



Ahead of the curve

Annual Review of
Football Finance

Sports Business Group
July 2017

This 26th edition of the Deloitte Annual Review of Football Finance documents English and European professional football's business and commercial performance over the 2015/16 season, which will be remembered for Leicester City's remarkable Premier League title triumph.

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Please visit our website at

www.deloitte.co.uk/sportsbusinessgroup to download a
copy of the full report and to purchase the Databook.

Databook price £1,000

Our 32 page Databook includes over 8,000 data items on
the various topics covered in this report, prepared on the
basis of our specialist and long-established methodologies.

Foreword

Welcome to the 26th edition of the Deloitte Annual Review of Football Finance, compiling our analysis and commentary on the recent financial developments within, and prospects for, the world's most popular sport.

Whilst the introduction to last year's 25th edition of the Annual Review chronicled the key developments in football finance over the last quarter of a century, this year we return to two familiar themes as we assess the 2015/16 season – the continuation of relentless revenue growth across Europe's major leagues, in particular the Premier League, and the commitment of this money to spending on players via transfer fees and wages, again led by English clubs.

Name of the Game

New broadcasting deals taking effect in the 2015/16 season for UEFA and others, together with those confirmed in England and elsewhere for 2016/17 and beyond, continue to have a profound effect on the financial landscape of Europe's 'big five' leagues. New deals in Italy and Spain – the latter being its first year of collective selling thus improving the equality of distributions – provided substantial increases on previous arrangements whilst the new Bundesliga deal for international rights in

2015/16 will be followed by a domestic deal starting in 2017/18, which promises to deliver an impressive 85% increase in revenue on 2015/16 levels.

On a pan-European level, the large increases in UEFA distributions in 2015/16 made qualifying for these competitions even more important to clubs. Examples such as increases of 50% and 80% in the amounts being received by Spanish and English clubs respectively drive intense domestic competition to secure these rewards. Such continent-wide revenue increases, bringing incentives to compete and stretch financial resources, reinforce the growing importance and use of financial regulations in football. This drive for club sustainability and development throughout Europe is a topic discussed further in *For the good of the game*.

However, in spite of the aforementioned enhanced deals and improved UEFA distributions, the Premier League continues to power ahead of the other four big European leagues, particularly with regard to broadcast

revenues, as has been the case for well over a decade now. To compound this situation the 2016/17 season's results will reflect a new Premier League broadcast rights cycle, with central distributions increasing by an average of £38m per club.

The Winner Takes it All

The collective selling of broadcast rights, and the associated relative equality in distribution, has been a fundamental strength of the Premier League over the past 25 years. The league's revenue distribution mechanism – the most equal of the 'big five' European leagues – and the effective 'minimum guarantee' that all clubs receive as a consequence enables strength in depth and intense competitiveness as exemplified by the shock of Leicester City's Premier League title win in 2015/16. In no other major footballing nation could a club with a similar profile to Leicester City be able to collect c.£90m in broadcast revenue alone, to help level the playing field and give such an 'outsider' a shot at glory without reckless overspending.

Whilst Leicester's remarkable achievement made it four consecutive different winners of the Premier League for the first time in the competition's history, this unpredictability did not extend to the rest of Europe's 'big five' leagues. Indeed, 2015/16 was the fourth year in a row that

the same three teams – Paris Saint-Germain, Bayern Munich and Juventus – won the leagues in France, Germany and Italy, respectively. Barcelona, meanwhile, retained their La Liga crown; their third title in four seasons.

Gimme! Gimme! Gimme!

In 2015/16 Premier League revenues rose to a record £3.6 billion. Each club generated more on average than the whole top division of 22 clubs did in total in 1991/92 and commercial revenues exceeded £1 billion for the first time in the league's history. The aforementioned Premier League champions, Leicester City, secured a notable revenue increase of £25m yet still generated less than 40% of the average revenue of the 'big six' clubs. These six collectively responded strongly and immediately to Leicester's accomplishment by spending more than any other clubs in the summer transfer window of 2016 before subsequently occupying the top six places in the league in the 2016/17 season.

Whilst English clubs have therefore remained ahead of their European counterparts in terms of revenue generation, the 2015/16 season also demonstrated their attempts to enhance their on-pitch position by already committing to spend some of the increased broadcast revenue arriving in 2016/17. English

clubs remained by far the largest spenders on transfers in the world, whereas German and French clubs were net 'exporters' of talent in the 2015/16 season. Notably, the Premier League collectively recorded net transfer receipts for the first time in a single transfer window in January 2017, primarily due to exports to Chinese clubs. Whether this will continue given increased local regulation remains to be seen, a development discussed further in *For all the teams in China*.

Money, Money, Money

As Premier League transfer spending has continued, so has wage cost growth, which in 2015/16 led to a total of £2.3 billion, an increase of 12%. Wage costs grew at almost twice the rate witnessed in each of the previous two years as clubs spent in anticipation of the extra broadcast revenue in 2016/17. However, over a longer cycle, the previous trend of revenue increases being wholly consumed by wage costs now appears to have been replaced by a more prudent approach – since 2012/13, just 44% of revenue increases have been accounted for by wage growth, whereas in the five years to 2012/13 this figure was 99%.

As Leicester City's achievement has confirmed, there are other factors beyond wage spend which contribute to clubs' on-pitch performance. For example, in 2015/16 whilst Leicester won the league despite being ranked 15th by wage costs, defending champions Chelsea finished eight places lower than their wage costs rank of second, and relegated Aston Villa twelve places lower than their wage costs rank of eighth. The 2016/17 season reverted to a much stronger correlation between wage



"Over the three seasons from 2013/14 to 2015/16, Premier League clubs generated combined operating profits of £1.6 billion, more than they managed in total over the previous 16 seasons combined."

costs and league position, with the division's top six wage spenders in 2015/16 filling the top six league positions in 2016/17.

Premier League clubs recorded a third consecutive season of operating profits in excess of £500m, and although they returned to cumulative pre-tax losses following two consecutive seasons of profit this was due to exceptional items. Over the three year broadcast rights cycle from 2013/14 to 2015/16, Premier League clubs generated combined operating profits of over £1.6 billion; more than they managed in total over the previous 16 seasons combined, and we expect a return to record-breaking pre-tax profits in 2016/17.

I Have a Dream

The three clubs promoted to the Premier League in 2016/17 generated combined operating profits of £28m, a year after recording a combined operating loss of £47m in the Football League Championship, starkly illustrating the difference in profitability between the two divisions. In contrast to the Premier League, Championship clubs continue to overspend relative to their revenues, with the value of promotion continuing to escalate. The two clubs promoted to the Premier League for the first time at the end of the 2016/17 season – Brighton and Hove Albion and Huddersfield Town – are guaranteed a minimum uplift in revenue of £170m over the next three seasons. This is likely to rise to more than £290m if they survive more than one season, and may grow further when the next Premier League broadcast rights deals commence in 2019/20.

Championship clubs again (for the third time in four seasons) spent more on wages than they earned in revenue in 2015/16 and also suffered record operating losses of £261m, continuing to stretch their financial limits in the hope of securing the riches and glory accompanying promotion to the Premier League. As a result of this financial performance aggregate net debt increased to £1.3 billion in the 2015/16 season, more than double the revenue of the division. The division's new profitability and sustainability rules effective from the 2016/17 season, largely aligned with the approach for Premier League clubs, seem unlikely to deliver a turnaround in Championship clubs' financial results.

Take a Chance on Me

This 26th edition of the Annual Review also marks our first inclusion of another form of the sport, with a brief discussion of professional competitive video gaming, or eSports, in *It's in the game*. Although long considered a niche activity, this perception is changing, driven by impressive audience figures, revenue potential and technological advances.

In *Over the top?* we comment on the latest developments in football's media landscape, driven by consumers' desire for anytime, anywhere access to content, and the potential threats to traditional Pay-TV platforms posed by new market entrants such as over-the-top (OTT) streaming platforms, social media networks and other technology companies.

Thank You for the Music

Finally, I would like to wish continued success in their careers to four colleagues and former contributors to our Annual Review who left us for new roles this year, and most importantly thank my colleagues in the Sports Business Group including new recruits and authors, Henry Wong, and all those from across the football community that have helped us compile this year's report.

We hope you enjoy this edition.

Dan Jones, Partner

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Bid support

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Bid support

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Competition format

Review of the competition structure and calendar for major international table tennis events.





Consulting services

Financial and technical consulting services for the privatisation of sports clubs in the Kingdom of Saudi Arabia.



Regulatory development

Feasibility assessment of financial fair play regulations for the Arabian Gulf League.



Consulting services

Analysis of various strategic options for international Rugby Union.



Competition format

Independent financial and strategic analysis of potential domestic T20 competition structures.

The leading team in the business of football

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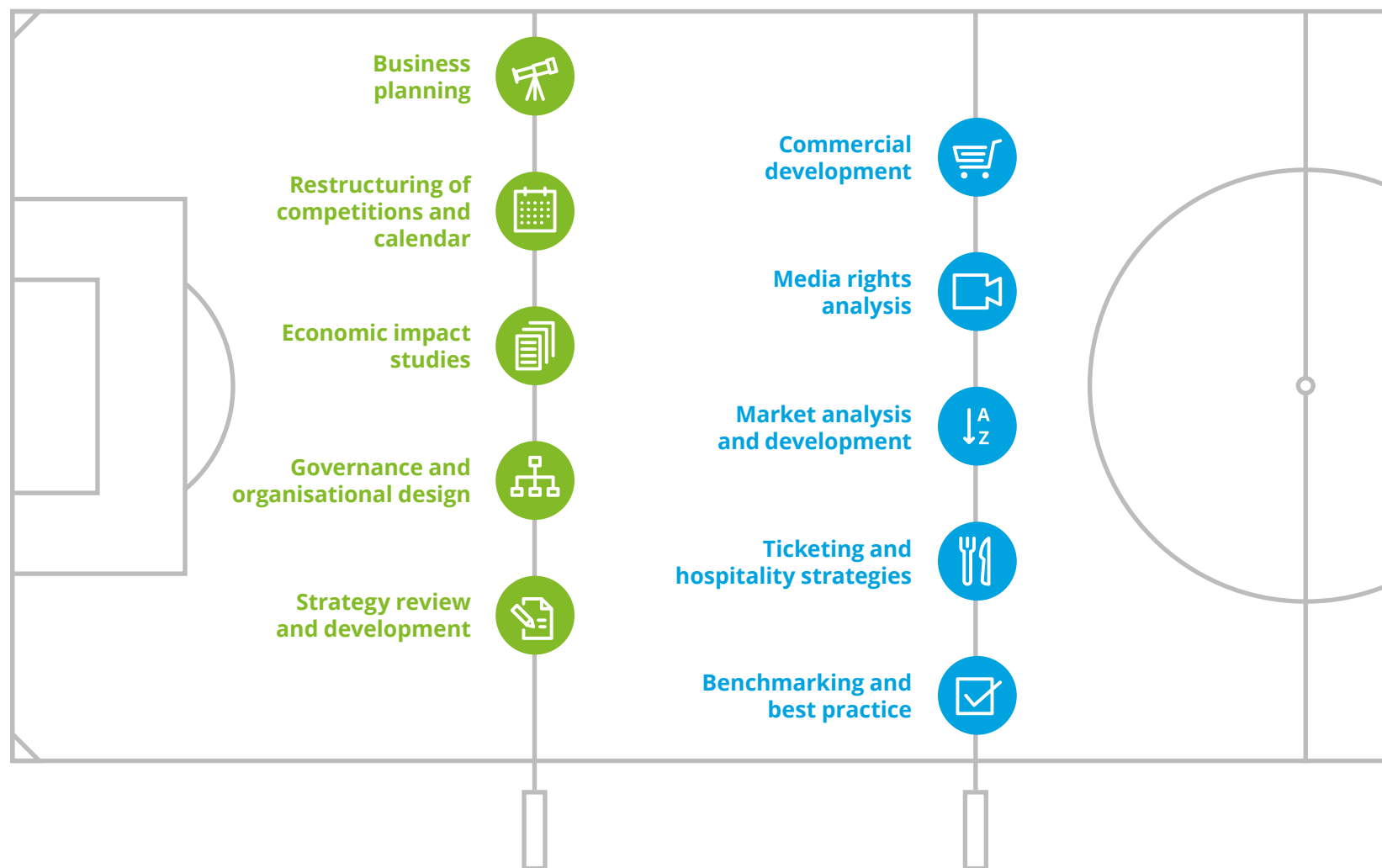
Working together with our clients, Deloitte's unique experience, insights, robust evidence-based advice, and credibility in sport helps build a strong case and consensus for change amongst key stakeholders and enables our clients to positively influence and react to their wider political, economic and social environment.

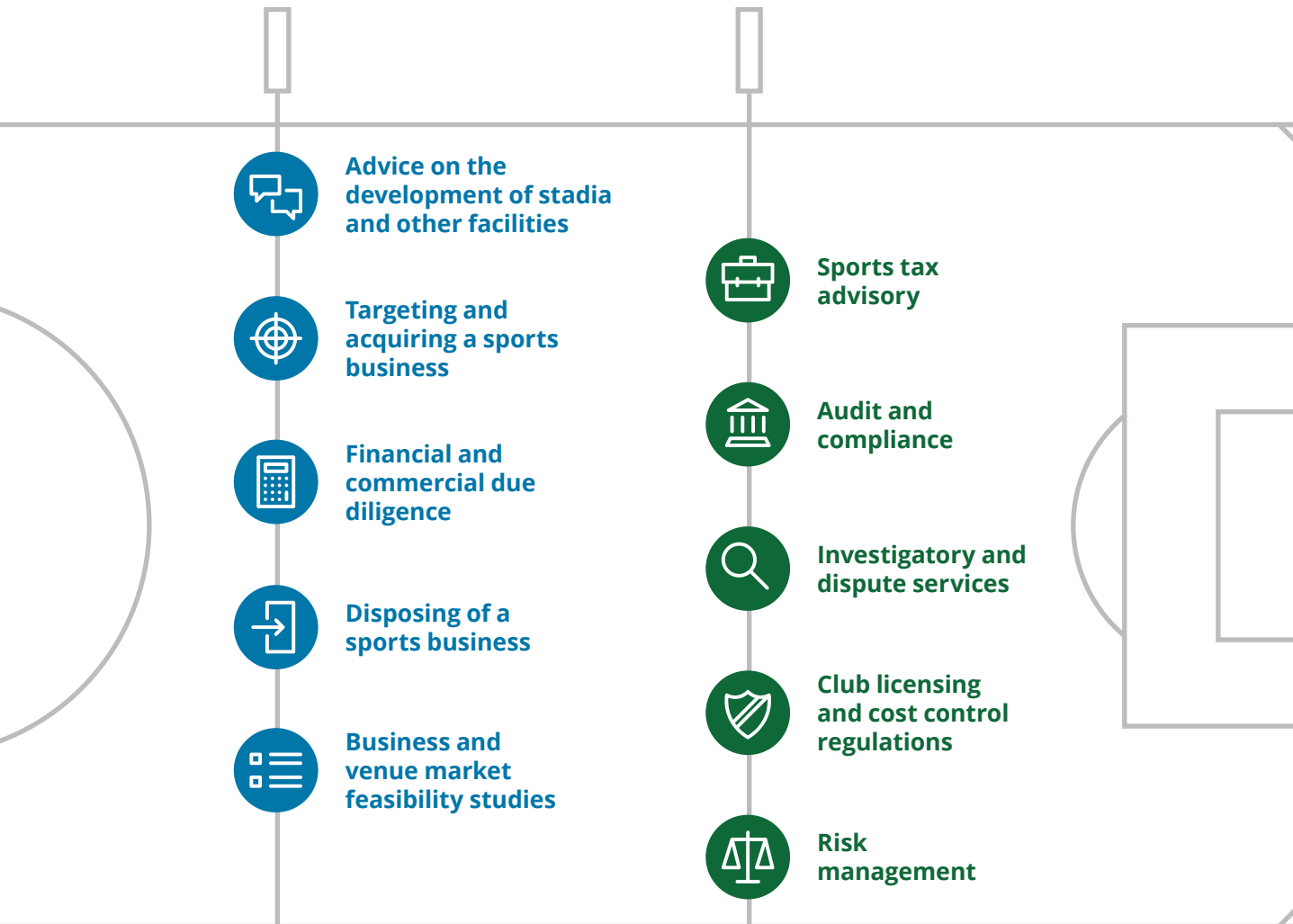
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Europe's premier leagues

