UEFA CLUB LICENSING AND FINANCIAL FAIR PLAY

Bulletin 2013

COMPLIANCE AND INVESTIGATION ACTIVITY REPORT 2011–13

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1. INTRODUCTION

Since June 2011, the UEFA Club Financial Control Panel (CFCP) has been monitoring the initial financial fair play enhanced rule in respect of overdue payables towards football clubs, employees and/or social/tax authorities. As a result, all 237 clubs which qualified for the 2011/12 and 2012/13 UEFA club competitions have been subject to additional assessments subsequent to having obtained a licence from their licensors.

Additionally, the CFCP has continued to oversee the proper application of the club licensing system during the 2011/12 and 2012/13 seasons across all 53 UEFA member associations through compliance audits performed by independent experts under the coordination and supervision of the UEFA administration.

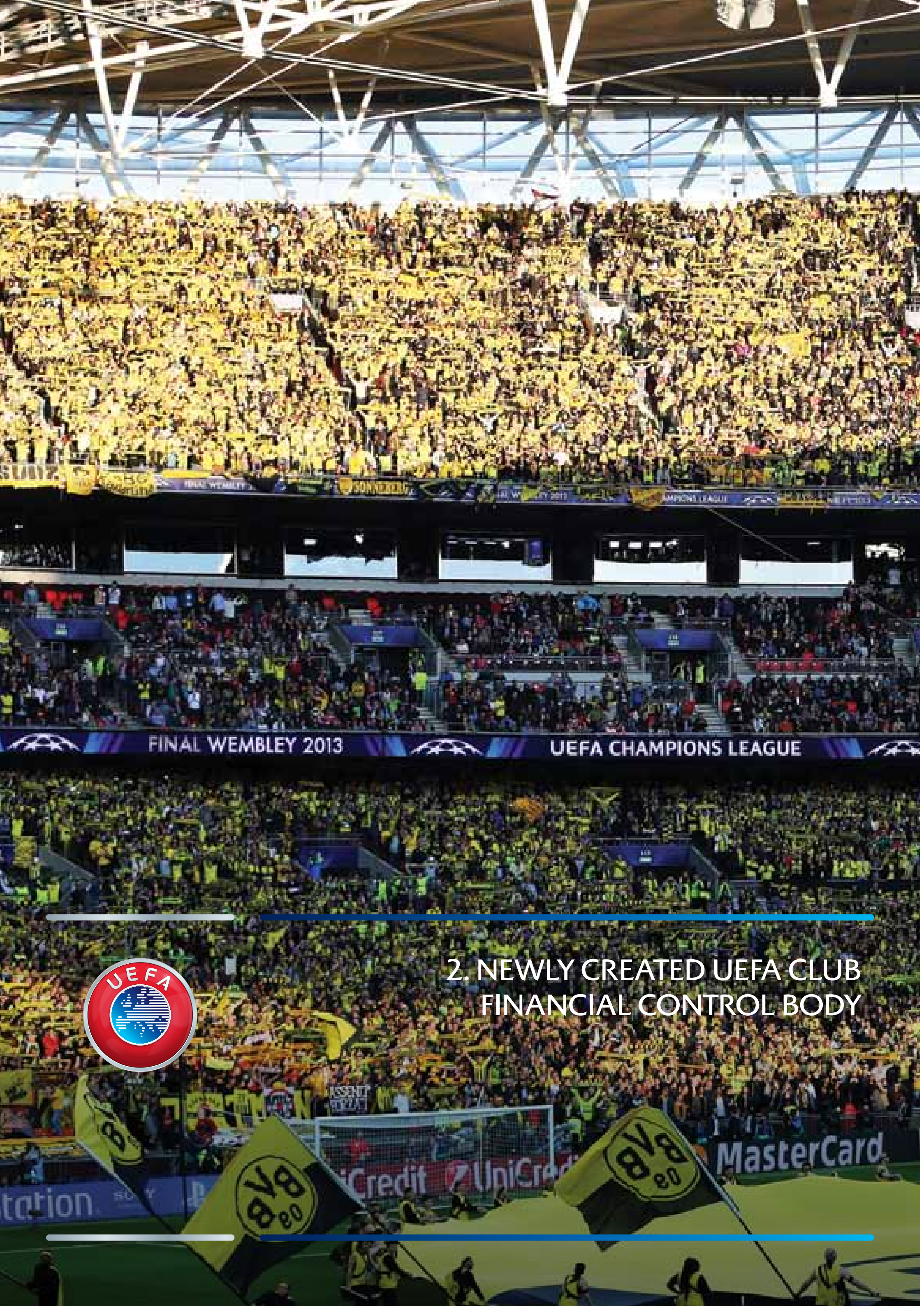
The decision adopted by the 36th UEFA Congress in March 2012 to change the status of the former CFCP and to establish in its place a UEFA Club Financial Control Body (CFCB) as a UEFA Organ for the Administration of Justice marked a new step in the application of the club licensing system and financial fair play in European football.

Given the importance of the challenges at stake, the creation of a body which can directly take disciplinary measures is seen as essential for the efficient application of the UEFA Club Licensing and Financial Fair Play Regulations.

The principal aim of the second edition of this bulletin is to make the compliance and investigation activities performed more transparent, as well as preparing clubs for the implementation of the main component of financial fair play – the "break-even requirement" – which will be assessed during the 2013/14 UEFA club competition season.

We hope that this bulletin provides useful insight into the monitoring activities performed in the last years and helps contribute to UEFA's continued efforts to increase transparency and good governance in European football.

Andrea Traverso
Head of Club Licensing and Financial Fair Play



2. NEWLY CREATED UEFA CLUB FINANCIAL CONTROL BODY

On 30 June 2012, the UEFA Executive Committee appointed the members of the UEFA Club Financial Control Body (CFCB) to replace the UEFA Club Financial Control Panel (CFCP). The tasks of the CFCP were taken over by the Investigatory Chamber of the CFCB.

2.1 CFCB: Investigatory and Adjudicatory Chambers

The CFCB is made up of the following two separate chambers:

- The Investigatory Chamber is led by the CFCB's chief investigator and is in charge of the investigation stage of the proceedings.

- The Adjudicatory Chamber is led by the CFCB chairman and is in charge of the judgment stage of the proceedings. The two vice-chairmen of the CFCB belong to the Adjudicatory Chamber.

