youth team budgets next year.

EPPP has been cited in most cases as being the driver for changes to youth development policies.

We have seen earlier in this report that there is some expectation that potentially

reduced international player mobility may increase player costs (Q13) and that enhanced broadcasting rights may filter down through the leagues in the form of higher values for players being sold up the chain. These are likely to be contributing factors to the justified increase in youth development budgets. Other factors that may impact the increase in youth development budgets include higher EPPP grading and restrictions over the number of foreign versus home grown players.

Youth development budget 2016/17 vs 2015/16





## ANALYSIS OF KEY FINDINGS

## 07: PLAYER COSTS AND TRANSFERS

## 38. What is happening to liquidity in the transfer market?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Improving	18	33	23	9	0	40
Unchanged	69	67	62	64	91	60
Worsening	12	0	15	27	9	0

Base: 49

Liquidity in the transfer market appears largely unchanged from 12 months ago. Over two thirds say it is unchanged with only 12% saying it is worsening. Whilst 33% of EPL respondents say liquidity is improving (up from 30% in 2015), the opposite is true for FL1 respondents, with 27% saying liquidity is worsening (up from 18% in 2015).

These views on liquidity indicate a growing disparity between what FL1 clubs can afford and what other clubs and players expect in the market place.

## 39a. 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%	22	25	8	18	30	50
26-50%	7	13	0	0	10	25
51-75%	13	0	17	18	10	25
>75%	16	13	25	18	10	0
100%	42	50	50	45	40	0

Base: 45

More than half (58%) 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 75% of FLC respondents.

Within these reductions over half (56%) of respondents would reduce their players' salaries by between 20% and 40% in the event of relegation. 28% would reduce salaries by less than 20% and 17% would reduce salaries by more than 40%. 42% of the respondents from the FLC said that they would reduce their players' salaries by more than 40%, which highlights the substantial loss of income (no parachute payments and loss of significant TV income) expected in the event of relegation from the FLC to the FL1.

## 39b. What are the range of percentage reductions?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
<20%	28	14	8	30	50	50
20-30%	44	71	25	50	50	25
30-40%	12	14	25	0	0	25
40-50%	12	0	42	0	0	0
>50%	5	0	0	20	0	0

Base: 43

ANALYSIS OF KEY FINDINGS

# 07: PLAYER COSTS AND TRANSFERS

**40a.** In your budget for 2016/17 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	24	33	38	18	9	20
Same	39	56	15	45	45	40
Smaller	37	11	46	36	45	40

Base: 49

Around a quarter (24%) expect a bigger first team squad next season. This rises to 33% of EPL and 38% of FLC. Over a third (37%) expect they will have a smaller first team

squad, which is mainly impacted by FLC and FL2 clubs where 46% and 45% respectively expect to reduce their first team squad next season.



**37%**

planning to reduce squad numbers this year



**46%**

FLC clubs reducing squad size compared with last year

**40b.** In your budget for 2016/17 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	40	75	38	27	36	20
Same	23	13	15	27	36	20
Less	38	13	46	45	27	60

Base: 48

40% of respondents will be spending more on first team payroll next season. As in 2015, 75% of EPL respondents will be spending more despite only 33% increasing squad size. Clearly player salary inflation is still prevalent, albeit presumably this will be limited by the EPL Short Term Cost Control limits.

The percentage of clubs cutting payroll budgets has fallen over the years from 56% in 2013 and 40% in 2014 to 35% in 2015, although has gone up slightly to 38% in 2016. This rises to 46% for FLC and 45% for FL1, which correlates to the high proportion of respondents commenting that they will be reducing squad sizes (Q40a).



**40%**

clubs will be spending more



**75%**

of EPL clubs will be spending more

#### 40c. If yes, to what extent have these decisions been driven by the Financial Fair Play/sustainability rules?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Not at all	84	100	50	100	83	100
Yes to some extent	13	0	38	0	17	0
Yes to a considerable extent	3	0	13	0	0	0

Base: 31

84% of respondents do not believe that their decisions to spend the same or less on payroll costs of the first team squad in the 2016/17 season has been driven by Financial Fair Play/sustainability rules.

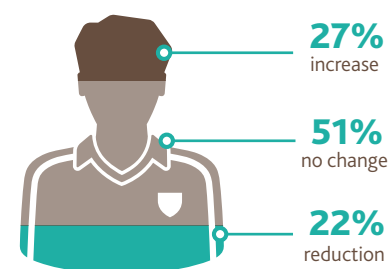
#### 41a. Will you increase/reduce your transfer budget for 2016/17?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Increase	27	43	42	30	9	0
It will remain the same	51	43	25	30	91	80
Reduce	22	14	33	40	0	20

Base: 45

Over half (51%) of respondents will have the same amount of transfer budget this year and only 22% will be reducing it. The percentage of clubs reducing their transfer budget has fallen over the last three years from 44% in 2013 and 27% in 2014 to 22% in 2015 and has remained at 22% in 2016.