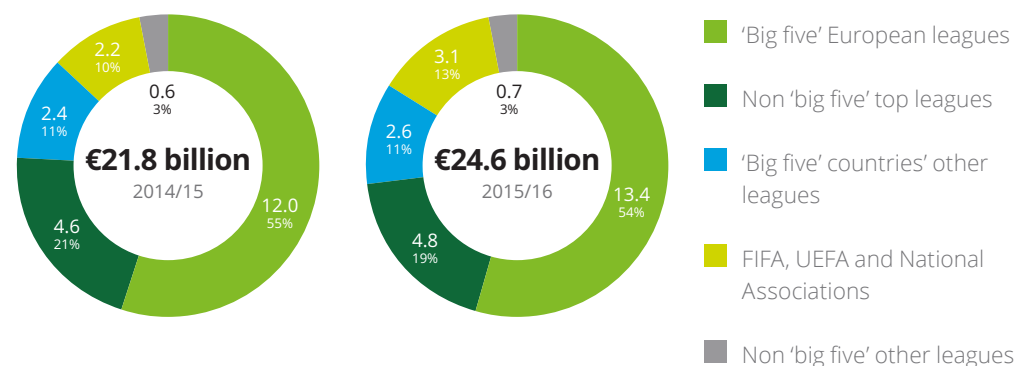
Driven by continued growth in broadcast rights values in European football's biggest leagues, and the impact of UEFA Euro 2016, total European football market revenues reached almost €25 billion in 2015/16, a 13% increase on 2014/15.

European football market

The 'big five' European leagues grew collective revenues by €1.4 billion (12%) in 2015/16, 59% of which was due to increased broadcast revenues, and 31% due to increased sponsorship and other commercial revenues. In recent years, step-change increases in broadcast revenues have been almost the sole preserve of English Premier League clubs. However, in 2015/16 new broadcast arrangements in Germany, Italy and Spain, coupled with a significant increase in UEFA broadcast distributions under the new three year rights cycle, led to combined broadcast revenue growth among the clubs in the top divisions of those three countries of €535m.

A successful UEFA Euro 2016 in France resulted in a substantial increase in UEFA revenues (presented here net of distributions and solidarity payments to clubs and national associations to avoid double counting). FIFA adopted new revenue recognition policies to more accurately reflect its four-year World Cup

Chart 1: European football market size – 2014/15 and 2015/16 (€ billion)



cycle, resulting in the restatement of prior year revenue and a marginal reduction in revenue in 2015/16.

The 2015/16 season was notable for just how widespread growth was across the entire European football landscape, with revenue increases across the non-'big five' European leagues, and even clubs in the lower tiers of Europe's 'big five' football markets grew revenues by €271m (11%).

Source: Leagues; UEFA; FIFA; Deloitte analysis.

The 'big five' European leagues grew collective revenues by €1.4 billion (12%) in 2015/16.

The impact of Euro 2016

The increase from 16 to 24 teams at UEFA Euro 2016 in France helped UEFA record a significant increase in its revenues in the 2015/16 season. The tournament, which was attended by roughly 2.5 million fans and watched in 230 countries worldwide, generated gross revenue of over €1.9 billion (an increase of more than €500m on the previous Championships in 2012) and a net profit of more than €800m.

European Football Championship revenues have more than doubled since the 2004 tournament in Portugal, and have increased almost 50 fold since Euro 92 in Sweden. For the 2016 event broadcast rights exceeded €1 billion, and represented 53% of total revenue. Compared to Euro 96, when broadcast rights accounted for 36% of total revenue, and ticket sales 44% (just 14% in 2016) it is clear to see how the landscape of European football finance has shifted in a similar way for national team football as for club football, over the last two decades.

The financial performance of the 'big five' European leagues in 2015/16 was heavily influenced by growth in centralised broadcast revenues, with new collective arrangements in both Spain and Italy, and new international rights deals in Germany. The impact of this growing, shared wealth, coupled with ever-increasing revenues generated from participation in UEFA's club competitions, has pushed the 'big five' European leagues even further ahead of their competitor leagues.

'Big five' European leagues' revenues

Bundesliga clubs achieved a combined revenue increase of €320m (13%), to remain the second highest revenue-generating football league in the world, and the second-fastest growing of the 'big five' European leagues in 2015/16.

This growth was underpinned by the commencement of new two-year international broadcast rights deals, which delivered revenue growth of around €100m compared with 2014/15. Total UEFA distributions to German clubs participating in UEFA competitions increased by €46m, resulting in an overall increase of 28% in broadcast revenue.

German clubs continued their traditionally strong commercial performance, generating total sponsorship and other commercial revenue of c.€1.3 billion, 47% of total revenue and second only to the c.€1.5 billion generated by English Premier League clubs.

La Liga clubs' combined revenues grew by 19% to over €2.4 billion in 2015/16; thanks to the impact of the one year transitional collective broadcast rights sales arrangement. La Liga

returned to full collective sales in 2016/17 with the commencement of new three year rights deals.

Whereas growth in broadcast revenue has traditionally been driven by the individual rights deals secured by Barcelona and Real Madrid, under the one year transitional collective sales model the average broadcast revenue generated by the 18 other La Liga clubs, including UEFA distributions, was almost €45m; an increase of 39% on 2014/15.

The majority of revenue growth in Italy came from broadcast rights, with the first year of the extended media rights advisory relationship with Infront Sports & Media, and increased UEFA distributions, resulting in a €75m (7%) increase in broadcast revenue. Commercial revenues grew by €58m (12%), with Juventus alone responsible for around half of that.

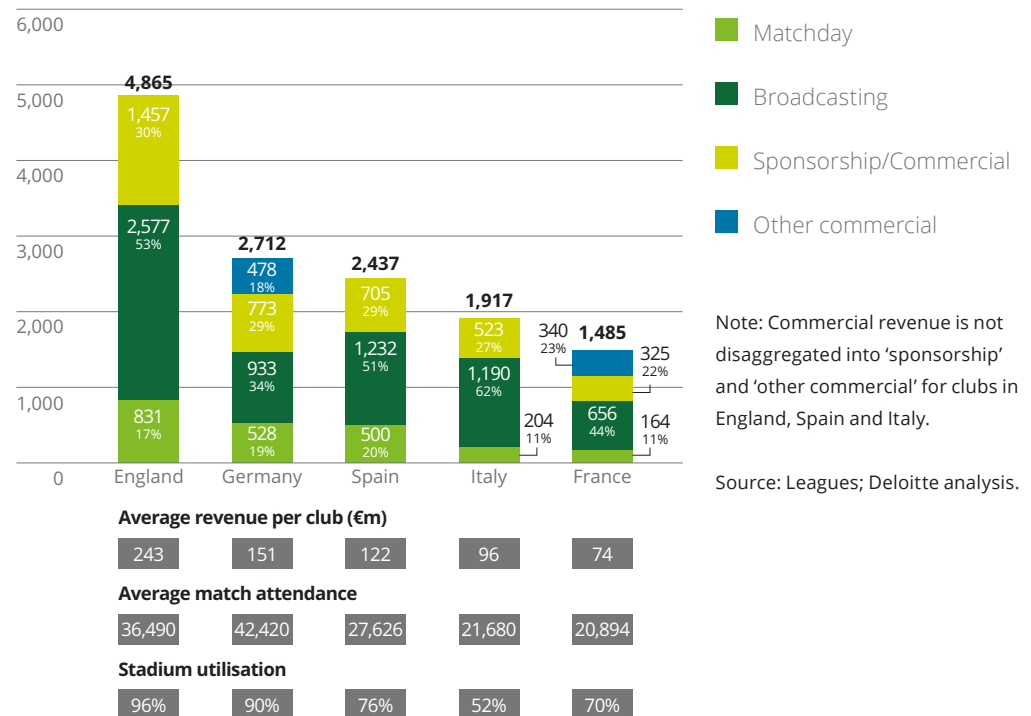
Ligue 1 clubs remained the lowest revenue-generating of Europe's 'big five' leagues, and total revenue growth of 5% was less than that of any of the other 'big five' leagues.

Given that most of the stadium developments for UEFA Euro 2016 were completed some years prior to the 2015/16 season, it was unsurprising to see Ligue 1 average attendances and matchday revenues remain flat in 2015/16, following three years of growth. Olympique de Marseille's disappointing domestic campaign resulted in 11,000 fewer fans attending their matches on average than in 2014/15.

Paris Saint-Germain, French treble winners for a second successive season, were responsible for 35% of the division's total revenue, and 60% of total revenue growth.

Growing broadcast revenues have pushed the 'big five' European leagues even further ahead of their competitor leagues.

Chart 2: 'Big five' European league clubs' revenues – 2015/16 (€m)



The reduction in the value of the pound over the last 12 months means that our prediction in early June 2016, of the combined revenues of European football's 'big five' leagues exceeding €15 billion in the 2016/17 season will not come to pass. Nonetheless, the continued growth in broadcast and commercial values means passing this threshold has only been delayed temporarily.

England

The Premier League's new three-year broadcast rights cycle, which commenced at the start of the 2016/17 season, resulted in an average c.45% increase in central distributions to clubs compared with 2015/16. However, the effect of exchange rate movements mutes the impact of this on our calculation of the total European market size in euro terms. We still expect the Premier League to break the €5 billion revenue barrier in 2017/18.

Germany

New, four-year, synchronised domestic and international broadcast rights cycles are likely to result in Bundesliga clubs' combined revenues exceeding €3 billion in 2017/18. The total annual value of broadcast rights in Germany, for the top two divisions combined, is expected to rise to over €1.4 billion over the term of the new cycle – an increase of 75% on 2015/16 levels. However, not all of this revenue increase will be paid to clubs in the first season of the new rights deal, with one of the major domestic broadcast partners, Sky Deutschland, reportedly only paying 32% more in season 2017/18. There is therefore the likelihood of further, substantial

revenue growth in 2018/19, as the full impact of the new rights deals are felt.

Spain

Spanish clubs fully adopted their new collective rights selling mechanism from 2016/17, after a transitional year in 2015/16. The new arrangements are reported to have delivered a total uplift in rights values of around €250m per season compared with 2015/16, which is likely to take total La Liga revenues beyond €2.8 billion. We expect the impact of the new broadcast deals will see La Liga briefly eclipse the Bundesliga as Europe's second highest revenue-generating league in 2016/17.

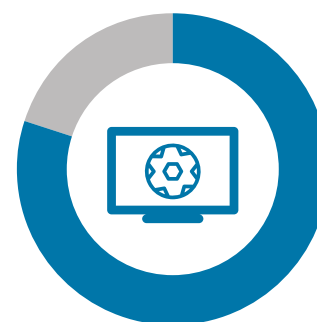
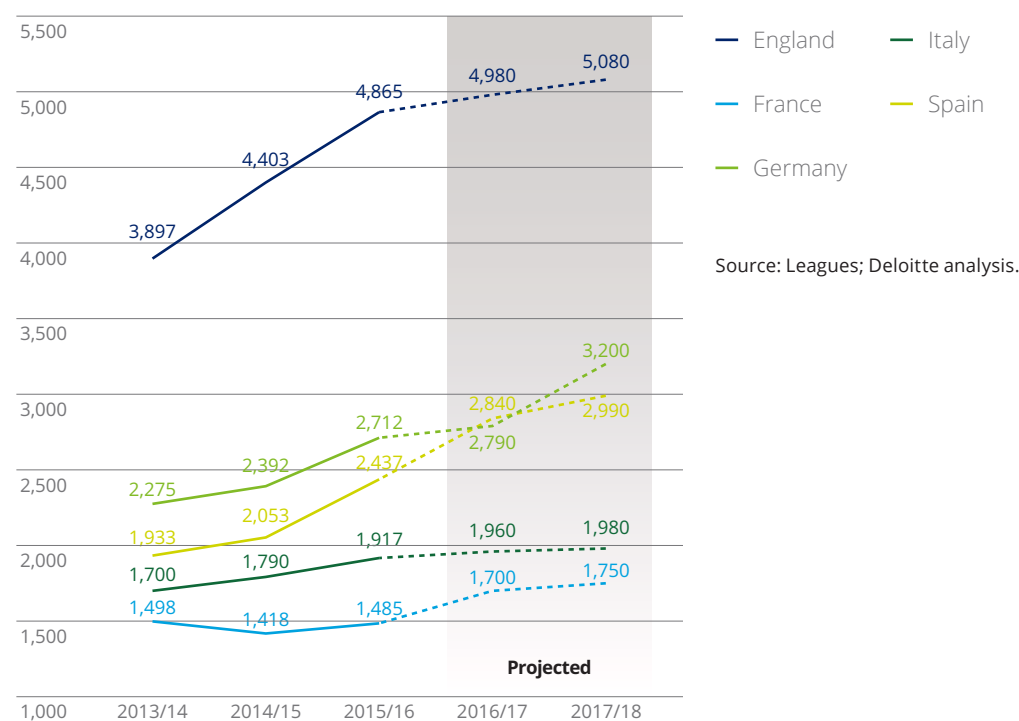
Italy

Italian clubs' revenues are unlikely to grow significantly over the next two seasons, with Serie A's existing media rights advisory relationship with Infront Sports & Media, worth a minimum of €990m per season, covering the six year period to 2020/21. Juventus' run to the 2016/17 UEFA Champions League final will deliver increased UEFA distributions, but any further growth will be dependent on improving commercial deals and/or increasing matchday attendances.

France

We forecast that French clubs will remain the lowest revenue-generating in Europe's 'big five' leagues throughout seasons 2016/17 and 2017/18, despite the commencement of new domestic broadcast rights deals in 2016/17, worth around €130m more than in the previous rights cycle, and AS Monaco's run to the UEFA Champions League semi-finals in 2016/17.

Chart 3: 'Big five' European league clubs' revenues – 2013/14 to 2017/18 (€m)



c.80%
of projected total revenue
growth of Europe's 'big five'
leagues between 2015/16
and 2017/18 attributable
to new broadcast rights
arrangements

Wage costs across Europe's 'big five' leagues grew slightly more slowly than revenue in 2015/16, such that the average wages/revenue ratio dipped, from 62% in 2014/15, to 61%. In total, wage costs increased by 10% to €8.2 billion.

England

Premier League clubs' wages increased to €3 billion, more than double the total spent by the clubs in any of the other 'big five' leagues.

Spain

Clubs in La Liga overtook those in Serie A to become the second-highest wage spenders of Europe's 'big five' leagues in the 2015/16 season.