The CFCB members, who currently number 13 in total, are appointed by the UEFA Executive Committee for a term of four years. To ensure a proper separation of powers, no members of one chamber of the CFCB may belong concurrently to the other.

In order to ensure their full independence and impartiality, members of the CFCB may not belong concurrently to any other organ, body, committee or administrative division of a UEFA member association, or any league or club affiliated to a UEFA member association. Nor may they concurrently be part of any other organ, body or committee of UEFA.

2.2 CFCB decision-making process

The CFCB has jurisdiction to decide whether:

- licensors have fulfilled their obligations and whether clubs have fulfilled the licensing criteria as defined in the UEFA Club Licensing and Financial Fair Play Regulations;

- clubs fulfil the club monitoring requirements (financial fair play rules) as defined in the UEFA Club Licensing and Financial Fair Play Regulations;

- clubs are eligible to enter the UEFA club competitions in accordance with the regulations governing the competition in question.

The CFCB's chief investigator within the Investigatory Chamber is in charge of establishing the facts and collecting all evidence as follows:

- An investigation is opened by the Investigatory Chamber, during which all means of evidence

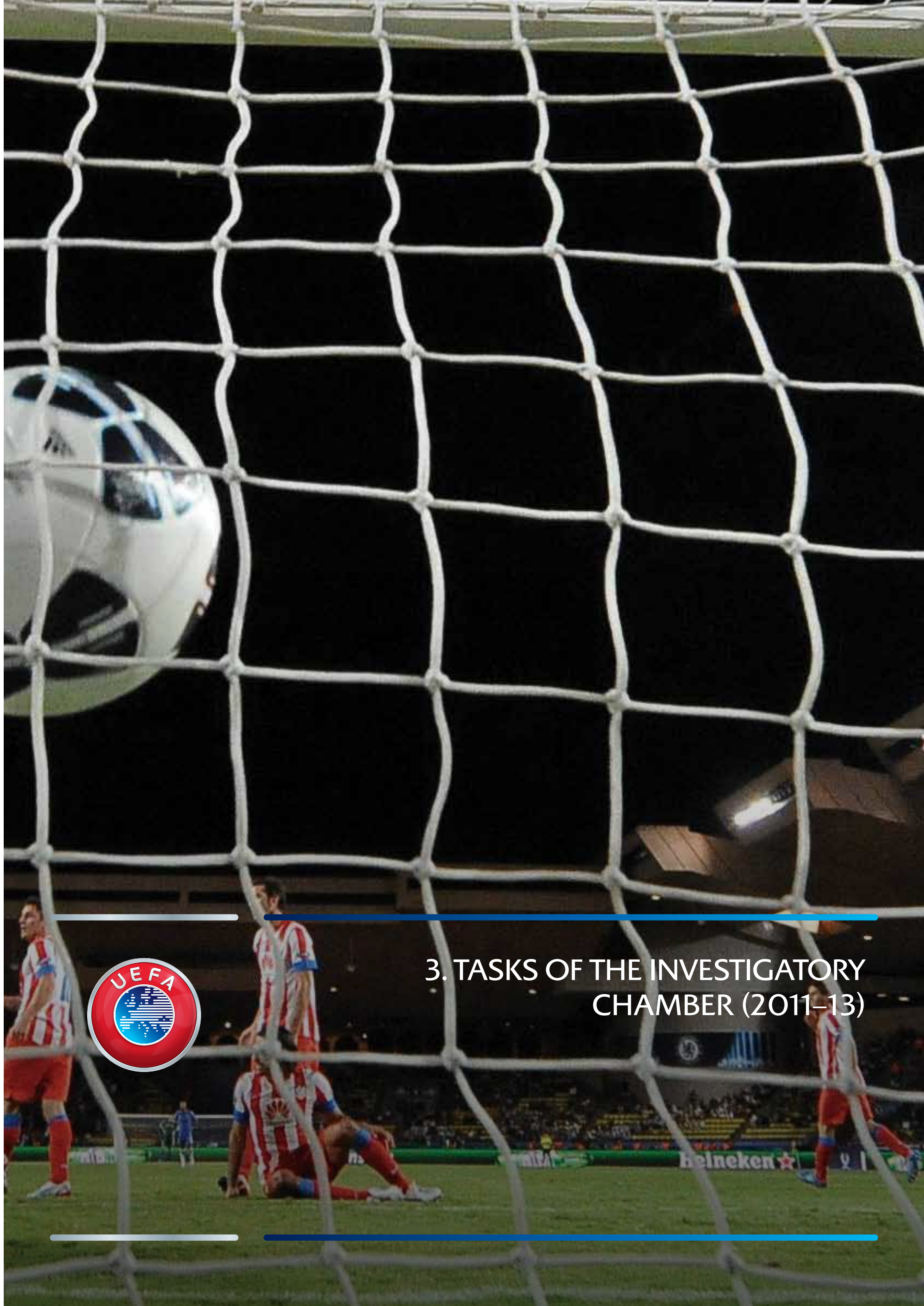
may be considered. Most case files are, however, made up of the club's submissions, which may be accompanied by a compliance audit performed by independent auditors under the supervision of the UEFA administration.

- At the end of the investigation, the CFCB's chief investigator, after having consulted with the other members of the Investigatory Chamber, decides either to dismiss the case or to refer it to the Adjudicatory Chamber.

The Adjudicatory Chamber, based on the case file provided by the CFCB's chief investigator, conducts the judgment stage of the proceedings, and, in particular, renders the final decision, which may consist in dismissing the case, imposing disciplinary measures or accepting/refusing a club's participation in the UEFA club competitions.

The final decisions of the Adjudicatory Chamber may only be appealed against before the Court of Arbitration for Sport (CAS).

For the sake of simplicity, the term Investigatory Chamber is used in the rest of this bulletin.



3. TASKS OF THE INVESTIGATORY CHAMBER (2011–13)

During the 2011–13 period, the Investigatory Chamber's main tasks were to ensure that licensors and clubs fulfilled their obligations as defined in the UEFA Club Licensing and Financial Fair Play Regulations.

Those tasks consisted of:
- ensuring licensors/clubs complied with the club licensing criteria;
- deciding on cases relating to clubs' eligibility to participate in the UEFA club competitions; and
- monitoring the overdue payables of the clubs participating in the UEFA club competitions.