The most extreme changes have come from FL1 respondents with 30% commenting that their transfer budget will increase and 40% commenting that it will decrease, compared to 82% commenting that it would remain the same in 2015.



Nearly half (43%) of EPL respondents will be increasing their transfer budget as will 42% of FLC respondents, whereas 14% and 33% respectively will be reducing it.

#### 41b. If answered "Reduce" or "Remain the same" to what extent has this decision been driven by the Financial Fair Play rules?

Again, the majority of respondents (93%) say that their decision to reduce or keep their transfer budget the same has not been influenced by the fair play rules. These results are very similar to those in 2014 and 2015.



## ANALYSIS OF KEY FINDINGS

**07: PLAYER COSTS AND TRANSFERS****42.** Does your club hedge foreign currency exposure on substantial balances e.g. player transfer payables / receivables?

Only 16% of respondents say that their club hedges foreign currency exposure on substantial balances but, not surprisingly, this percentage rises to 78% of EPL clubs (compared to 46% from 2015), which highlights the growing international exposure of clubs in the EPL.

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	16	78	0	0	0	20
No	84	22	100	100	100	80

Base: 49

**43.** Have you found changes in agent regulations to be...

Nearly three-quarters (73%) of finance directors believe recent changes in agent regulations to be inconsequential. Whilst 16% agree that the recent changes are beneficial, there is variation between the leagues with just 11% of EPL respondents expressing this view compared to 31% of FLC.

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Beneficial	16	11	31	9	18	0
Inconsequential	73	89	62	82	73	60
Detrimental	10	0	8	9	9	40

Base: 49







#### EXPERT COMMENTARY

With increasing players costs in the market place, many lower league sides are projecting smaller first team squad sizes next year, reducing transfer budgets and increasing the level of clauses in player contracts to protect the club in the event of relegation. These issues, whilst still a concern, are less apparent in the EPL where clubs are generally more financially secure and in the event of relegation can partly rely on parachute payments.

**SIMON HALL**  
Assistant Director  
Professional Sports Group



ANALYSIS OF KEY FINDINGS

# 08: GOVERNANCE AND PROPRIETY

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

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	90	78	92	82	100	100
No	10	22	8	18	0	0

Base: 49



90% respondents regard their football club as a public interest business with high degrees of scrutiny, consistent with 2014 and higher than the 83% of respondents that answered yes in 2015.

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

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	22	22	15	27	18	40
No	78	78	85	73	82	60

Base: 48



There has been nearly a two-fold increase in remunerated non-executive independent directors across our sample. Most notably, the SP has increased from zero to 40%, the FLC has increased from 6% to 15% and the EPL has increased from 8% to 22%.

These results represent movement in the right direction in terms of good corporate governance.

**46.** 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 the football sector?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	73	67	69	64	100	60
No	27	33	31	36	0	40

Base: 49



In all cases other than for the FL1 where the 2015 positive response rate was already high, there has been an increase in respondents stating that they manage the club with heightened corporate governance in comparison to similar sized companies outside the football sector.

One might expect that this increased level of corporate governance is a reflection that the clubs multiple stakeholders, with increasing access to information, remain highly influential.

#### 47. Do you think the FA/SFA has any authority/mandate to change the structure of league football?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	36	38	54	10	36	40
No	64	63	46	90	64	60

Base: 48

Almost two-thirds of respondents do not think that the FA and SFA have any authority or mandate to change the structure of league football. This rises to 90% of FL1 respondents who think this.

#### 48a. The Football League has recently announced proposals for potentially radical changes to the league structure including:

- the introduction of a fifth professional division (League 3)
- 20 teams per league (reducing Football League fixture congestion and mid-week games)
- the additional 8 teams being drawn from, for example, the National League, Premier League B teams or Scotland.

Is your club in favour of the proposals?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes, very much in favour	6	0	0	18	0	20
Yes, to some extent	19	50	15	9	9	20
Indifferent	23	38	23	18	18	20
No, to some extent	23	0	31	27	27	20
No, very much against	29	13	31	27	45	20

Base: 49

Overall, three-quarters of clubs are either indifferent or against the new proposals in their current form.

Clubs from the three Football Leagues are the most against the recent proposal with dissenting percentages of 62% from FLC, 54% from FL1 and 72% from FL2.

Anecdotally, we are aware that there are concerns over the reduction in the number of games and the impact this will have on revenues as well as the potential impact on club status for those that might move from FL2 to FL3.

SP clubs have had a very mixed reaction to these proposals depending on whether they consider there to be a direct impact on Scottish clubs that could move into FL3.