Total wages increased by almost €200m (15%), considerably more than the previous year's 6% increase, as more clubs were able to increase wages in line with the collective increase in broadcast rights, without compromising operating profitability. Indeed, the league's wages to revenue ratio reduced marginally to 61% in 2015/16.

Germany

Bundesliga clubs increased wages by €95m (8%) in 2015/16, matching Serie A and becoming the joint third-highest wage spenders in Europe. However, clubs in Germany recorded a much lower wages to revenue ratio than those in Italy: just 49%, compared with Serie A's 70%. This is only the third time in the last decade that one of Europe's 'big five' leagues has recorded a wages to revenue ratio of less than 50%; on all three occasions the feat was achieved by the Bundesliga.

Italy

Serie A saw a modest 3% increase in wage costs, which, combined with a 7% increase in total revenue, saw the wages to revenue ratio fall from 72% to 70%. However, this was still the highest of any of the 'big five' European leagues.

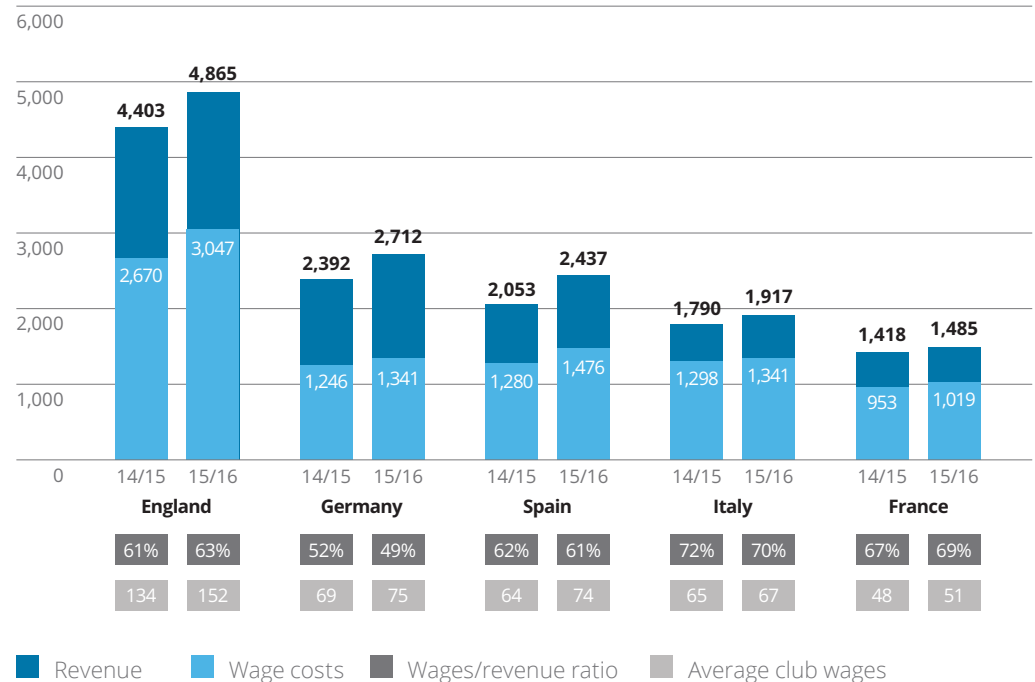
France

Ligue 1 wage costs exceeded €1 billion for the first time, as 2015/16 saw an increase of 7%, following a slight reduction in wage costs in 2014/15.

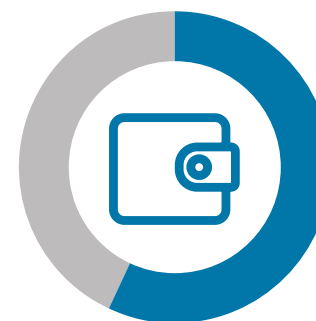
Wage cost growth outpaced revenue growth, resulting in the wages/revenue ratio increasing to 69%. Paris Saint-Germain's wage bill increased by 15% to €292m, representing almost 30% of total Ligue 1 wage expenditure.

Premier League clubs' wage costs were more than double that of any of the other 'big five' European leagues.

Chart 4: 'Big five' European league clubs' revenues and wage costs – 2014/15 and 2015/16 (€m)



Source: Leagues; Deloitte analysis.



57%

of additional revenue generated by the 'big five' European leagues in 2015/16 was spent on wage costs

As financial regulations at both a European and domestic level continue to have an impact, in 2015/16 only Ligue 1 and Serie A of the 'big five' leagues recorded aggregate operating losses.

England

Premier League clubs' combined operating profits saw a slight decrease, to €683m, with a number of clubs looking to get ahead of the competition by spending on playing talent – and consequently wages – in advance of the new broadcast cycle. Impressively, 17 of the 20 Premier League clubs recorded an operating profit in 2015/16, and the results for 2016/17 may show every Premier League club generating an operating profit for the first time.

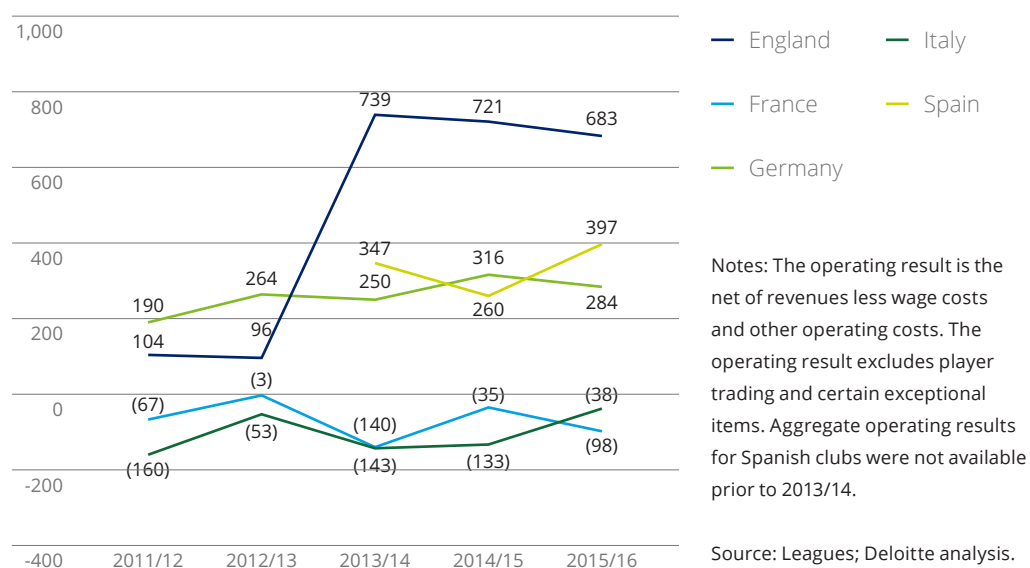
Spain

Clubs in La Liga have worked hard over recent years to improve their finances, and 2015/16 once again saw them rewarded with positive results.

In Spain, the impact of the move to collective broadcast rights selling, and the more even distribution of revenues from these, led to a 53% increase in combined operating profits in 2015/16, to €397m.

Further revenue growth from the three-year broadcast cycle commencing in 2016/17, and a push from La Liga for further financial transparency and responsibility from its clubs, should sustain their improvements in profitability over the coming seasons.

Chart 5: 'Big five' European league clubs' profitability – 2011/12 to 2015/16 (€m)



Germany

Bundesliga clubs generated an aggregate operating profit of €284m in 2015/16, a 10% reduction on their record operating profit in 2014/15. This, coupled with La Liga clubs' improved profitability, has seen Germany slip back into third place of the 'big five' leagues in profitability terms.

Despite this, Bundesliga clubs recorded combined net transfer receipts of €21m in 2015/16, and 16 of the 18 Bundesliga clubs generated a net profit after tax, an improvement on 11 in 2014/15.

Italy

Italian clubs recorded a significant improvement in operating profit in the 2015/16 season, reducing combined losses by €95m (71%) to €38m, as clubs spent only around a third (€43m) of their €127m revenue growth on wages.

France

With the increase in wage costs outstripping revenue growth, Ligue 1 clubs recorded an aggregate operating loss of almost €100m in the 2015/16 season, a 180% increase on 2014/15 operating losses. The impact of the new four-year domestic broadcast rights cycle, coupled with increased UEFA distributions arising from AS Monaco's successful UEFA Champions League campaign, should see losses reduce again in the 2016/17 season.

Future profitability

Significant growth in broadcast revenues is expected with new rights cycles beginning in England, Spain and France in 2016/17, with Germany to follow in 2017/18. This provides the potential for greater profitability in the short term, particularly in the first year of the respective broadcast deals.

Worryingly for Italy, Serie A – about to enter the third year of a long term media rights advisory arrangement through to 2020/21 – has no upcoming short-term 'step-change' opportunities. Italian clubs face a difficult challenge competing, in financial terms, with their European counterparts to attract the best playing talent over the coming seasons.

The record distributions paid by UEFA to clubs participating in its competitions in 2015/16 was the primary factor behind revenue growth in European leagues outside of the 'big five'. The financial rewards from participating in the UEFA Champions League or UEFA Europa League are now greater than ever. Whilst some of these other countries have seen increases in revenue, mainly thanks to higher value domestic league broadcast contracts, their scale pales in significance compared to Europe's 'big five' leagues. Each of the top six clubs in our Deloitte Football Money League earned more in revenue than any of the six leagues featured here.

Netherlands

An almost 50% increase in UEFA distributions to Eredivisie clubs aided total revenue growth of €41m in the Dutch top league, as PSV Eindhoven reached the knockout stages of the UEFA Champions League. Despite no Dutch clubs reaching the knockout stages of the 2016/17 UEFA Champions League, Ajax's impressive run to the final of the UEFA Europa League should mitigate any revenue loss.

Denmark

The financial results for the Danish Superliga relate to the year to December 2016, and include the impact of a change in the competition's structure at the beginning of the 2016/17 season. The league's new 14-team format, with an end-of-season playoff system, has been positively received by sponsors, broadcasters and supporters, and has helped Danish clubs deliver increases of 50% and 67% in matchday and broadcast revenues

respectively compared with the year to December 2015. FC Copenhagen's participation in the 2016/17 UEFA Champions League group stages also contributed to total year-on-year revenue growth of 36%, to more than €200m; the fastest growth rate of any of the featured leagues.

Sweden

Swedish top-tier clubs' combined revenues grew by 11% as Malmö competed in the UEFA Champions League group stages for a second successive year in 2015/16. IFK Norrköping's title triumph in the 2015 Allsvenskan gave them the opportunity to close the revenue gap to Malmö through participation in the 2016/17 UEFA Champions League, but they were defeated by Norway's Rosenborg in the second qualifying round.

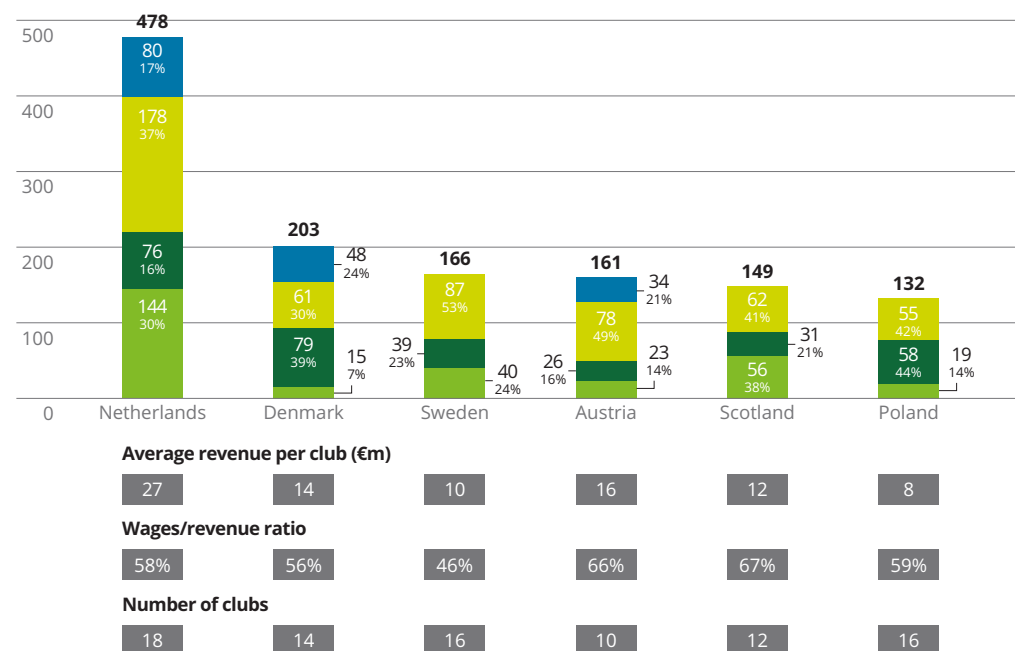
Austria

The success of Rapid Vienna, who reached the round of 32 in the 2015/16 UEFA Europa League, was a prime example of the boost such a performance can provide to a domestic league's financial performance. Aggregate revenues across the ten Austrian Bundesliga clubs increased by 25% (€32m), with €5m of this coming from UEFA distributions alone, helping reduce the division's wages to revenue ratio by 12 percentage points from 2014/15.

Scotland

Despite Celtic's failure to qualify for the UEFA Champions League group stages for the second consecutive season, Scottish Premiership clubs' aggregate revenues grew 10% (€14m), to €149m. Celtic continued to generate over 50%

Chart 6: Selected other European league clubs' revenues – 2015/16 (€m)



of total revenues as they won the league for a fifth consecutive season, and their participation in the 2016/17 UEFA Champions League group stages will result in a substantial uplift in revenue being reported in next year's Annual Review of Football Finance.

Poland

Another demonstration of the importance of UEFA competition revenue is seen in the Ekstraklasa, featured in our review for the first time. Legia Warsaw's participation in the group stages of the 2016/17 UEFA Champions League, having competed in the UEFA Europa League in 2015/16, helped Ekstraklasa clubs increase their combined revenues by 12% in the year to December 2016.

- Matchday
- Broadcasting
- Sponsorship/Commercial
- Other commercial

Notes: This chart includes a sample of countries ranking below fifth in terms of average club revenues. Figures in respect of clubs in Sweden relate to year to December 2015. Figures in respect of clubs in Denmark and Poland relate to the year to December 2016.

Source: Leagues; Club accounts; Deloitte analysis.

Deloitte Football Intelligence Tool

The Annual Review of Football Finance continues to be recognised as a definitive independent source of financial information in respect of European football. Reflecting both this and a greater industry appetite for financial information than ever before, Deloitte have developed the Football Intelligence Tool (FIT).

This digital solution allows the user to manipulate data in a quick and easy to use format.

Deloitte FIT uses leading user-friendly technology to display many of the data points contained in the Annual Review of Football Finance Databook and a host of other industry information. We hope FIT will be a valuable asset for anyone looking to deepen their understanding of the football business.

This subscription service is ideal for:

- Football club executives looking to understand their organisation's performance and position within the market and to benchmark against other clubs;
- Aspiring club investors looking to identify and assess a club; and
- Sports media and broadcasters looking for further insight and analysis.

If you would like to find out more about the tool and to book your free, personalised demonstration, please contact sportsteamuk@deloitte.co.uk

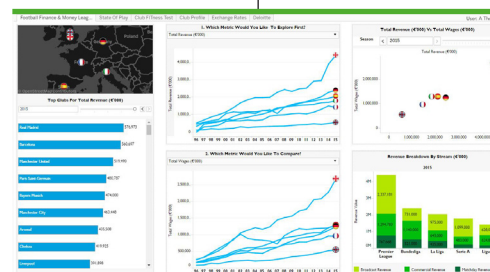
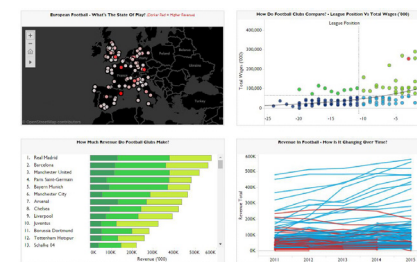
League wide trends and analysis

01

Big five European leagues plotted on map, with users able to select one or more by clicking on them.