3.1 Club licensing system: ensuring compliance with licensing criteria

During the 2011/12 and 2012/13 seasons, the Investigatory Chamber oversaw the proper application of the club licensing system across all 53 UEFA member associations through compliance audits with selected licensors. These compliance audits as defined in Article 71 of the 2012 UEFA Club Licensing and Financial Fair Play Regulations were performed by independent auditors (Deloitte and/or PricewaterhouseCoopers) engaged locally under the coordination and supervision of the UEFA administration.

Compliance audits can take place at any time during the course of the season as part of the overall compliance concept and focus on the verification of the sporting, personnel and administrative, legal and financial criteria laid down in the UEFA Club Licensing and Financial Fair Play Regulations.

If the Investigatory Chamber considers that the licensor and/or the club are not in compliance with the club licensing criteria for the season under review, the licensor and/or club concerned are referred to the next competent body for appropriate measures to be taken.

3.1.1 Compliance with club licensing 2011/12 season

During the 2011/12 season, the Investigatory Chamber reviewed and assessed the following eight licensors:

Licensors reviewed in 2011/12
Danish Football Association (DEN)
Football Association of Finland (FIN)
French Football Federation (FRA)
Italian Football Federation (ITA)
Polish Football Association (POL)
Portuguese Football Federation (POR)
Football Association of Serbia (SRB)
Football Federation of Ukraine (UKR)

The above licensors underwent a compliance audit to verify that the licences granted to the clubs that participated in the 2011/12 UEFA club competitions were in compliance with the 2010 UEFA Club Licensing and Financial Fair Play Regulations.

At three separate meetings during the 2011/12 season, the above eight licensors and the corresponding 35 clubs that participated in the UEFA club competitions were assessed and reviewed by Investigatory Chamber, which concluded that:

- Six licensors were considered to be in compliance with the UEFA Club Licensing and Financial Fair Play Regulations (DEN, FIN, FRA, ITA, POR and UKR);
- One licensor (POL) was kept under monitoring and subject to a subsequent audit in the following year;
- One licensor (SRB) was referred to the UEFA Control and Disciplinary Body as it was considered that its licensing procedure was not managed in line with the 2010 UEFA Club Licensing and Financial Fair Play Regulations. In May 2012, this licensor was fined by the UEFA Control and Disciplinary Body.

3.1.2 Compliance with club licensing 2012/13 season

For the 2012/13 season, the Investigatory Chamber requested that compliance audits be performed on the following six licensors, representing 23 clubs.

Licensors reviewed in 2012/13
The Football Association (ENG)
Polish Football Association (POL)
Israel Football Association (ISR)
Royal Belgian Football Association (BEL)
Swedish Football Association (SWE)
Latvian Football Federation (LVA)

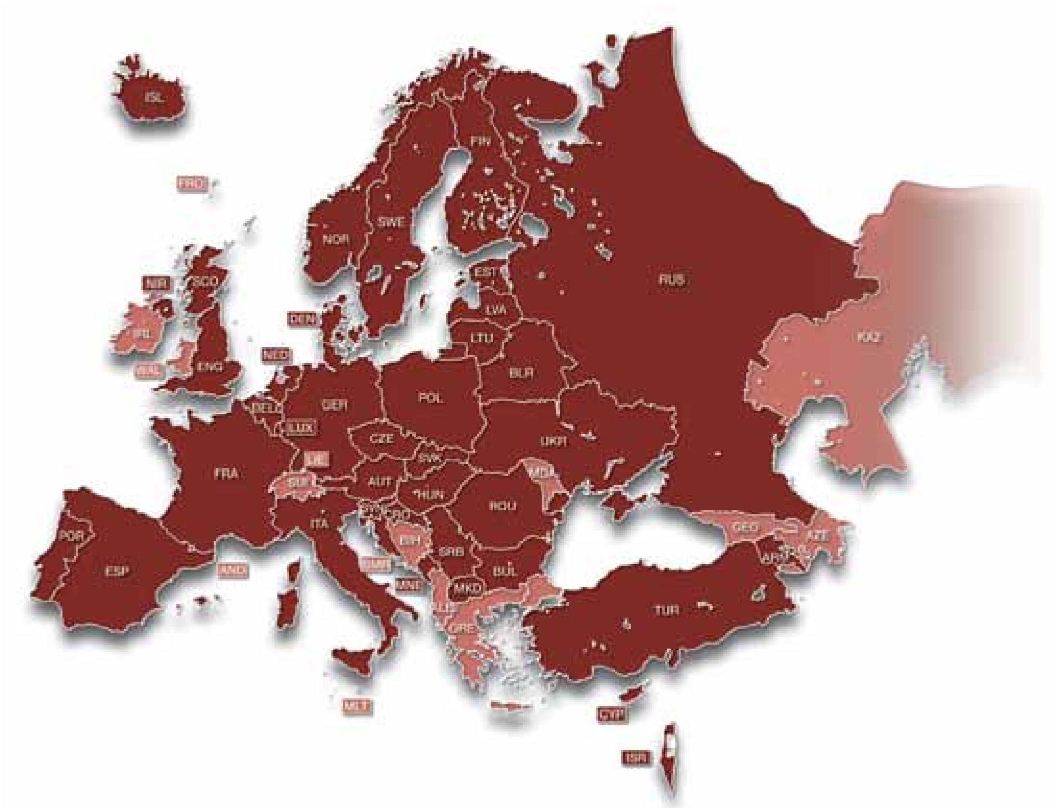
All compliance audits for the 2012/13 season were performed between November 2012 and February 2013, and the corresponding decisions taken by the Investigatory Chamber in 2013 were as follows:

- Five licensors were considered to be in compliance with the UEFA Club Licensing and Financial Fair Play Regulations (BEL, ENG, ISR, LVA and SWE);
- One licensor (POL) was referred to the Adjudicatory Chamber as it was considered that the licensor did not act in line with the 2010 UEFA Club Licensing and Financial Fair Play Regulations. In March 2013, this licensor was fined by the Adjudicatory Chamber.