The prospect of Premier League B teams representing FL3 appears to be reasonably well received by 50% of our EPL respondents.

## ANALYSIS OF KEY FINDINGS

**08: GOVERNANCE AND PROPRIETY****48b.** What do you expect the net financial impact that these proposals to be on your club?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
High negative impact	18	0	15	27	36	0
Small negative impact	10	0	23	18	0	0
No impact	37	78	38	36	18	0
Small positive impact	10	11	8	9	18	0
High positive impact	2	0	0	0	0	20
Don't know	22	11	15	9	27	80

Base: 49

The clear conclusion here is that there is uncertainty over the net financial impact of these proposals. The majority of EPL clubs expect there to be no impact and over a third of FL2 clubs expect a high negative impact with nearly a quarter responding with don't know.

Responses to questions 48a and 48b suggest that changes will need to be made to the proposals and the financial impacts need to be better understood and communicated before there is a wide level of acceptance for them.

**48c.** Would you welcome Scottish club representation in the Football League?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	27	63	8	18	22	40
Yes, in principal but the terms will be important	18	0	17	36	22	0
No	56	38	75	45	56	60

Base: 49

As expected, there is a divide amongst our SP respondents with 40% in favour and 60% not in favour of Scottish representation in the Football League. Clearly views will differ depending on whether one expects to move or remain.

There are also mixed views from English respondents, although on balance EPL clubs are in favour whereas Football League clubs are against or say this would very much depend on the terms.

**EXPERT COMMENTARY**

As the football industry becomes more profitable, we expect, and are already seeing, increasing degrees of scrutiny of football clubs as they attract interest from institutional investors.

More and more football clubs are moving in the right direction as they continue to improve their corporate governance, increasing the number of remunerated non-executive independent directors. Clubs are consistently stating that they manage the club with heightened corporate governance in comparison to similar sized companies outside the football sector.

**JAMES ROBERTS**

Partner

Corporate governance and public policy  
Technical Services Group



## ANALYSIS OF KEY FINDINGS

## 09: BRANDING AND SOCIAL MEDIA

## 49. How important is social media in terms of contributing to your club's brand value?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
High importance	77	78	77	70	91	60
Medium importance	23	22	23	30	9	40
Low importance	0	0	0	0	0	0

Base: 48

Over three-quarters (77%) of respondents say that social media is highly important in contributing towards their club's brand value, which is up from 63% in 2015. No respondents believe that social media is of low importance to their brand.

Given the importance of a national and international reach for clubs' engagement with its fans, and the impact this has on commercial, sponsorship and media revenues, effective social media is an imperative for football clubs. Sponsors in particular expect a high level of interaction with fans through social media.

## 50. Does your club have the appropriate skills to exploit new/social media?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	94	100	100	82	91	100
No	6	0	0	18	9	0

Base: 49

Only 6% of clubs do not have the appropriate skills to exploit new social media but only one of those clubs does not expect this to change over the next 6-9 months.

## 51. Do you envisage eSports having a significant impact on your business in the future?

%	ALL LEAGUES	EPL	FLC	FL1	FL2	SP
Yes	22	14	8	18	30	60
Yes, and we are already taking action to associate the club with eSports	4	14	0	9	0	0
No	74	71	92	73	70	40

Base: 46

22% of respondents believe that eSports will have a significant impact on their business in the future. This rises to 60% in the SP. Two respondents said that they are already taking action to associate the club with eSports. In the medium term we anticipate that eSports is another way for clubs to increase fan engagement and commercial revenues.



#### EXPERT COMMENTARY

Due to exponential growth in the amount of money in football, clubs are often criticised for being out of touch with their fans.

In recent years however, social media has afforded clubs the ability to interact with their own fans and promote their own (global) brand in ways that traditional outlets can't compete with.

**NICOLAS JACOBSON**  
Senior Executive  
Corporate Finance



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Our specialist services include:

### **CORPORATE FINANCE AND FINANCIAL MODELLING**

We have significant experience providing transaction advisory and investigative 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 our advisory team specialises in leading sale processes and procuring investment.

### **BUSINESS RESTRUCTURING**

We have been appointed administrators of a number of clubs including Motherwell, Oldham Athletic, Dundee, Portsmouth, Dunfermline and Hearts. 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.

### **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.

We have produced a VAT overview guide for clients in connection with a number of rules and treatments, including the place of supply of goods & services, plus certain VAT reporting requirements and a matrix relating to the key income streams.

### **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. We have considerable experience in dealing with HMRC enquiries acting for all parties in the UK and further afield. Our approach is to help HMRC understand the often complex fact pattern underpinning a particular matter such as a player transfer and reaching a solution that is equitable to all parties.

### **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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