02

Users can plot the charts based on a range of league level metrics, such as revenue, wage costs and average attendance.



03

Revenue splits for each league set out and shown over time.

Club trends and analysis

04

An interactive map of Europe allows the user to quickly select the clubs most appropriate to their specific geography and circumstances, with FIT currently containing data for the 'big five' European leagues and the EFL Championship.

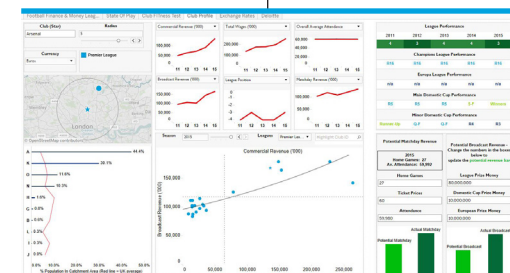
Individual club benchmarking

07

Users can configure the screen by selecting any metric they wish to explore, setting up the overall dashboard to reflect their areas of interest, providing visual analysis of specific clubs.

09

Users can create their own peer groups by filtering by a variety of possible metrics such as stadium size, whether a club has played in European competitions, their average attendance or their league position.



05

Matrix analysis on a club-by-club basis with the axes defined by user selected metrics. Peer group averages and correlation lines also plotted.

06

Overall revenue trend for given selection of clubs, with ability to click through to further explore historic revenue trends.



08

Users can see where their highlighted club is relative to their own user selected peer group.

Club profiling

10

Explore the local area of a given club, with population data displaying the socio-economic profile of the catchment area.

11

Historical details of key financial measures and supporting matrix analysis for two parameters simultaneously.

Premier League clubs

Premier League clubs' revenues grew by 9% to a record £3.6 billion in 2015/16. In the final year of the Premier League's broadcast cycle, the 20 Premier League clubs generated more on average (£182m) than all 22 top division clubs combined did in 1991/92 (£170m), the last season before the competition began.

Premier League clubs' revenues

Over half of the £289m increase in Premier League clubs' revenues year-on-year was due to broadcast income, predominantly as a result of UEFA distributions to Premier League clubs increasing (by £100m). This in turn was driven in part by English clubs' improved performance in UEFA competitions in the 2015/16 season, with Manchester City reaching the semi-finals of the UEFA Champions League, and Liverpool the final of the UEFA Europa League, and it also being the first season of a new, more lucrative, UEFA broadcast rights cycle.

The average revenue of a Premier League club was £182m in 2015/16, which is more than all 22 top division clubs generated in total in 1991/92, the last year of the 'old' Division One. Broadcast revenue has almost doubled since 2008/09, and in 2016/17 we expect it will make up over 60% of total revenue, reflecting the growing global demand for Premier League football.

Impact of individual clubs

Of the 17 clubs that were in the Premier League in both 2014/15 and 2015/16, the club which had the largest revenue, Manchester United, was also the fastest growing in 2015/16. Revenue growth of £120m (30%) was principally due to their reported £75m per year kit deal with adidas, and a return to Champions League football, which generated UEFA distributions of over £30m.

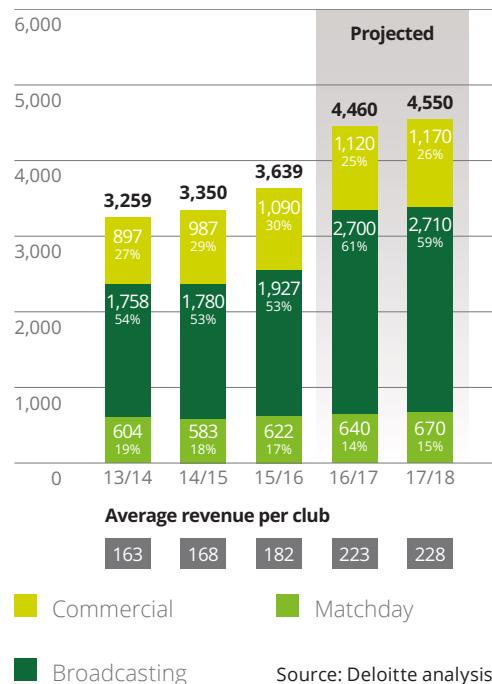
Manchester City generated the largest revenue increase (£40m) among the other 16 clubs. Their run to the Champions League semi-finals earned them £63m in UEFA distributions, the highest club distribution made by UEFA in 2015/16. Leicester City also generated an absolute revenue increase of £25m, and the second highest relative increase of the 17 clubs, almost exclusively driven by extra Premier League central distributions of £22m in their title-winning season. Five clubs saw their revenue fall.

Matchday revenue is at its lowest level (17%) as a proportion of total revenue in the history of the Premier League, but in absolute terms (£622m) is at a record high. We expect further growth given the continuing work by Premier

League clubs to expand capacities and hence supply to meet demand amid consistently full or near full stadia.

Commercial revenues grew by 10% to exceed £1 billion for the first time in the league's history, driven by new commercial deals at several leading Premier League clubs.

Chart 7: Premier League clubs' revenues 2013/14-2017/18 (£m)



Future revenue growth

The 2016/17 season was the first of a new Premier League broadcast rights cycle, with total Premier League central distributions increasing by 46% to £2.4 billion in 2016/17, an average increase of £38m per Premier League club. This growth will be enhanced and supported by new commercial agreements such as Chelsea's with Nike, and likely matchday revenue uplifts arising from West Ham United's move to the London Stadium in 2016/17, Liverpool's expansion of their main stand, and Tottenham Hotspur's planned one-year residency at Wembley in 2017/18. As a result, we expect total Premier League clubs' revenues to rise to £4.5 billion in 2016/17, and £4.6 billion in 2017/18.

Although the Premier League has the most equal distribution mechanism of broadcast revenue in any of Europe's 'big five' leagues, there are significant differences between clubs in terms of matchday and commercial revenue. Qualifying for European club competitions also brings a significant revenue advantage, especially in the context of improved UEFA broadcast deals, which resulted in total UEFA distributions to participating English clubs of £230m in the 2015/16 season.

Premier League clubs' revenue levels

The average revenues of Premier League clubs competing in the Champions League were almost £400m in 2015/16. This was mainly due to the return of Manchester United to Champions League football and the impact of the new UEFA broadcast rights cycle, which resulted in a significant increase in distributions to clubs. The six clubs who qualified for the group stages of UEFA competitions accounted for almost 80% of Premier League clubs' total commercial revenue in 2015/16, demonstrating the enduring commercial appeal of continental football to sponsors.

The revenue primacy of these six clubs (Arsenal, Chelsea, Liverpool, Manchester City, Manchester United and Tottenham Hotspur), which was further accentuated by their presence in European competition, was overcome on the pitch in the 2015/16 season by Leicester City. The Foxes won the league despite generating revenues of less than 40% of the average of the big six, and less than one third of the four Champions League clubs' average. Despite generating more than three times the

Parachute payments for relegated clubs

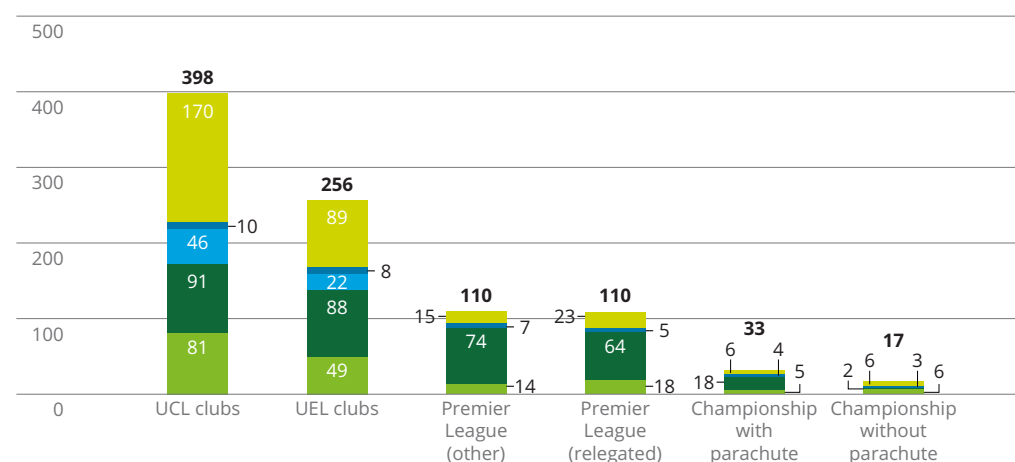
The average revenue of Championship clubs in receipt of parachute payments was almost double that of those without in 2015/16, and the average parachute payment of £18m exceeded the total average revenue of non-parachute clubs.

The new Premier League broadcast cycle, commencing in 2016/17, has increased year one parachute payments to relegated clubs to over £40m each, a 58% increase year-on-year. However, with parachute payments now lasting for only three years rather than four, and clubs making an immediate return to the Championship only receiving the first two years' worth, it remains to be seen whether this will significantly alter the competitive balance of the Championship.

revenue of the average non-big six club, Chelsea finished tenth, and Liverpool finished eighth despite revenue of over £300m, more than double that of sixth-placed Southampton, or seventh placed West Ham United.

The three relegated clubs in 2015/16 averaged £110m in revenue, 58% of which was Premier League broadcast revenue. In the 2016/17 season the three clubs relegated from the Premier League received an average of £96.5m in central distributions alone, highlighting the impact of the new broadcast rights agreement, and the huge incentive on offer for Championship clubs to gain promotion.

Chart 8: Premier League and Championship clubs' average revenues – 2015/16 (£m)



- Commercial
- Broadcast other
- Broadcast UEFA
- Broadcast PL central
- Matchday

Note: UCL clubs comprised Arsenal, Chelsea, Manchester City and Manchester United. UEL clubs comprised Liverpool and Tottenham Hotspur.

Source: Premier League; UEFA; Deloitte analysis.

Spending for success

After some disappointing domestic campaigns in 2015/16, the Premier League's big six clubs outspent the rest of the division in the summer 2016 transfer window, and re-established their on-pitch supremacy, finishing as the top six in 2016/17 for the second time in three seasons. They will all compete in UEFA competitions in 2017/18, with five English clubs in the Champions League following Manchester United's Europa League success. Although it is difficult to see any club mounting a sustained challenge to the financial pre-eminence of these clubs in the short term, Leicester's remarkable triumph in 2015/16 demonstrated the continuing truth in the old adage that in football, money does not always guarantee success.

Premier League clubs' wage costs continued to grow in 2015/16, reaching £2.3 billion, an increase of 12%. Wage costs grew at almost twice the rate witnessed in each of the previous two years, as clubs spent in anticipation of the extra revenue from the new broadcast cycle commencing in 2016/17.

Premier League clubs' wage costs

For the eighth time in the last ten years, wage costs grew at a faster rate than revenues in 2015/16. As a result, the division's wages/revenue ratio increased for the second successive year to 63%. The introduction of the Premier League's Short Term Cost Control measures in 2013/14, coupled with the substantial uplift in broadcast rights values, has resulted in the ratio falling by eight percentage points from the all-time high of 71% in 2012/13. Since 2012/13, just 44% of revenue increases have been consumed by wage growth, whereas in the five years to 2012/13, this figure was 99%.

Although increased financial regulation has undoubtedly helped limit clubs' wage spend relative to their revenues, we would expect to see another substantial increase in wages in 2016/17, with average Premier League broadcast rights distributions per club increasing by around £38m.

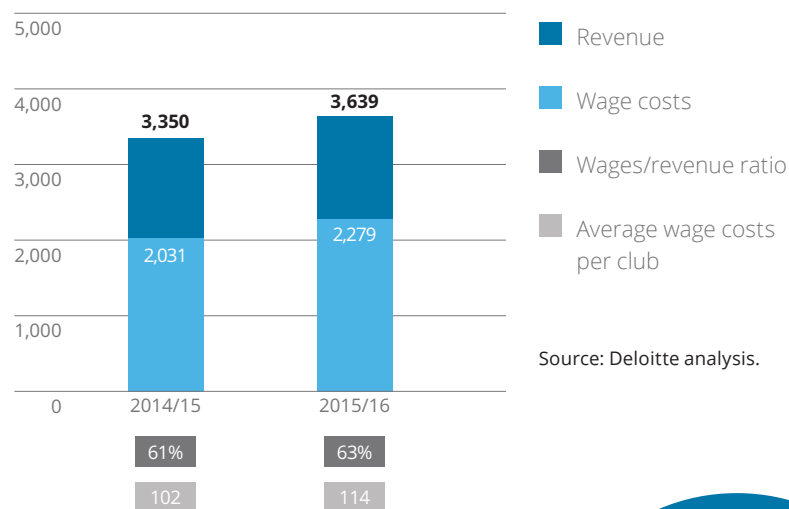
Impact of individual clubs

The 17 clubs present in both the 2014/15 and 2015/16 Premier League seasons increased wage costs by an average of £13m each. Liverpool (£42m) and Manchester United (£37m) had the largest increases, although these include the effects of managerial redundancy payments. As a result, Manchester United replaced Chelsea as the division's highest wage payers. These two clubs, along with Arsenal, Manchester City and Liverpool, were the only clubs to pay higher than the average league wage costs. Tottenham Hotspur were the only Premier League club to reduce their wage bill year-on-year, yet managed to improve their league position from fifth to third.

Leicester City had the largest increase in relative terms (40%), aside from the promoted clubs. This increase is attributable in part to player and coaching staff bonuses as a result of them winning the 2015/16 Premier League.

We would expect to see another substantial increase in wages in 2016/17, with average broadcast rights distribution per club increasing by around £38m.

Chart 9: Premier League clubs' revenues and wage costs – 2014/15-2015/16 (£m)



Source: Deloitte analysis.