3.1.3 Compliance with club licensing – overview from 2009/10 to 2012/13

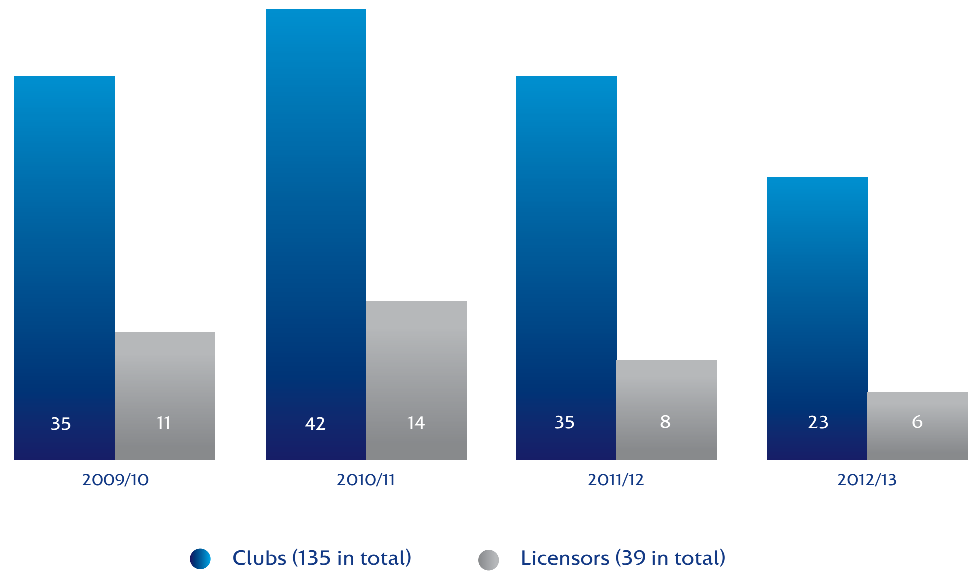
Since the creation of the CFCP in September 2009, a total of 39 licensors and 137 clubs have undergone compliance audits in respect of club licensing matters.

Club licensing compliance audits performed from 2009/10 to 2012/13



39 licensors subject to review by the Investigatory Chamber

Number of club licensing compliance audits reviewed by the Investigatory Chamber



The decrease in the number of licensors and clubs subject to club licensing compliance audits in 2012/13 was mainly offset by additional targeted investigations performed on the overdue payables declarations submitted by the clubs, as described in section 3.3.

3.1.4 Compliance with club licensing – guidance from the Investigatory Chamber

The Investigatory Chamber reminds licensors that the assessment of going concern is of paramount importance before granting a licence to a club. In fact, the Club Licensing and Financial Fair Play Regulations clearly state that if risk indicators are breached, "the licensor must assess the club's ability to continue as a going concern until at least the end of the licence season (i.e. the licence must be refused if, based on the financial information that the licensor has assessed, in the licensor's judgement, the licence applicant may not be able to continue as a going concern until at least the end of the licence season)".

Therefore, if a club is in breach of Indicators 1 and 2 (as defined in article 52 of the Club Licensing and Financial Fair Play Regulations), it has to prepare and submit future financial information in order to demonstrate that it could continue as a going concern until the end of the licence season. Accordingly, the licence must be refused if, based on the financial information submitted, there is any doubt as to the ability of the club to continue its operations (i.e. the club may not be able to continue as a going concern).

For that purpose, the Investigatory Chamber provides the following guidance when assessing going concern:

- If future financial information provided by the club shows material cash inflows from investing (sale of players) or financing activities (bank loans, shareholder loans or capital increase) until the end of the period covered by the UEFA licence to meet its liquidity needs (i.e. the projected cash flow position at the end of the licence season is positive), the club must demonstrate to the satisfaction of the licensor that those financial operations occurred before the licence was obtained.

- The following types of financial commitment are deemed acceptable when assessing going concern: signed agreements for bank loans/overdraft facilities, finalised and banked capital injections, bank guarantees and completed transfer agreements.

- If the club faces severe cash flow issues (i.e. the projected cash flow position at the end of the licence season is negative) which are not mitigated with appropriate financial commitments, the licence must be refused.

- If the club shows unrealistic and/or unsupported projections (e.g. revenue increase from participation in the UEFA Champions League if the club only qualified for the UEFA Europa League) or doubtful receivables (e.g. amounts receivable which are due over three to five years), the future financial information must be updated and the projected cash flow position at the end of the licence season must be adjusted accordingly.

3.2 Clubs' eligibility to participate in the UEFA club competitions

The UEFA club competition regulations provide that in order to be eligible to participate in the UEFA club competitions, a club must have obtained a licence issued by the competent national body in accordance with the UEFA Club Licensing and Financial Fair Play Regulations.

If, based on the documents and information available, there is any doubt as to whether a club correctly received a licence to enter the UEFA club competitions, the UEFA General Secretary refers the case to the Investigatory Chamber for decision.

Following this referral by the UEFA General Secretary, the Investigatory Chamber starts an investigation to determine whether the licensing criteria were met at the time the licensing decision was taken by the licensor and to decide whether the club concerned should be admitted to the UEFA club competition in question.

During the 2011-2013 period, investigations were conducted on the following qualified clubs: FC Dnipro Dnipropetrovsk (UKR) and PAS Giannina FC (GRE). In addition Panathinaikos FC, which finished right below PAS Giannina in the Greek championship and which could have replaced PAS Giannina FC in the UEFA Europa League, was also investigated by the Investigatory Chamber at the request of the UEFA General Secretary.

Further to the investigation performed with the assistance of independent auditors, the Investigatory Chamber concluded that the licence had been correctly awarded to Dnipro by the Football Federation of Ukraine and, therefore, the club was eligible to participate in the 2013/14 UEFA Europa League.

However in the case of the Greek clubs, Giannina and Panathinaikos, the Investigatory Chamber concluded that neither fulfilled the financial criteria at the time the licensing decision had been taken. Both cases were referred to the Adjudicatory Chamber, which refused the admission of both clubs to the 2013/14 UEFA Europa League.

As a result, the vacant UEFA Europa League spot was allocated to the club Skoda Xanthi FC, which finished seventh in the Greek championship.

3.3 Club monitoring process: monitoring of overdue payables during the season

Although the future role of the Investigatory Chamber will focus heavily on the assessment of the "break-even requirement", the new task of the Investigatory Chamber as from June 2011 has been to monitor the enhanced overdue payables requirement which represents the first step in the introduction of the financial fair play rules. As a result, overdue payables towards football clubs, employees and/or social/tax authorities were monitored throughout the UEFA club competitions.

For that purpose, the Investigatory Chamber reviewed the overdue payables declarations of the 237 clubs that played in the 2011/12 and 2012/13 UEFA club competitions. In practice, those 237 clubs were required to submit, through their licensor, the corresponding payables declarations and specific information on their transfer activities to the Investigatory Chamber.

Following a first review of the payables information submitted by the clubs, the Investigatory Chamber asked the licensor and/or clubs concerned to submit additional information (e.g. transfer contracts, deferall agreements or bank statements) to further prove compliance with the enhanced overdue payables requirements.

In several cases and at its own discretion, the Investigatory Chamber requested that compliance audits be performed on the overdue payables declarations submitted by the clubs. Such compliance audits were performed by independent auditors engaged locally under the supervision of the UEFA administration. These compliance audits took place between August and December at the headquarters of the licensors and focussed on verifying the completeness and accuracy of the overdue payables declarations submitted by the clubs.

During the 2011/12 and 2012/13 seasons, the Investigatory Chamber reviewed and assessed the results of 11 compliance audits performed on clubs from six licensors (BUL, ESP, GRE, POR, SRB and TUR). The corresponding auditors' reports of factual findings were then reviewed and assessed by the Investigatory Chamber in conjunction with the overdue payables declarations previously submitted by the clubs.

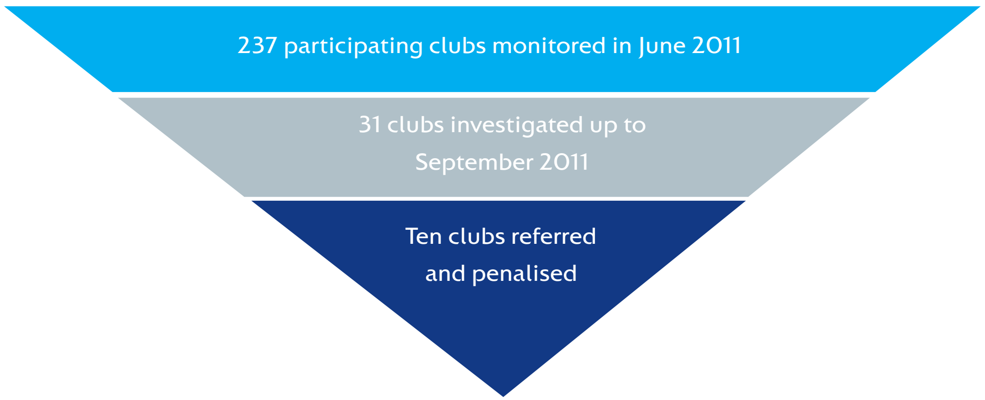
Overview of overdue payables reported by 237 clubs since June 2011

Since June 2012, the submission of information has been completely integrated into the CL/FFP IT solution that runs on a platform which is restricted by means of appropriate security measures. Confidentiality is fully ensured as clubs only have access to their own club information and their corresponding licensors only have access to information entered by their affiliated clubs.

3.3.1 Monitoring of overdue payables 2011/12 season

During the 2011/12 season, 237 clubs in total submitted the required overdue payables information as on 30 June 2011. The amount of overdue payables declared amounted to €57m. As a result, 31 clubs were requested to provide an update as on 30 September 2011. This cut-off date is defined in the UEFA Club Licensing and Financial Fair Play Regulations as it covers new transfer commitments and payments from the summer transfer window, when around 80% of European club transfer activity occurs. It, therefore, gives a very up-to-date picture of clubs' payables.

Overview of overdue payables monitoring in 2011/12



Out of the 31 clubs under monitoring, ten clubs – AEK Athens FC (GRE), Beşiktaş JK (TUR), Bursaspor (TUR), FK Crvena zvezda (SRB), PFC CSKA Sofia (BUL), Gaziantepspor (TUR), Panathinaikos FC (GRE), PAOK FC (GRE), FK Partizan (SRB) and NK Varaždin (CRO) – were referred to the UEFA Control and Disciplinary Body in December 2011 as the Investigatory Chamber alleged that they were in breach of the enhanced requirement on overdue payables as laid down in the 2010 UEFA Club Licensing and Financial Fair Play Regulations.

In February 2012, UEFA Control and Disciplinary Body fined the above-mentioned clubs and imposed the following sporting sanctions:

- straight exclusion from the next UEFA club competition for which the club would otherwise have qualified in the next three or four seasons; or
- suspended exclusion from the next UEFA club competition for which the club qualified in the next three/four seasons, subject to certain conditions (settlement of past and current commitments) being met by March 2012. The Investigatory Chamber monitored the fulfilment of those conditions and concluded that all conditions imposed on clubs were subsequently met, with the exception of AEK Athens, which was also refused a UEFA licence by its licensor on the same grounds.

3.3.2 Monitoring of overdue payables 2012/13 season

In the 2012/13 season, the 237 clubs participating in the UEFA club competitions submitted the required 30 June 2012 overdue payables information through the IT solution. The second year of implementation of the enhanced overdue payables requirements revealed a significant 47% (or €27m) decrease in overdue payables as at 30 June 2012 compared with the first assessment in June 2011.

Following the meeting of the Investigatory Chamber in August 2012, 67 clubs were requested to provide an update as on 30 September 2012 as their submissions showed overdue payables or required further investigation.

Of these 67 clubs, 23 had provisional (conservatory) measures imposed on them whereby payment of UEFA prize money to which the clubs were entitled from the 2012/13 UEFA club competitions was withheld due to a significant overdue payables balance as at June 2012.

Out of the 67 clubs under monitoring, nine clubs – FC Arsenal Kyiv (UKR), FC Dinamo Bucureşti (ROU), HNK Hajduk Split (CRO), KKS Lech Poznań (POL), Málaga CF (ESP), NK Osijek (CRO), FK Partizan (SRB), FC Rapid Bucureşti (ROU) and FK Vojvodina (SRB) – were referred to the Adjudicatory Chamber in November 2012 as the Investigatory Chamber alleged that they were in breach of the enhanced

Overview of overdue payables monitoring in 2012/13

requirement on overdue payables as laid down in the 2012 UEFA Club Licensing and Financial Fair Play Regulations.