£1.6 billion

Contributed by English professional football to Government in taxes in 2015/16



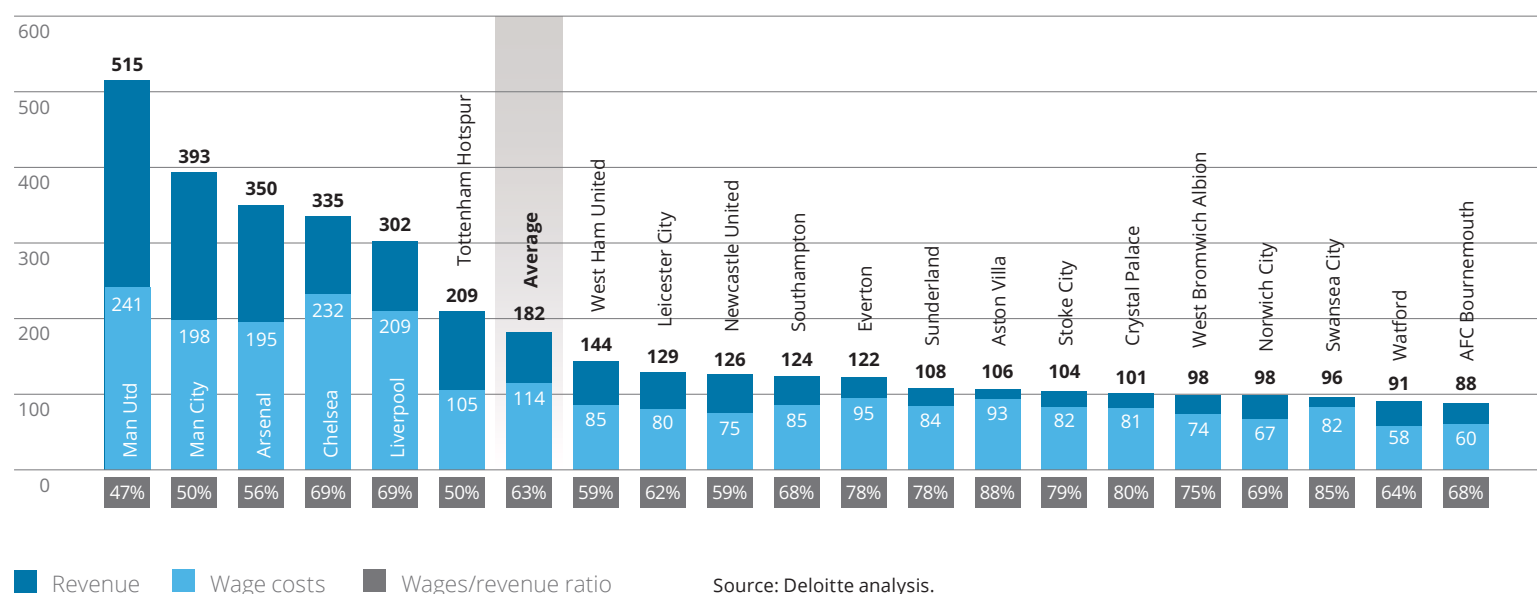
Seven Premier League clubs had a wages/revenue ratio in excess of 70%, the indicative warning threshold level used by UEFA as part of their Financial Fair Play Regulations. This is an increase from six clubs in 2014/15, and two in 2013/14, as clubs spent in anticipation of increased broadcast revenue in 2016/17 and beyond. Notably, Aston Villa recorded the league's highest wages/revenue ratio in 2015/16 (88%), and the eighth highest wage total (£93m), but finished in 20th position and were relegated.

Correlation between wage costs and league position

The Spearman's rank correlation coefficient, which measures the relationship between league position and total wage cost rank, was 0.54 in 2015/16, with only four clubs finishing within one place either side of where one would expect given their wage bill. This was down from 0.74 (and ten clubs) in the previous season, and is the lowest level of correlation we have ever seen in our analysis of Premier League finances.

The remarkable success of Leicester City, who ranked 15th in wage costs, outperforming their wage spending to an extent never before achieved in Premier League history, and the relative on-pitch struggles of defending champions Chelsea heavily contributed to this figure, with the latter finishing tenth, eight places lower than their wage costs rank of second. Relegated Aston Villa also finished twelve places lower than their wage costs rank of eighth, further contributing to the low level of correlation in 2015/16.

Chart 10: Premier League clubs' revenues and wage costs – 2015/16 (£m)



Indeed, had Leicester City not won the league and incurred bonuses as a result, their wage costs would have been even lower, which makes their achievement even more remarkable.

Two of the three promoted clubs, AFC Bournemouth and Watford, successfully avoided relegation despite recording the lowest wage costs in the division. This illustrates that there are other factors beyond wage spend which contribute to clubs' on-pitch performance.

Leicester City, who ranked 15th in wage costs, outperformed their wage spending to an extent never before achieved in Premier League history.

Future wages trends

The agreement by Premier League clubs to continue the Short Term Cost Control Rules, albeit under a slightly revised format, will continue to help restrict wage inflation and should, together with the broadcast revenue growth, lead to a reduction in the wages/revenue ratio in 2016/17. The 2016/17 results will also restore a much stronger correlation between wage costs and league position. The division's top six wage spenders in 2015/16 were also its top six spenders on transfers in the summer 2016 window, and filled the top six league positions in 2016/17.

Premier League clubs recorded a third consecutive season of operating profits in excess of £500m in 2015/16. However, due to the impact of exceptional, one-off accounting adjustments, the division returned to cumulative pre-tax losses following two consecutive seasons of pre-tax profits. We expect a return to record-breaking profits in 2016/17, with the possibility that it may be the first season's results to show every Premier League club generating an operating profit.

Premier League clubs' operating profits

Premier League clubs generated combined operating profits (which excludes items such as player trading and finance costs) of £511m. Despite falling for the second successive year, this is still the third highest aggregate operating profit ever recorded by Premier League clubs. Over the three year broadcast rights cycle from 2013/14 to 2015/16, Premier League clubs generated combined operating profits of over £1.6 billion; more than they managed in total over the previous 16 seasons.

Of the 17 consistent clubs year-on-year, ten suffered a reduction in operating profitability in 2015/16. However, as was the case in the previous year, 17 clubs recorded an operating profit. Manchester United (£173m) and Manchester City (£97m) together accounted for over 50% of Premier League operating profits. The three promoted clubs generated combined operating profits of £28m, a year after recording a combined operating loss of £47m in the Championship. This starkly illustrates the difference in profitability between the two divisions. Two of the three clubs to record an

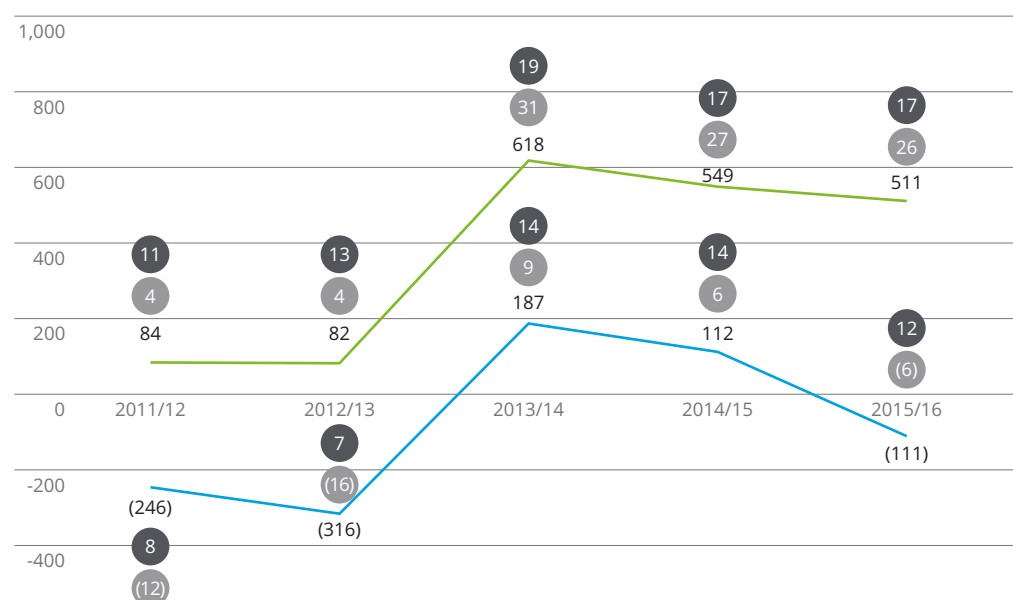
Premier League clubs' pre-tax profits

At pre-tax level, which includes the impact of player trading and finance costs, Premier League clubs returned to collective losses (of £111m) after two years of pre-tax profitability. However, this result is attributable to one-off accounting adjustments at Chelsea (£67m in relation to a compensation fee arising from the early termination of the club's kit sponsorship deal with adidas), and Aston Villa (£45m in relation to the impairment of tangible assets following relegation). Excluding these two items, Premier League clubs would have been very narrowly collectively profitable in 2015/16, albeit significantly less so than in 2013/14 and 2014/15. 12 clubs recorded pre-tax profits in 2015/16, the largest of which was recorded by Manchester United (£49m).

operating loss (Aston Villa and Swansea City) had the two highest wages/revenue ratios in the Premier League (88% and 85% respectively).

Despite falling for the second successive year, this is still the third highest aggregate operating profit ever recorded by Premier League clubs.

Chart 11: Premier League clubs' profitability – 2011/12-2015/16 (£m)



— Operating profit/(loss)

— Profit/(loss) before tax

■ Number of clubs generating operating profit/pre-tax profit

■ Average club operating result/pre-tax result

Note: The operating result is the net of revenues less wage costs and other operating costs. The operating result excludes player trading and certain exceptional items, which are included in the pre-tax result, along with other costs such as financing costs.

Source: Deloitte analysis.

Future outlook

The return to pre-tax losses in 2015/16 is likely to be a one-off for the foreseeable future, driven by exceptional costs. With central distributions to Premier League clubs in 2016/17 £760m (46%) higher than in 2015/16, increasing matchday and commercial revenues and Premier League clubs generating net transfer receipts for the first time ever in a transfer window in January 2017, we fully expect that Premier League clubs will collectively achieve record levels of profitability in the seasons to come.

Net debt for Premier League clubs fell by £125m, to £2.2 billion at the end of the 2015/16 season. Total Premier League net debt fell for the third consecutive season. At the end of the 2012/13 season net debt represented 99% of that season's revenues. By the end of 2015/16 this ratio was down to 61%.

Premier League clubs' net debt

Soft loans – clubs' borrowings on interest-free terms typically from their owners – decreased in 2015/16 by £31m (2%), albeit beneath the headline number, a decrease as a result of Queens Park Rangers' relegation (having soft loans totalling £173m in the prior year) has been offset by increases at a number of other clubs, notably Newcastle United (£42m) and Chelsea (£40m). Soft loans still remain by far the largest component of clubs' net debt, accounting for 76% of the total. Excluding soft loans, net debt at the end of 2015/16 stood at £525m, down by £94m (15%) from the previous year, meaning net debt excluding soft loans has now fallen in each of the last four seasons.

Other loans – being borrowings from financial institutions, other parties and interest-bearing owner loans – increased in 2015/16 by £98m (10%), with notable increases at Manchester United (£79m) and Liverpool (£61m), the latter due to stadium expansion funding.

The net finance costs for Premier League clubs have fallen year on year from £94m to £70m, and were covered over seven times by aggregate operating profits in 2015/16.

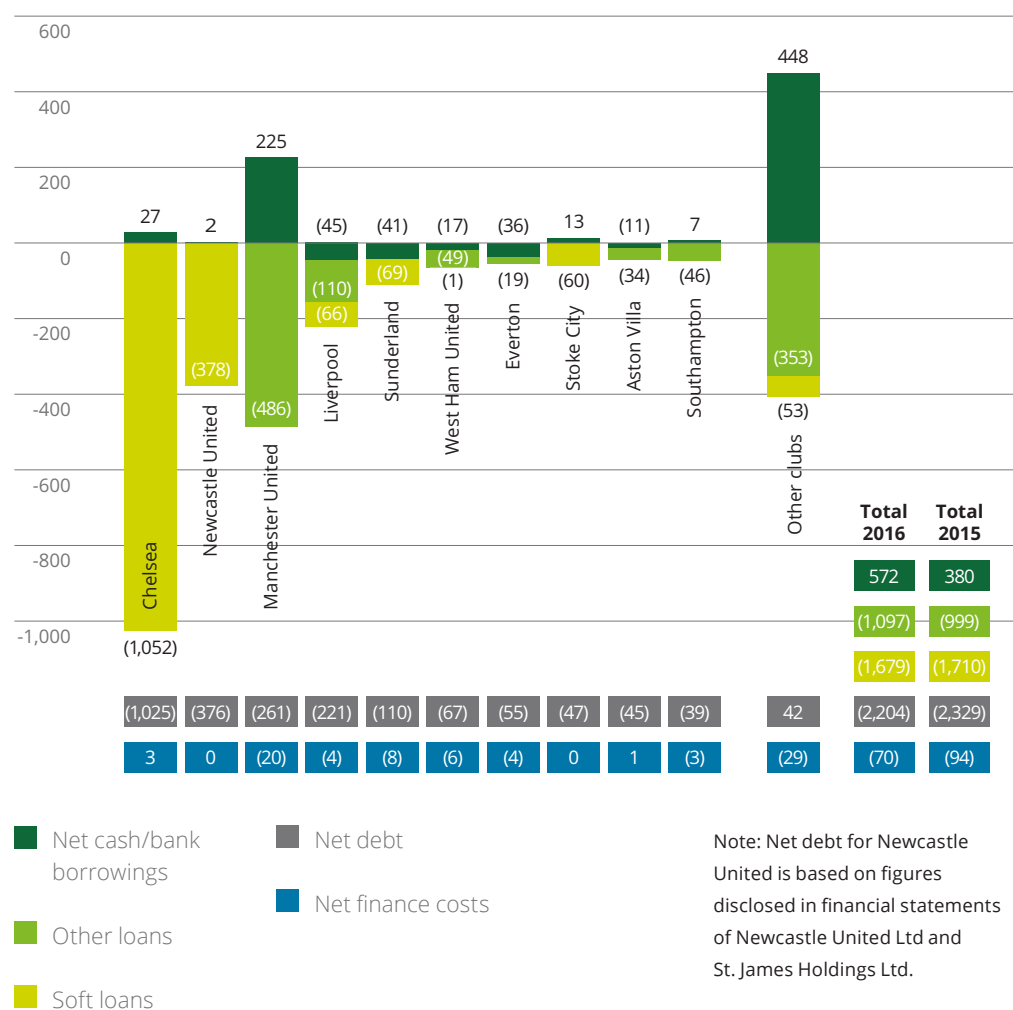
Individual club analysis

Eight of the 20 clubs in the Premier League improved their net debt/funds position in 2015/16. The largest reduction was from Tottenham Hotspur, whose operating profit (£45m), and profit on player sales (£28m), drove an increase in net cash of £51m, despite an increase in bank loans of £111m in the year.

The top four most indebted clubs (Chelsea, Newcastle United, Manchester United and Liverpool) accounted for almost £1.9 billion (85%) of the overall net debt in the league in 2015/16. Of the 16 remaining clubs ten recorded net debt positions, of a combined £426m.

Arsenal, Crystal Palace, Leicester City, Swansea City, Tottenham Hotspur and West Bromwich Albion were the six clubs in the Premier League in a net funds position at the end of the 2015/16 season. In addition to Tottenham Hotspur, Leicester City (£17m) and Swansea City (£33m) benefitted from significant increases in cash reserves to achieve a net funds position in 2015/16 following a net debt position in the prior year.

Chart 12: Premier League clubs' net debt – 2016 (£m)



For all the teams in China

There continues to be a lot of interest in China's growing investment and influence in football, in both domestic clubs' in playing squads and infrastructure, and outbound overseas club acquisitions and sponsorships in the global game. However, there have been some significant developments in recent months, which could constrain outbound Chinese investment in the rest of the world's clubs and players in future seasons.

In their 2016/17 winter transfer window, Chinese Super League clubs spent more than £300m on players, more than any other league in the world and around £100m more than English Premier League clubs spent in the January 2017 European window. Indeed, Premier League clubs' generation of net proceeds on transfers, for the first time ever in a single transfer window, was thanks, in large part, to the transfers of Oscar and Odion Ighalo, to Shanghai SIPG and Changchun Yatai respectively.

However, this record breaking transfer expenditure is unlikely to continue at its recent rate. The General Administration of Sport (the government body responsible for regulation of sport in China) stated publicly at the end of January 2017 that a cap on player salaries and transfer fees would be established to control "irrational investment".