In January 2013, the Adjudicatory Chamber fined the above-mentioned clubs (with the exception of KKS Lech Poznań whose case was dismissed) and imposed the following sporting sanctions:

- straight exclusion from the next UEFA club competition for which the club would otherwise have qualified in the next three or four seasons; or

- suspended exclusion from the next UEFA club competition for which the club qualified in the next three/four seasons subject to certain conditions (settlement of past and current commitments) being met by March 2013. The Investigatory Chamber monitored the fulfilment of those conditions and concluded that all conditions imposed on clubs were subsequently met, with the exception of FC Rapid Bucureşti, which was also refused a UEFA licence by its licensor on the same grounds.

3.3.3 Monitoring of overdue payables – guidance from the Investigatory Chamber

Further to the review of overdue payables declarations by the clubs since June 2011, the Investigatory Chamber would remind clubs that:

- At its own discretion and/or based on complaints received, the Investigatory Chamber can ask a compliance audit to be performed on the declarations submitted by the clubs. Should the information submitted by a club be considered as incorrect or misleading, due to overdue amounts being incorrectly disclosed as “deferred” or “in dispute” and/or being concealed by a club, the case will be automatically referred to the Adjudicatory Chamber for appropriate measures to be taken. In fact, five out of eleven compliance audits performed during the 2011/12 and 2012/13 seasons were referred to the competent body due to incorrect or misleading information. The Investigatory Chamber expects full transparency as well as true and accurate declarations from clubs. Therefore, the submission of false or inaccurate information by a club is considered by the Investigatory Chamber as unacceptable behaviour for which harsh sanctions will systematically be imposed.

- The Investigatory Chamber noticed in several cases that the interpretation of a “deferred” overdue payable was inconsistent. In particular, it wishes to emphasise that for an overdue payable to be considered as validly “deferred” in accordance with Annex VIII of the Club Licensing and Financial Fair Play Regulations, the debtor must propose a deferral agreement which must be accepted in writing by the creditor before the applicable deadline (i.e. 30 June or 30 September for the monitoring process).

- The Investigatory Chamber reviewed several cases of employee compensation being paid to a company that owned the image rights of a player. In this respect, the Investigatory Chamber would like to underline that image rights contracts must be considered within the scope of the “overdue payables” requirement (Articles 50 and 66 of the 2012 Club Licensing and Financial Fair Play Regulations) when the player is the ultimate beneficiary of that company.

4. SOFT IMPLEMENTATION OF THE BREAK-EVEN REQUIREMENT

4.1 Preparing for the break-even requirement

The implementation of the financial fair play requirements was planned with a staggered approach. While the overdue payables requirement has already come into force as described previously, the break-even requirement will be assessed for the first time only from July 2013.

For this reason a “soft implementation” of the break-even requirement was run from January until June 2012 with the participation of clubs on a voluntary basis. This test phase was initiated as an educational platform from which all key stakeholders, including the UEFA administration, participating clubs, licensors and the Investigatory Chamber, could benefit.

This soft implementation exercise was an opportunity for:

- participating clubs and licensors concerned to familiarise themselves more closely with the break-even requirement and the CL/FFP IT solution which was used for the collection of the clubs’ financial data;
- refinements to be made to the CL/FFP IT solution and output reports; and
- process testing to ensure prompt and effective data reporting.

As a first step, each participating club submitted financial data for the reporting periods ending 2009 and 2010. Further to a review and analysis of the 2009 and 2010 financial data by the Investigatory Chamber, some clubs were subsequently requested to submit financial information for the reporting period ending 2011 for further analysis. Furthermore, some clubs were invited to a meeting with the Investigatory Chamber to discuss their strategy for meeting the break-even requirement and to provide an update on their latest 2012 financial position.

4.2 Participating clubs

The success of this soft implementation of the break-even requirement was dependent on the support and involvement of the 38 clubs mentioned below, whose voluntary contribution was greatly appreciated by the Investigatory Chamber.

As a key principle, any information provided as part of this soft implementation would not be taken into account either favourably or unfavourably by the Investigatory Chamber when analysing each club's submission for the full implementation of the break-even requirement from July 2013.

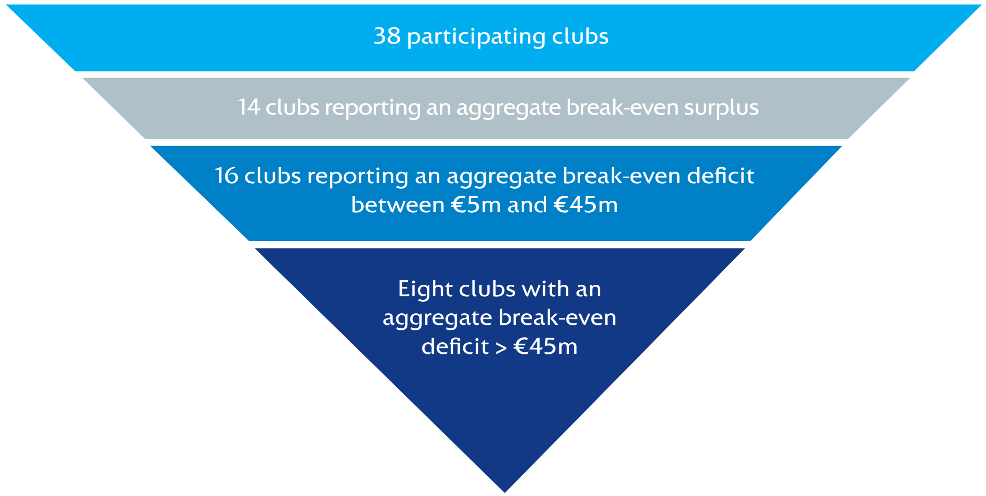
38 clubs which participated in the soft implementation

AUT	FK Austria Wien	GRE	Olympiacos FC
BEL	RSC Anderlecht	ITA	FC Internazionale Milano
BEL	Club Brugge KV	ITA	SSC Napoli
BEL	R. Standard de Liège	ITA	AC Milan
DEN	Odense BK	ITA	Udinese Calcio
ENG	Chelsea FC	NED	AZ Alkmaar
ENG	Manchester City FC	NED	PSV Eindhoven
ENG	Manchester United FC	NOR	Vålerenga Fotball
ENG	Tottenham Hotspur FC	POR	SL Benfica
ESP	FC Barcelona	POR	Sporting Clube de Portugal
ESP	Real Madrid CF	RUS	PFC CSKA Moskva
ESP	Sevilla FC	RUS	FC Zenit
ESP	Valencia CF	SCO	Celtic FC
FRA	FC Girondins de Bordeaux	SUI	BSC Young Boys
FRA	Olympique Lyonnais	SWE	IF Elfsborg
FRA	Olympique de Marseille	TUR	Galatasaray AŞ
GER	Bayer 04 Leverkusen	TUR	Trabzonspor AŞ
GER	FC Bayern München	UKR	FC Shakhtar Donetsk
GER	Borussia Dortmund		
GER	FC Schalke 04		

4.3 Overview of results

Following the review of the financial figures for the years ending 2009, 2010 and 2011 (reporting periods T-2, T-1 and T according to UEFA Club Licensing and Financial Fair Play Regulations), the overall results for the 38 participating clubs were as follows:

Overview of the soft implementation of the break-even requirement



The eight clubs reporting a three-year aggregate break-even deficit in excess of the maximum acceptable deviation of €45m were requested to attend a meeting with the Investigatory Chamber. The purpose of these meetings was to provide an environment for a positive and frank exchange of information on the following:

- presentation of the legal group structure of the club up to the ultimate controlling party (i.e. ultimate parent company and ultimate owner);
- definition of the reporting entity and reporting perimeter used for club licensing and financial fair play purposes;
- analysis of the strategy in place to meet the break-even requirement (including examples of concrete action already implemented by the club);
- main variable incomes and costs within the club projections and main risks facing the club's business plan at present;
- club update for the 2012 financial year, and 2013 and 2014 projections (including best case, most likely and worst case scenarios).

The Investigatory Chamber found this soft implementation of the break-even requirement, including clubs' presentations, to be both interesting and informative in view of the full assessment of the break-even requirement from July 2013.

4.4 Guidance of the Investigatory Chamber on the break-even requirement

As agreed at the outset of this test phase, the Investigatory Chamber provided each participating club with feedback on its submission, including some key general comments which the Investigatory Chamber believes affect all clubs and which are detailed in this section. These general comments are related to a number of the fundamental elements of the financial fair play concept and should be taken on board by all clubs included in the scope of the break-even requirement.

The topics below are based on the Investigatory Chamber's assessment of the soft-implementation data submitted and do not constitute an exhaustive list of potential queries. They are a sample, included in this bulletin, to provide clubs with guidance on the type of topics which may be raised in future years irrespective of whether or not a club's initial break-even submission showed the club to have a break-even surplus or deficit within the prescribed acceptable deviation.

From July 2013, the Investigatory Chamber may request that a compliance visit be conducted to validate the accuracy, completeness, existence or occurrence of any part of a club's break-even information submission. Such a compliance visit will take the form of a review of individual balances or a full audit of a break-even adjustment to provide the required additional comfort to the Investigatory Chamber.

4.1.1 Inclusion of allowable adjustments in the break-even information

The Investigatory Chamber feels that insufficient focus and importance was placed by clubs on adjustments, both mandatory and allowable, as described in Article 58 of the 2012 UEFA Club Licensing and Financial Fair Play Regulations and further defined in Annex X of the same regulations.

It is essential to note that allowable adjustments are important in all periods and not just in a period for which a club discloses a break-even deficit. As per Article 60(6) of the 2012 UEFA Club Licensing and Financial Fair Play Regulations, a club may demonstrate that an aggregate break-even deficit is reduced by a surplus from the two reporting periods prior to T-2 (i.e. periods T-3 and T-4 according to UEFA Club Licensing and Financial Fair Play Regulations). As such, the inclusion of adjustments from the very beginning of the process may prove beneficial to clubs in the long run.

The Investigatory Chamber would particularly like to draw the attention of the clubs to the adjustments which, when appropriate, can be made to expenditive on youth development activities.

Each club is entitled to reduce its relevant expenditure by the total amount which can be directly attributable to activities to train, educate and develop youth players. It will be beneficial for all clubs to ensure that such expenditure is removed as appropriate from the clubs break-even submission.

As all clubs are required to have a youth development programme and to have at least four youth teams, all clubs will have allowable costs which can be removed from relevant expenditure. The adjusted figure must be net of any income received by the club (e.g. subsidies and sponsorship) that is directly attributable to the youth development programme.

4.4.2 Identification of related-party transaction and fair value adjustments

Regardless of the need to adjust related-party transactions, it must be noted that all such transactions must be disclosed by the club in the CL/FFP IT solution. In order to disclose transactions with related parties (i.e. transfer of resources, services or obligations between related parties) the schedule entitled "Transaction(s) with related party(ies)" must be completed along with the detailed tables for each line of the profit and loss account that contains a related-party transaction. The detailed tables should include the breakdown of the related-party transactions concerned.

The primary conditions under which two parties are considered to be related are set out in Annex X, Part E, of the UEFA Club Licensing and Financial Fair Play Regulations. This list provides a clear guideline which clubs should follow when determining whether or not a related-party exists. The Investigatory Chamber will pay special attention to the substance of the transaction and/or the relationship rather than to its legal form.

For the purpose of the break-even result, each club must determine the fair value of any related-party transaction. If the estimated fair value is different to the recorded value, then the income or expense must be adjusted to show the fair value of the transactions (bearing in mind that no upward adjustment can be made to reported relevant income and no downward adjustment to reported relevant expenditure).

Relevant expenses with related parties must be increased should such costs either (a) not be included at all or (b) be included at a below fair value rate as a result of the transaction having taken place with a related party.

The Investigatory Chamber would like to draw the clubs' special attention to these detailed schedules, which must include a summary of evidence to support the fair value of the related-party transaction. In particular, the club must provide the justification used to establish that the transactions were indeed carried out at arm's length and, as such, need no adjustment.

Related-party transactions will remain an area of focus for the Investigatory Chamber in future years and it will take particular interest in the disclosures and adjustments made with respect to the type of transactions mentioned below, which represent typical arrangements with related parties:

- sponsorship agreements, including manufacturer, shirt or stadium sponsorship;
- advertising agreements, including rights to use pitch perimeter and board advertising;
- loan agreements, including "soft loans";
- stadium rental agreements; and

- matchday support agreements.