In the same month, the Chinese Football Association implemented a new stricter rule allowing only three foreign players to participate for a club in a Chinese Super League fixture. This replaced the previous "4 plus 1" rule which allowed four foreigners plus one (non-Chinese) Asian player in a matchday squad.

More recently, in June 2017, the Chinese Football Association announced that clubs who are loss making and spend in excess of 45m yuan (c.£5m) on a foreign player must pay an amount equivalent to the excess into a national fund to develop young Chinese players. Such rulings seem likely to significantly restrain spending on foreign playing talent.

Meanwhile, the State Council of China announced in 2016 its intentions to curb capital flight from the country, with tighter regulation on outbound mergers and acquisitions. Since the last Annual Review of Football Finance was published, Chinese investors have purchased stakes in a number of high profile European clubs, including AC Milan, Internazionale and OGC Nice, and several English clubs including Birmingham City, Reading, West Bromwich Albion and Wolverhampton Wanderers. It remains to be seen what impact any new regulations will have on Chinese acquisitions of European football clubs.

There continues to be significant investment from Europe into the Chinese football market. A host of major European clubs are looking to expand into the Chinese market and develop commercial opportunities in the region. For example, Barcelona recently opened a €4m complex on the holiday island of Hainan that includes a football school, Barcelona shop and fan zone.

So what is the attraction for European clubs? With China's 50 point plan for football including a target of 50 million children and adults playing the game by 2020, the sheer size of this growing market is an attractive prospect for European clubs looking to increase their fan base and revenues.

A fast changing and unpredictable regulatory environment makes it even more challenging and important for Chinese clubs and investors to approach their future investments with careful consideration and planning, to ensure that their strategic aims are fully aligned with the best interests of their club and its supporters – whether at home or abroad.

Deloitte advises clients around the world in respect of targeting, acquiring, and successfully operating football clubs.

Over the top?

Consumers' desire for anytime, anywhere access to content has led to over-the-top (OTT) streaming platforms, social media networks and other technology companies competing with traditional Pay-TV platforms in bidding for sports rights.

Fans increasingly want and expect digital conversations and social media communities to engage with over sports events. New media platform providers can meet and benefit from this demand and therefore play a more influential role in delivering sport to consumers, augmenting live coverage with additional content, such as highlights clips and special features, or providing match coverage where a traditional broadcast partner is not available or desired.

Traditional broadcasters have responded to this threat by launching their own OTT platforms, supplementing their sports rights with self-created content and repurposing their channel packages to offer sport-specific content at more competitive prices. These companies are also investing heavily in new developments such as 4K, HDR and Virtual Reality production. Augmented Reality such as in-studio graphic overlays has been employed for years, but more inventive and in-depth uses are being trialled.

Digital disruption

We are yet to see a knock-out bid to acquire exclusive live rights to a major sports property from these digital platforms, despite much speculation and their significant financial resources. So far, the focus has been on acquiring non-exclusive rights to enhance live coverage by others, as these companies adapt their advertising-based business models to the sports rights market (see box).

Major rights owners may see experimentation with new delivery models for premium live rights as an unnecessary risk, given the continued growth in rights fees from traditional Pay-TV broadcasters and telecommunication companies.

One competitive advantage for digital platforms over current rights holders may be their ability and expertise to provide vast amounts of information on consumers, and their deep knowledge of individuals' preferences to help commercial partners tailor their approach.

There is already evidence that sports leagues are taking greater control of their digital rights, driven in part by a desire to deliver their product to audiences that do not receive coverage through traditional media. The English Football League has recently announced the launch of an OTT international broadcast platform for its competitions, and both the NFL and MLB have well-established digital platforms available outside their domestic markets.

The value to rights owners of owning and accessing consumer information may impact the way in which traditional broadcasters approach future rights negotiations, for example by offering the co-development of platforms with rights-owners as part of broader, longer-term relationships.

Examples of recent media rights deals by new broadcast platforms



The evolution may be televised

In the short term, existing contractual relationships, the lack of 5G connectivity, time delays in live streaming, information security concerns and rights owners' risk aversion may inhibit the growth of new broadcast platforms.

Nonetheless, it seems inevitable that OTT delivery will become more common in sport, although in an increasingly fragmented media landscape, the ability of live sport to attract large, loyal, social audiences (and hence subscribers) on a consistent basis means traditional broadcasters will still play a leading role.

Major European football rights owners have already begun to experiment with non-premium rights, such as domestic cup competitions and rights in international markets, either by making these available to view on a non-exclusive basis on digital platforms or by selling direct to OTT providers.

Whilst a large bid for exclusive rights to a major sports property from a non-traditional source is not out of the question, fears of a complete disruption to the traditional market, particularly in the short term, feel over the top.

The Sports Business Group at Deloitte regularly advises sports rights owners on their media and commercial strategies and provides assistance to investors in sports media businesses.

Football League clubs

Championship clubs generated combined revenues of £556m in 2015/16, a 1% increase on the previous year and another new record for the division. Revenues look set to increase to over £600m in 2016/17, with parachute payments and solidarity distributions from the Premier League increasing significantly, following the commencement of the new broadcast rights cycle.

Championship clubs' revenues

The modest 1% increase in Championship clubs' revenue in 2015/16 was driven by the change in club mix, which resulted in a net increase of £17m on 2014/15. However, the combined revenues of the 18 consistent Championship clubs year-on-year reduced by £9m (an average of £0.5m per club).

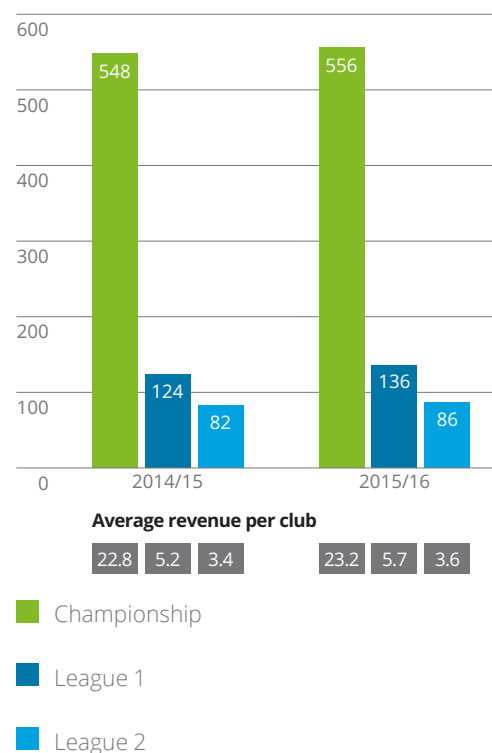
Nine Championship clubs were in receipt of parachute payments in 2015/16 (2014/15: ten), which ranged from £11m to £26m and totalled £162m (2014/15: £166m). Parachute payments accounted for 54% of the combined revenues of clubs in receipt of them, and 29% of total Championship revenue. Premier League solidarity payments totalled a further £35m (6%). Despite the revenue advantage presented by parachute payments, only five of the 15 clubs relegated from the Premier League

League 1 and League 2 clubs' revenues

League 1 clubs' revenues increased by 10%, principally due to the presence of Wigan Athletic, whose revenue of £18m comprised 13% of the division's total, largely due to their receipt of parachute payments. Revenue for the 17 clubs present in both 2014/15 and 2015/16 reduced by 6%. League 2 clubs' combined revenues increased by 5% to £86m.

over the five seasons from 2011/12, have regained promotion from the Championship. Furthermore, since 2014/15, three clubs in receipt of parachute payments have been relegated to League 1 (Blackpool in 2014/15, Bolton Wanderers in 2015/16, and Wigan Athletic – twice – in 2014/15 and 2016/17).

Chart 13: Football League clubs' revenues – 2014/15 and 2015/16 (£m)



Source: Deloitte analysis.

The value of promotion

Their 2016/17 play-off final win, means Huddersfield Town rejoin the top flight of English football for the first time since 1972. This remarkable achievement again demonstrates the opportunity for any Championship club to reach the Premier League, regardless of their budget. In the 2015/16 season, Huddersfield's wage costs were the Championship's fourth-lowest.

The value of promotion to the Premier League continues to grow, with both Huddersfield and fellow first-time arrivals Brighton and Hove Albion, guaranteed a minimum revenue increase of £170m over the next three seasons. This could rise to more than £290m if they survive more than one season, and may grow further when the next Premier League broadcast rights cycle commences in 2019/20. Interestingly, the fear that increasing parachute payments will inevitably result in an ever-decreasing pool of "yo-yo" clubs, has remained stubbornly untrue to date: Huddersfield became the eighth club in the last five seasons to win promotion without the aid of parachute payments.

Championship clubs' wage costs rose by 4% to £561m in 2015/16, with the wages/revenue ratio exceeding 100% for the third time in the last four years, as clubs spent more on wages than they generated in revenue, driven largely by the hope of securing the financial rewards and glory accompanying promotion to the Premier League.

Championship clubs' wage costs

2015/16 saw the aggregate wage costs of Championship clubs exceed total revenue, resulting in a wages/revenue ratio of 101%. This marks the third time in the past four seasons that the wages/revenue ratio has exceeded 100%, an unsustainable position without continued reliance on owner funding.

Championship clubs' wages/revenue ratios ranged from 59% (Leeds United) to 173% (Nottingham Forest). Only three clubs had a ratio below 70%, and wage costs were greater than total revenue at 13 Championship clubs.

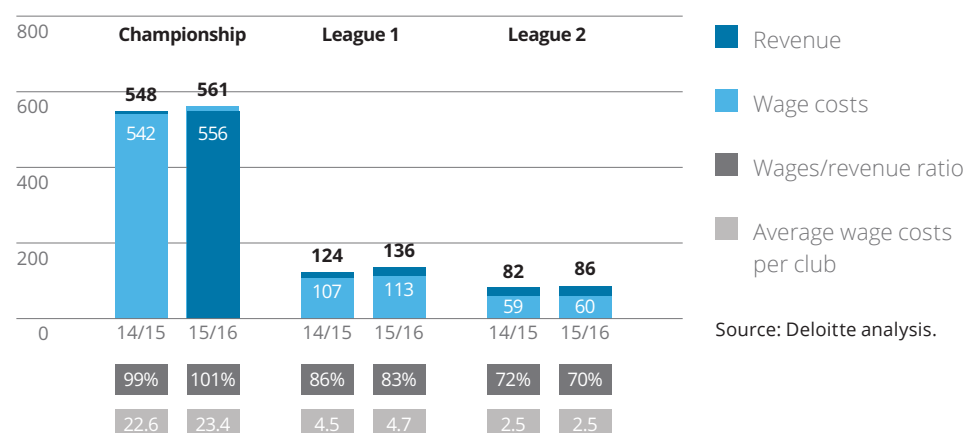
The glory and significant revenue increase associated with promotion to the Premier League continues to fuel clubs' willingness to fund high levels of wage costs. In addition, the Championship's adoption of Profitability and Sustainability regulations, which replaced Financial Fair Play regulations from the 2016/17 season, allowed clubs to make a greater loss in the transitional 2015/16 season than was previously allowable (£13m, compared with £6m), and may have facilitated increased expenditure on wages.

Correlation between wage costs and league position

The Championship's Spearman's rank correlation coefficient in the 2015/16 season was 0.42, indicating a stronger correlation between wage costs and finishing position than was evident in the previous season (0.24). Four of the eight highest wage payers finished in the top third of the division (2014/15: two), and only two of them finished in the bottom third (2014/15: four). Ipswich Town, Preston North End, Birmingham City and Brighton and Hove Albion all substantially out-performed their wage ranking on the pitch, with Fulham, Queens Park Rangers and Reading the biggest under-performers relative to wage costs.

Clubs spent more on wages than they generated in revenue, in the hope of securing the financial rewards and glory accompanying promotion to the Premier League.

Chart 14: Football League clubs' revenues and wage costs – 2014/15 and 2015/16 (£m)



Source: Deloitte analysis.



74%

Growth in Championship revenue in the last decade

League 1 and League 2 clubs' wage costs

Despite a 6% increase in League 1 clubs' wage costs in 2015/16, the division's wages/revenue ratio declined to 83%. The introduction of the Salary Cost Management Protocol regulations has reduced the ratio by 10 percentage points since 2011/12. League 2 clubs' wage costs marginally increased (by 2%) in 2015/16, but the division's wages/revenue ratio remained below 75% for the 15th consecutive season.

After two consecutive seasons of operating and pre-tax loss reductions, Championship clubs suffered record operating losses of £261m, and pre-tax losses of £241m in 2015/16. The lure of the Premier League continues to tempt Championship clubs to stretch their financial limits.

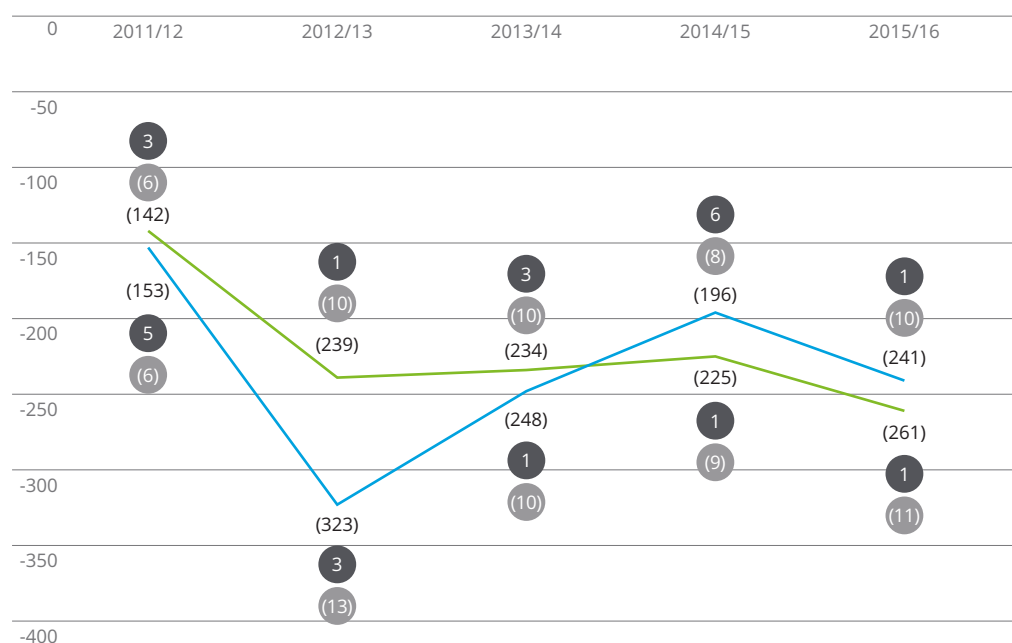
Championship clubs' losses

The 2015/16 season saw a return to historic trends, as operating losses reached a record level of £261m and pre-tax losses increased by 23% to £241m. This is driven by a combination of the ever-present desire to achieve promotion to the Premier League, accentuated in 2015/16 by the imminent commencement of the new broadcast rights cycle, and an increase in allowable losses, from £6m in 2014/15 to £13m in 2015/16, as part of the transition to the new Profitability and Sustainability regulations.

Over half of Championship clubs recorded both an operating and pre-tax loss of more than £5m in 2015/16, with ten clubs reporting losses of more than £10m before tax.

Hull City were the only Championship club to generate an operating profit in 2015/16 (of less than £1m), and only the second club in the past two seasons (after Blackpool in 2014/15), and with markedly happier on-pitch results, with Hull City being promoted, whereas Blackpool had finished bottom in the previous year. Wolverhampton Wanderers were the only club to record a pre-tax profit in 2015/16, thanks to a £10m profit on player sales.