In this respect, a comprehensive description of all transactions carried out with all related parties must be provided by the club in future, regardless of whether an adjustment is required.

4.4.3 Reporting perimeter and consistency of reporting

While each club must determine the appropriate reporting perimeter to be used for the submission of financial information in relation to the break-even requirement, it is important that the selected structure is consistent with the structure submitted for club licensing purposes and includes all relevant and appropriate entities within the company's legal structure as stipulated in Article 46bis of the 2012 UEFA Club Licensing and Financial Fair Play Regulations.

The Investigatory Chamber will pay special attention to the fact that in order to provide a comparative analysis of revenue and expenses across multiple reporting periods, it is a requirement of all financial reporting standards that a reporting entity must maintain a consistent approach and methodology in the classification of revenue and expenses.

In particular, employee benefit expenses must be identified as an individual expense line within the break-even submission. Such costs cannot be aggregated with other balances. If applicable, employee benefit expenses must be adjusted to include, for example:

- signing-on bonuses paid to players on transfer activities; and
- image rights paid either directly or indirectly to players.

4.4.4 Submission of financial data for financial year T – triggers and timing

Article 62(1)(c) of the 2012 UEFA Club Licensing and Financial Fair Play Regulations stipulates that the licensee must prepare and submit break-even information for reporting period T if it has breached any of the indicators defined in Article 62(3). As such, a club in breach of any one of the following indicators must submit break-even information for reporting period T:

I. Going concern
II. Negative equity
III. Break-even result
IV. Overdue payables

It is important for all clubs to be aware that such a breach will lead to an automatic requirement to submit financial information for reporting period T in October 2013.

If the break-even information first submitted in October 2013 for reporting period T is based on unaudited annual financial statements (i.e. clubs with a year-end between 31 July and 31 December), the Investigatory Chamber will request the club to submit by a new deadline of mid-March 2014 updated break-even information to be reconciled to the audited annual financial statements for reporting period T.

4.4.5 Mitigating factors – Annex XI

Annex XI to the 2012 UEFA Club Licensing and Financial Fair Play Regulations clearly sets out other factors which can be considered in respect of break-even monitoring requirements. The Investigatory Chamber would like to reaffirm that while these mitigating or transitional factors can be taken into account when analysing a club's submission, they are not "adjustments" to a club's break-even position. It is particularly important to note this in relation to Annex XI(2) (Players under contract before 1 June 2010).

Where a club meets the conditions outlined in Annex XI(2)(i) and (ii), the quantum of the 2012 reported salaries in relation to those players under contract before 1 June 2010 can be taken into account by the Investigatory Chamber, however this figure cannot be used to alter the club's final break-even surplus or deficit position.

4.4.6 Club strategy and future financial information

Where a club is in breach of one of the indicators defined in Article 62(3) of the 2012 UEFA Club Licensing and Financial Fair Play Regulations, the Investigatory Chamber will take particular interest in that club's future financial information for the period T+1 and business plan for T+2 and T+3 (period T being the reporting period ending in the calendar year that the UEFA club competitions commence).

The Investigatory Chamber will view a club's submission more favourably should it present a projected break-even surplus in T+1. It must be noted, however, that such a submission must include detailed notes on the club's plans to generate such a surplus, and the Investigatory Chamber retains the right at all times to request supporting documentation to gain comfort that such projections are achievable. A longer-term business plan encompassing periods T+2 and T+3 may also be requested to enable the Investigatory Chamber to gain a better understanding of the club's strategy.

Further explanation may be required on the club's transfer policy and, in particular, on the net player trading result. This area will, without doubt, have a significant bearing on the club's ability to meet the break-even requirement. The Investigatory Chamber will want to gain a comprehensive insight into the club's policy in this area so as to better understand the club's overall strategy to meet the break-even requirement.

The subsequent accuracy of such future financial information and business plans will also be taken into account by the Investigatory Chamber in later years when viewing a club's financial submission. Clubs with consistent and accurate budgets will be viewed more favourably.

4.4.7 Completion of the CL/FFP IT solution and submission of documentation

It is essential that each club completes and submits the required financial information within the time frame defined by the Investigatory Chamber and in the form and manner outlined by the UEFA administration, and provides any and all documentation requested of them by the UEFA administration or the Investigatory Chamber. It is the obligation of each club to ensure that it meets the deadlines as laid down by both the Club Financial Control Body/UEFA administration and the respective licensor. Failure to do so will result in the club being viewed as uncooperative.

Should such circumstances arise, the club in question will be seen in the most unfavourable light and this fact will be taken as a negative mitigating factor by the Investigatory Chamber in any deliberations on the club's submission.

5. OUTLOOK – SUBMISSION OF BREAK-EVEN INFORMATION

OUTLOOK – SUBMISSION OF BREAK-EVEN INFORMATION

The previous summary of the work of the Investigatory Chamber during the 2011/12 and 2012/13 seasons illustrates its fundamental role in the application of club licensing in UEFA's member associations, as well as in ensuring that clubs participating in UEFA club competitions pay their required creditors (clubs, employees, social/tax authorities) in a timely manner.

One of the most significant tasks of the Investigatory Chamber in the 2013/14 season will be to oversee the full implementation of the break-even rule, which represents a considerable challenge not only for the Investigatory Chamber, but also for licensors and clubs.

As such, UEFA is fully aware that in order to achieve the objectives of financial fair play, which have been agreed with all relevant stakeholders, the cooperation of licensors and clubs and the establishment of a good working relationship is fundamental.

The applicable deadlines in relation to the break-even requirement for the 2013/14 season are shown below:

Deadline	Information to be submitted	Concerned clubs
15 July 2013	Break-even information based on audited data 2012	Clubs admitted to the 2013/14 UEFA club competitions
15 October 2013	Break-even information based on audited data 2013	Clubs which have breached one of the indicators[1] and with a financial year-end on or before 31 July
	Provisional break-even information based on unaudited data 2013	Clubs which have breached one of the indicators[1] and with a financial year-end after 31 July
15 March 2014	Updated break-even information based on audited data 2013	Clubs which have breached one of the indicators[1] and with a financial year-end after 31 July

[1] *Indicators as defined in Article 62(3)*

The UEFA administration remains at the disposal of the licensors and clubs to assist them with the process of submitting the completed monitoring documentation.

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