Chart 15: Championship clubs' losses – 2011/12 to 2015/16 (£m)



— Operating profit/(loss)

— Profit/(loss) before tax

● Number of clubs generating operating profit/pre-tax profit

● Average club operating loss/pre-tax loss

Notes:

1. The operating result is the net of revenues less wage costs and other operating costs. The operating result excludes player trading and certain exceptional items, which are included in the pre-tax result, along with other costs such as financing costs;

2. The 2014/15 pre-tax loss included one-off credits of £26m at Cardiff City and £11m at Reading;
3. The 2015/16 pre-tax loss included one-off credits of £18m at Nottingham Forest, £12m at Derby County and £10m at Cardiff City.

Source: Deloitte analysis.

League 1 and League 2 clubs' pre-tax profits

Clubs' pre-tax profitability remained relatively stable across both League 1 and League 2 in 2015/16, with an average pre-tax loss per club of £1.6m and £0.5m, respectively. These deficits still need to be covered, in most cases, by the clubs' owners.

Looking forward

The 2016/17 season saw the first implementation of the Championship's new Profitability and Sustainability regulations, assessing clubs' financial results for the three seasons from 2014/15.

Following the initial transitional period, clubs will be allowed to lose up to £39m over a rolling three-year period in the Championship, provided that evidence of secure owner funding is provided for amounts over £15m.

More than half of the clubs in the Championship in 2017/18 are under foreign ownership, including five clubs bought by foreign owners in the last 12 months. With the ambition of these new investors, and the growing riches on offer in the Premier League, we are likely to see the scale of Championship losses increase further in the short term.

Championship clubs' aggregate net debt increased by £85m (7%) in the 2015/16 season, to £1.3 billion. This is more than double the revenue of the division, and follows on from an 8% increase in the 2014/15 season. The proportion of total net debt represented by interest-free soft loans from shareholders has fallen from 74% in 2015 to 60% in 2016.

Championship clubs' net debt

Championship clubs continue to be funded primarily through a combination of soft and other loans with these contributing 96% of total net debt (2015: over 100%). The change in club mix resulted in a £143m increase in net debt, offset by a £58m reduction across the 18 consistent clubs year-on-year.

Bank loans accounted for £84m (7%) of the division's total net debt in 2016, compared with only £12m (1%) in 2015. This increase is due to the change in club mix, with Bristol City (£43m), Hull City (£23m) and Queens Park Rangers (£11m) included in the Championship total in 2016. Cash reserves fell by £18m in 2016 to £28m at the year end.

Soft loans have decreased by £122m (14%) to £761m in 2016, due to a £171m loan write-off by Bolton Wanderers, offset by further injections of funding into their clubs by the owners of Brighton and Hove Albion (£23m), Sheffield Wednesday (£13m), Middlesbrough (£11m) and Brentford (£9m).

Individual club analysis

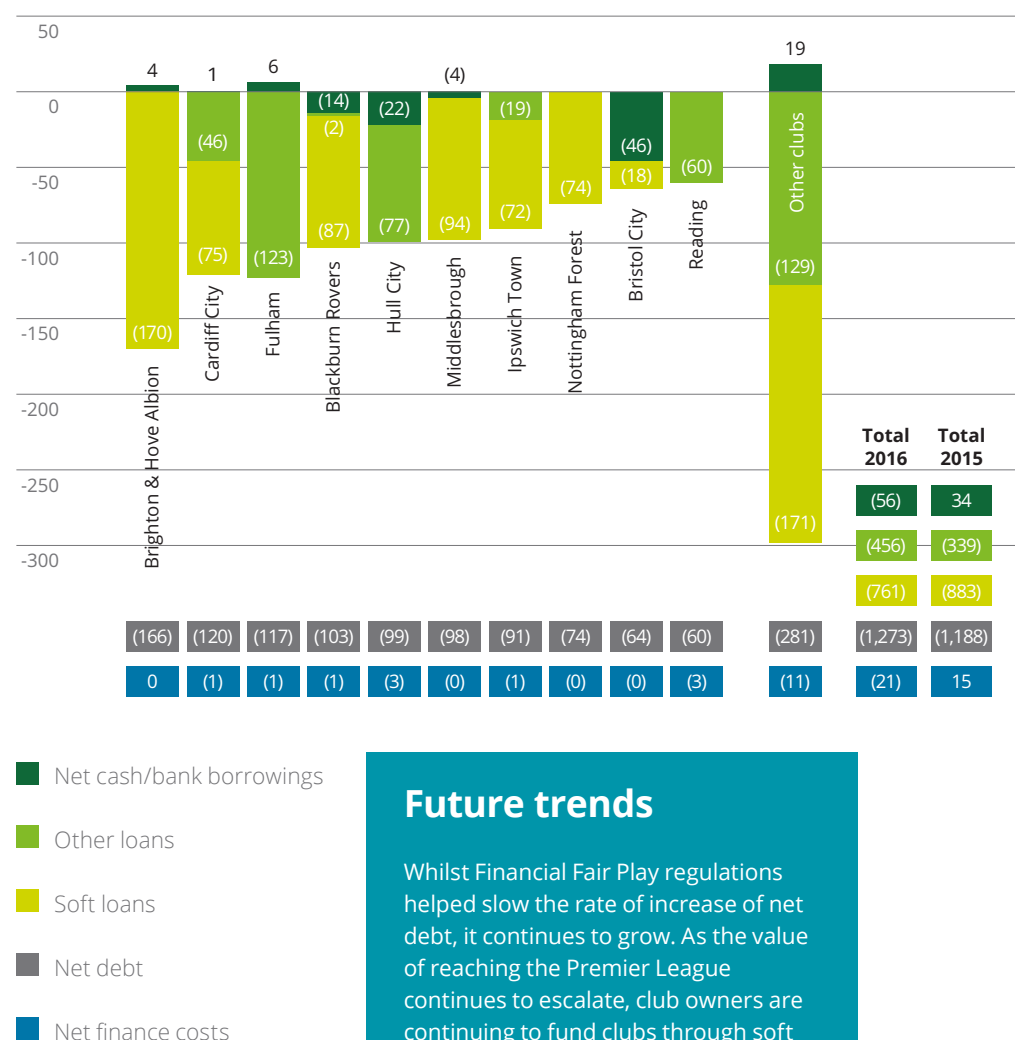
The top ten most indebted clubs in the Championship accounted for 78% of the overall net debt in the division, compared with 83% a year before. Seven of the top ten increased their net debt, largely due to additional funding from owners. Fulham recorded the largest increase in net debt year-on-year (£29m).

Although 2016 financial statements for Bolton Wanderers were not available at the time of writing, the club disclosed that loans totalling £171m had been written-off in the year as a subsequent event in its 2015 financial statements. We have included the impact of this write off in our net debt calculations. Brighton and Hove Albion replaced them as the Championship's most indebted club, albeit all of their debt was in the form of interest-free soft loans owed to the owner.

Queens Park Rangers, who were relegated from the Premier League in 2014/15, capitalised shareholder loans totalling £181m during the 2015/16 season.

Conversely, other loans increased by £117m (34%) in 2016. This was mainly due to the change in club mix in the year, with Hull City (£77m) and Queens Park Rangers (£36m) the largest contributors, following their relegation from the Premier League at the end of the 2014/15 season.

Chart 16: Championship clubs' net debt – 2016 (£m)



Source: Deloitte analysis.

Future trends

Whilst Financial Fair Play regulations helped slow the rate of increase of net debt, it continues to grow. As the value of reaching the Premier League continues to escalate, club owners are continuing to fund clubs through soft loans and equity injections to try and reach this destination. More encouragingly, 2016/17 represents the fourth consecutive season where there have been no insolvency events in the Football League.

Player transfers

Premier League clubs spent a record £1.3 billion on transfers during the 2015/16 season, fuelled by the impending increase in broadcast revenues in the 2016/17 season and surpassing the previous season's record of £1.1 billion by over 20%. Premier League and Football League clubs' combined gross expenditure to acquire players was more than £1.5 billion.

Premier League clubs' transfer activity

Premier League clubs continued to lead the world in terms of transfer expenditure in 2015/16, spending over £1.3 billion (gross) on player acquisitions. Almost £900m (66%) of this was spent with overseas clubs, and £77m (6%) to acquire players from Football League clubs.

Five clubs recorded additions to player registrations in excess of £100m, including Newcastle United (£115m) despite their relegation. Manchester City spent over £175m on players: a new record for a Premier League club in a single season. Twelve clubs spent more than £50m (compared with seven clubs in 2014/15), boosted by the knowledge of significant guaranteed revenue increases in 2016/17 season, due to the Premier League's improved broadcast rights values. The ratio of top to bottom earning clubs from central distributions

in the 2015/16 season was 1.52:1, the most equal distribution in Premier League history.

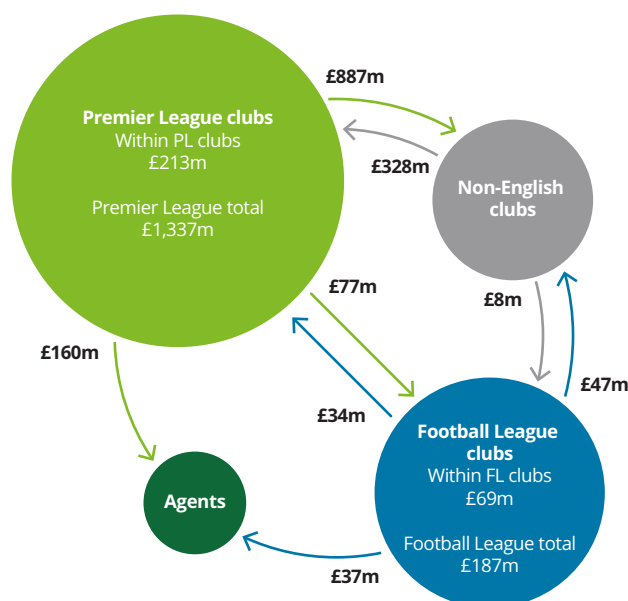
Net Premier League transfer expenditure increased to more than £750m in 2015/16, with net outflows to overseas clubs (£559m) and Football League clubs (£43m), as well as payments to agents of £160m.

Football League clubs' transfer activity

Football League clubs' combined gross transfer expenditure in 2015/16 was almost £190m, a substantial uplift of £50m (36%) compared with 2014/15, as some Championship clubs in particular invested heavily in their efforts to reach the Premier League.

Two of the three highest-spending Championship clubs (Burnley and Middlesbrough) were both promoted, although the third promoted club, Hull City's, reported player transfer additions were only the sixth-highest in the division. The Tigers also generated net proceeds on player transfers of almost £10m in the 2015/16 season.

Chart 17: Premier League and Football League clubs' player transfer payments – 2015/16 (£m)



Note: The arrows represent the flow of payments, whilst the players transfer the opposite way. The estimated amount of fees in respect of the transfer of player registrations refer to amounts committed in 2015/16, rather than actual cashflows. The sources for the amounts in the chart relate to periods that are not necessarily coterminous.

Source: Premier League; Football League; Deloitte analysis.

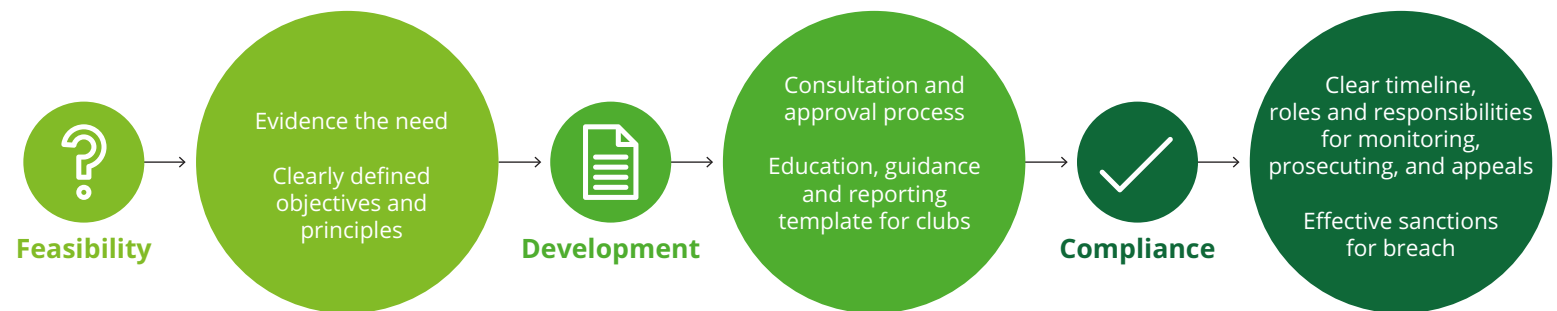
The global marketplace

Clubs in Germany's Bundesliga reported combined net transfer receipts across the 2015/16 season of £15m. Clubs in France also recorded net transfer receipts, whilst top division clubs in Spain, England and Italy were net importers of players in 2015/16.

Transfer expenditure in China has grabbed many headlines in recent months. In their winter 2016/17 transfer window, Chinese Super League clubs spent more than £300m on player transfers. To put this into context, English Premier League clubs spent a reported £1.4 billion during the 2016/17 season, although they did record net transfer receipts for the first time in a single transfer window in January 2017.

For the good of the game

Over recent years cost control regulations have become commonplace in European football, as they are in both codes of rugby and the major US sports.



Whilst the principal objectives for such regulations are usually broadly similar – to support the long-term sustainability and development of clubs and hence the competition itself – the exact nature and details of the rules themselves vary depending on the specific circumstances of each competition and its stakeholders.

The initial scepticism, over what some saw as more administrative demands from the centre, seems to have largely abated and been replaced with a realisation that financial regulations that are well designed, implemented and monitored can support clubs and leagues with their long-term development.

For some, a concern was that cost control may put off potential investors and/or playing talent. In fact, since enhanced football finance regulations have been introduced across Europe, interest in owning a club is as high as ever.

Using regulations to encourage clubs to adopt a more rational business model attracts investors who are used to operating in this way with their other business interests. Whilst many of the new regulations do allow some margin of spending above the income generated, and actively encourage investment in facilities and youth, community and women's football developments as long-term assets, they also set limits on the amount investors may expect to lose. This added financial discipline, coupled with the status and excitement of owning a football club, means investor interest in football clubs is unlikely to diminish in the foreseeable future.

The regulations also appear to have achieved their desired positive financial impact, in cases such as:

- UEFA (Break-even element of UEFA's Financial Fair Play regulations effective from 2012) – In 2013/14 and 2014/15, the top division clubs across Europe generated combined operating profits of €1.5 billion, compared with losses of €700m in the two years before the introduction of the rules. Net losses have also declined by 81% since the introduction of Financial Fair Play.
- Premier League (Short Term Cost Control and Profitability & Sustainability regulations effective from 2013/14 season) – In 2013/14, Premier League clubs generated a combined profit for the first time in 15 seasons and repeated this in 2014/15. Despite a loss in 2015/16 due to some one-off accounting

items, profitability is expected to return in 2016/17 and into the foreseeable future; and

- Football League (Financial regulations were first effective in the Championship in 2011/12 and Salary Cost Management Protocol rules were originally effective from 2004 for League 1 and League 2 clubs) – No Football League clubs have entered insolvency proceedings since 2013, compared with ten such clubs in the five years 2009-2013.

The Sports Business Group at Deloitte remains the leading global advisor on financial regulations within sport.

Stadia

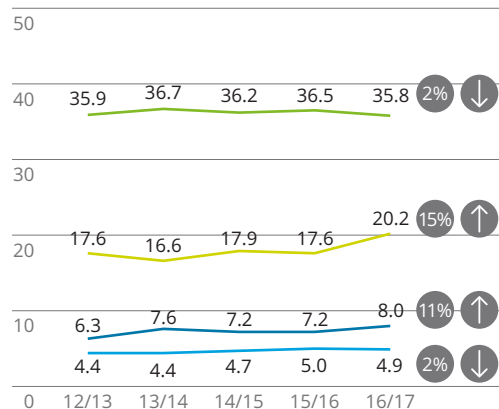
Total attendances across the Premier League and Football League increased by 5% to almost 32m in the 2016/17 season. Stadium investment continues, at record levels, to provide more and better quality opportunities to watch live professional football in England. Although Premier League clubs' attendances fell by 2%, this was due in large part to the relegation of Aston Villa and Newcastle United, who in turn helped boost Championship attendance levels by 15%.

Premier League clubs' attendances

Total Premier League attendances in 2016/17 were over 13.5m, with average attendances of almost 36,000 and average stadium utilisation of 96%. Sixteen clubs averaged stadium capacity utilisation of 95% or more, and just three averaged less than 90% utilisation.

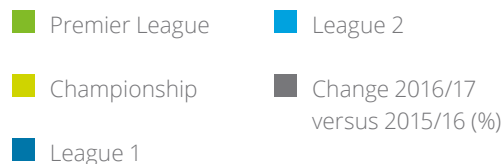
West Ham United's average attendances increased by more than 60% in their first season in the London Stadium and Liverpool's new main stand added around 9,000 seats to Anfield's capacity, enabling the club to increase average attendances by 20%. Six English club football stadiums have capacities of over 50,000 and Tottenham Hotspur's redeveloped White Hart Lane – due to open in time for the 2018/19 season – will become the seventh.

Chart 18: Premier League and Football League clubs' average matchday attendances – 2012/13 to 2016/17 (000s)



Stadium utilisation

95%	96%	96%	96%	96%
65%	65%	68%	65%	72%
43%	48%	46%	47%	50%
43%	48%	48%	51%	47%



Source: Premier League; Football League; Deloitte analysis.

Football League clubs' attendances

Championship clubs' attendance levels were boosted by the presence of Aston Villa and Newcastle United, who were the division's two best-supported clubs in 2016/17 and took average attendances in the second tier over the 20,000 mark, for the first time since the 1950s. Newcastle United's attendances averaged over 50,000 – higher than their previous season's average in the Premier League.

Clubs in League 1 saw average attendances increase by 11%, boosted by the presence of Bolton Wanderers and Charlton Athletic. Champions Sheffield United averaged over 20,000 – a remarkable achievement in English football's third tier. League 2 clubs' average attendances remained broadly consistent with 2015/16 at just under 5,000. Portsmouth's average attendance of almost 17,000 was again by far the highest in League 2.

European attendance levels

Germany's Bundesliga remains the best-attended football league in the world, with average attendances of over 40,500 in the 2016/17 season. While German clubs continue to generally charge relatively lower ticket prices for domestic matches than their English counterparts, the recent introduction of the £30 cap on away ticket prices for Premier League matches was widely praised by fan groups.

Attendance levels in the top divisions in Spain, Italy and France continue to lag some way behind those in Germany and England. Despite the significant investment in new and redeveloped stadia in France ahead of Euro 2016, it was the least-attended of the 'big five' European leagues in 2016/17. In Spain, Atlético de Madrid's new stadium will provide a capacity boost for them in 2017/18, and help La Liga to retain third place in attendance terms.

Total capital expenditure by Premier League and Football League clubs rose by 3% in the 2015/16 season to £313m – a new record.

Premier League clubs' capital expenditure

Premier League clubs invested £235m in stadia and facilities in 2015/16, an increase of £7m (3%) on the previous year. Despite the steady recent trend of matchday revenue reducing as a proportion of total revenue (from 23% in 2012/13 to 17% in 2015/16), Premier League clubs are investing more now in their stadia and facilities than ever before, as they look to grow matchday revenues and improve the fan experience.

Tottenham Hotspur's new stadium project meant they spent the most in the division (£80m), while Liverpool's new main stand development, which opened at the beginning of the 2016/17 season, resulted in £67m capital expenditure in 2015/16. Together, these two clubs accounted for 63% of total capital expenditure in the Premier League.

Manchester City (£18m), Arsenal (£17m), Watford (£11m) and Chelsea (£10m) all spent more than £10m on ongoing capital projects, and only four clubs spent less than £1m.

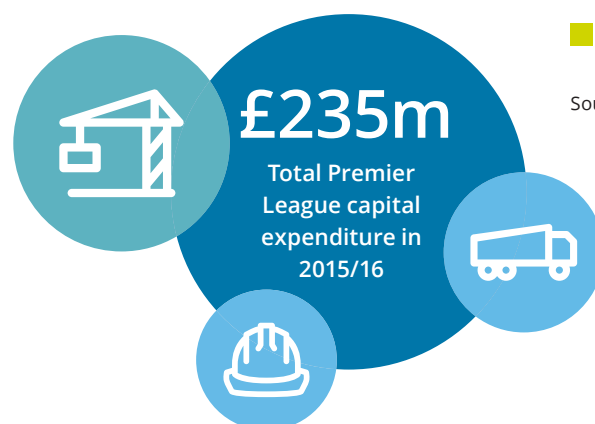
Football League clubs' capital expenditure

Capital expenditure in the Championship rose by £15m (28%), primarily due to the presence of Bristol City, who spent a further £27m on the redevelopment of Ashton Gate in 2015/16.

Other significant contributors to total 2015/16 Championship capital expenditure of £68m were Fulham (£7m), Burnley (£6m) and Derby County (£6m).

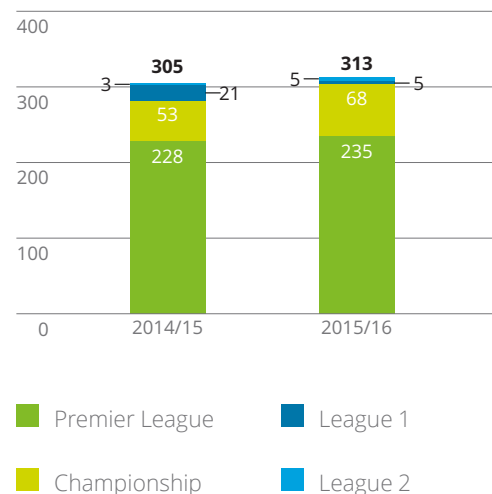
League 1 clubs spent a combined £5m on stadia and facilities in 2015/16, down 76% on 2014/15 following Bristol City's promotion.

League 2 clubs also spent a total of £5m, with Bristol Rovers and Portsmouth the highest spenders (£1m each).



Premier League clubs are investing more now in their stadia and facilities than ever before, as they look to grow matchday revenue and improve the fan experience.

Chart 19: Premier League and Football League clubs' expenditure on stadia and other facilities – 2014/15 and 2015/16 (£m)



Source: Deloitte analysis.

Future capital expenditure

Tottenham's large-scale redevelopment of White Hart Lane gathered pace during the 2016/17 season, and is scheduled to be completed during the 2017/18 season while the team plays its home games at Wembley. This will see them top the Premier League in terms of capital expenditure for at least the next two editions of our Annual Review of Football Finance. Meanwhile, AFC Bournemouth have publicly announced their intention to build a new stadium, and Chelsea and Everton's plans for new stadia continued to progress through their respective approval processes in early 2017.

It's in the game

Professional competitive video gaming, or eSports, has often been considered a niche activity. However, perceptions are changing amid industry estimates that by 2020 1.8 billion people will be aware of the market, and global revenues may total \$1.5 billion (£1.2 billion). Such eye-catching headlines have captured the attention, and investment, of numerous non-endemic brands, including some of European football's most significant leagues and clubs.

eSports players compete as individuals or as part of teams, and competition amongst aspiring professionals is fierce. As with most sports, the reward for the successful few can be substantial, with prize pools for established tournaments regularly reaching seven figures. Chinese team 'Wings Gaming' earned a reported \$9m (£7.2m) as champions of Valve Corporation's 'The International 2016', a competition based on the video game 'DOTA 2'.

Competitions are staged either online or in dedicated arenas, or occasionally a combination of both, and can attract significant viewership. A number of venues familiar to sports fans have also been filled with eSports fans. The 2016 'League of Legends World Championship' was held in front of almost 20,000 at the Staples Center in Los Angeles, whilst the 2017 finals

are set to take place in Beijing's National Stadium (the Bird's Nest), an arena synonymous with the 2008 Summer Olympics.

eSports investment by football stakeholders has been sporadic but centred on two of the most prevalent football video game series, EA Sport's FIFA and Konami's Pro Evolution Soccer ('PES'). FIFA competitions affiliated to European football leagues have become increasingly numerous, such as France's e-LIGUE 1 and Netherland's E-Divisie, and a natural extension has been the signing of players who represent clubs at elite competition – Manchester City, VFL Wolfsburg and AFC Ajax all have official FIFA players.

However, football clubs' interest in eSports is not limited to football games. 'Counter-Strike: Global Offensive', 'DOTA 2' and 'League of Legends' are just a few examples of non-football games with global competitions and audiences. 'PSG eSports', an initiative launched by Paris Saint-Germain in 2016, is perhaps the most high-profile investment by a football club that included entry of a team into the second tier of the 'League of Legends' European competition.

But what makes eSports an attractive opportunity for football leagues and clubs? Multi-national brands familiar to football, including Coca-Cola, Gillette and McDonalds have already entered eSports in an attempt to remain relevant with new, younger audiences. The

audience contains a disproportionately high number of tech-savvy consumers aged between 20 and 35 who spend more time online and using mobile devices than older generations, and are increasingly difficult for brands to reach through traditional marketing routes, such as TV advertising.

Whilst football's TV appeal remains strong and resilient relative to other genres there have been signs recently of pressure on audiences: Sky (14%) and BT (2%) both reported a reduction in average viewership of the Premier League in 2016/17 compared to the previous season. eSports presents football and its commercial partners with the opportunity to engage, and remain relevant, with an audience segment at risk of turning to alternative forms of entertainment.

However, future investors should act with caution and rigour. eSports is a fragmented industry with multiple video game titles that appeal to different audience sub-sets, and faces many of the same challenges around calendar, governance, integrity, player welfare and development and so on, as traditional sports. Robust planning and appraisal of the market should be a critical part of any eSports investment.

Deloitte's Sports Business Group regularly advises clients in respect of investment opportunities, including performing financial and commercial due diligence and strategic business planning and risk analysis.



Basis of preparation

Sources of information

The financial results and financial position of English football clubs for 2015/16, and comparisons between them, has been based on figures extracted from the latest available company or group statutory financial statements in respect of each club – which were either sent to us by the club or obtained from Companies House. In general, if available to us, the figures are extracted from the annual financial statements of the legal entity registered in the United Kingdom which is at, or closest to, the 'top' of the ownership structure in respect of each club. The vast majority of English clubs have an annual financial reporting period ending in May, June or July.

The financial results and financial position of clubs in various non-English leagues, and comparisons between them, has been based on figures extracted from the company or group financial statements in respect of each club, or from information provided to us by national associations/leagues.

If financial statements were not available to us for all clubs in a division, then aggregate divisional totals have been estimated for all clubs for comparison purposes (from year to year or between divisions).

This publication contains a variety of information derived from publicly available or other direct sources, other than financial statements. We have not performed any

verification work or audited any of the financial information contained in the financial statements or other sources in respect of each club for the purpose of this publication.

Comparability

Clubs are not wholly consistent with each other in the way they record and classify financial transactions. In some cases we have made adjustments to a club's figures to enable, in our view, a more meaningful comparison of the football business on a club by club basis and over time. For example, where information was available to us, significant non-football activities or capital transactions have been excluded from revenue.

Some differences between clubs, or over time, may arise due to different commercial arrangements and how the transactions are recorded in the financial statements (for example, in respect of merchandising and hospitality arrangements), due to different financial reporting perimeters in respect of a club, and/or due to different ways in which accounting practice is applied such that the same type of transaction might be recorded in different ways.

Each club's financial information has been prepared on the basis of national accounting practices or International Financial Reporting Standards ("IFRS"). The financial results of some clubs have changed, or may in the future change, due to

the change in basis of accounting practice. In some cases these changes may be significant.

The number of clubs in the top division of each country can vary over time. In respect of the 'big five' leagues for 2015/16, each division had 20 clubs except for Germany (18 clubs).

The figures for some comparative years have been re-stated compared to previous editions of this report due to changes in estimates arising from additional information available to us and/or due to the actual restatement by clubs of their annual financial statements.

Financial projections

Our projected results are based on a combination of upcoming figures known to us (for example, central distributions to clubs) and other, in our view, reasonable assumptions.

In relation to estimates and projections actual results are likely to be different from those projected because events and circumstances frequently do not occur as expected, and those differences may be material. Deloitte can give no assurance as to whether, or how closely, the actual results ultimately achieved will correspond to those projected and no reliance should be placed on such projections.

Key terms

Revenue includes matchday, broadcast, sponsorship and commercial revenues. Revenue excludes player transfer fees, VAT and other sales related taxes.

Matchday revenue is largely derived from gate receipts (including general admission and premium tickets). Broadcast revenue includes distributions received from participation in domestic league and cups and from European club competitions. Unless sponsorship revenue is separately disclosed, commercial revenue includes sponsorship, merchandising and other commercial operations. Where identifiable from a club's disclosures, distributions received in respect of central commercial revenues are included in commercial revenue, or otherwise included in broadcast revenue.

Wage costs includes wages, salaries, signing-on fees, bonuses, termination payments, social security contributions and other employee benefit expenses. Unless otherwise stated, wage costs are the total for all employees (including, players, technical and administrative employees).

Operating profit/loss is the net of revenue less wage costs and other operating costs, excluding amortisation of player registrations, profit/loss on player disposals, certain disclosed exceptional items, and finance income/costs.

Pre-tax profit/loss is the operating result plus/minus amortisation of player registrations, profit/loss on player disposals, certain disclosed exceptional items, and finance income/costs.

Under UK GAAP and IFRS, the costs to a club of acquiring a player's registration from another club should be capitalised on the balance sheet within intangible fixed assets. Generally, the capitalised amount is subsequently amortised over the period of the respective player's contract with the club. The potential market value of 'home-grown' players is excluded from intangible fixed assets as there is no acquisition cost. Amortisation of player registrations is as disclosed in a club's accounts, increased by any provisions for impairment of the value of player's registrations.

Net debt/funds is as disclosed financial statements (where shown) or is an aggregation of certain figures from the balance sheet. The net debt/funds figure in the financial statements has been adjusted in some cases to aid comparability, such as the inclusion of related party debt. Net debt/funds includes net cash/ bank borrowings, other loans, and soft loans.

Bank borrowings is debt advanced by lenders in the form of term loans, overdrafts or hybrid products, net of any positive cash balance. Other loans includes securitization and player finance monies, bonds and

convertible loan stock, intercompany loans and loans from related parties that are not otherwise soft loans. Soft loans includes amounts from related parties with no interest charged.

Exchange rates

For the purpose of the international analysis and comparisons we have converted the figures for 2015/16 into euros using the average exchange rate for the year ending 30 June 2016 (£1 = €1.34); for years prior to 2015/16 comparative figures as extracted from previous editions of this report; and the figures for years since 2015/16 converted into euros using the average exchange rate for the 11 months ending 31 May 2017 (£1 = €1.12).



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