

OPEN TO ATTACK

THE ANNUAL SURVEY OF FOOTBALL CLUB FINANCE DIRECTORS 2011

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A DECADE IN FOOTBALL FINANCE

.....
ON OUR TENTH ANNIVERSARY EDITION
OF THE SURVEY, WE LOOK BACK AT
SOME KEY TRENDS IN THE FOOTBALL INDUSTRY
THROUGHOUT THE LAST TEN YEARS



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foreword



Charles Barnett
Head of the Football Industry Group

As the PKF survey of football club finance directors has now been running for ten years, we have revisited the findings for some of the key questions that we have asked over the years to reveal some long-term trends. You will see from the pull-out included in this year's survey, some of the ups and downs within the industry and how our ever changing economy has impacted the world of football.

It has been a turbulent decade for football clubs during which the banks have been increasingly reluctant to lend to the sector and increase their exposure. Consequently, many clubs have been forced to reduce their transfer fee budgets and invest more in home-grown talent. Not surprisingly, the persistent concerns of finance directors have been the inflexibility of players' salaries, the loss of TV income, and more widespread loss of income that would result from their clubs being relegated.

In this year's survey, the belt-tightening and financial responsibility themes continue with only 7% of respondents planning on spending more than £10 million on non-player capital investment over the next two years; only a third anticipating any growth in sponsorship revenues; and 85% seeking to attract external investment.

Given the continuing fragility of the economy, we asked finance directors how they were protecting themselves against the heightened risk of fraud. Worryingly, more than 90% of respondents do not have any arrangements

such as counter-fraud strategies, anti-fraud statements or fraud response plans in place to address this issue.

Also worrying is that only a quarter have an internal audit function which could mean that clubs are missing out on the potential for process improvements and the ability to exert greater control over their spending.

As the UK economy continues to flatline and the UEFA Fair Play financial rules demanding compliance with the break-even requirement loom closer on the horizon for the 2012/13 season, it is encouraging that finance directors are focusing on financial responsibility and restraint. However, the majority could do much more to protect themselves against the threats of fraud, poor cost controls and the deepening impact of Government cost-cutting on the pockets of club supporters.

Once again, we would like to thank everyone who contributed to the survey – and who have supported us throughout the decade of PKF surveys. For every completed survey, we have made a donation to the PFA Benevolent Fund.

Finally, following his recent appointment as a partner in PKF, I am very pleased that Trevor Birch has agreed to join the Football Industry Group. We will undoubtedly benefit from his many years of experience as chief executive of a number of Premier League and Championship clubs and his vast knowledge of football finance and administration.

A handwritten signature in black ink, appearing to read 'Charles Barnett'.



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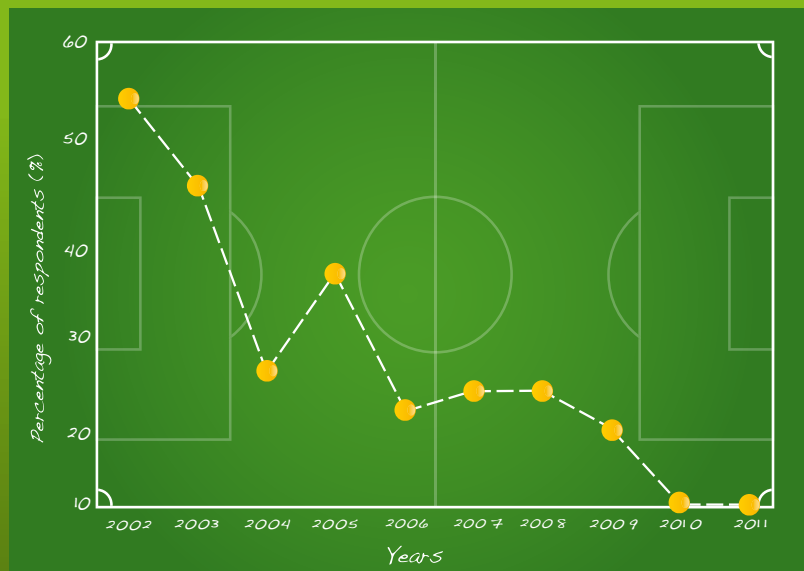
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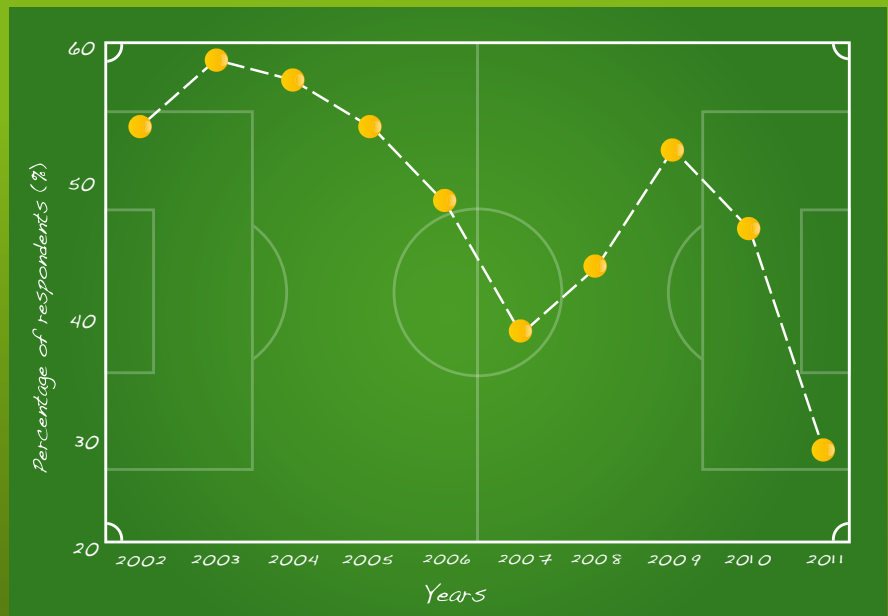
Percentage of clubs who increased their bank facilities over the last 10 years (%)



With the exception of an upward blip in 2005, the percentage of football clubs which have increased the level of their bank facility over the last decade has fallen steadily from more than half in 2002 to just 10% in the last two years. During this decade of surveys most banks have been reluctant lenders to the sector and have resisted efforts to increase their exposure.

Percentage of clubs who envisaged using more than 90% of their available bank facility during the year ahead (%)

The impact of the 2008/2009 economic downturn is evident in this chart. After the 2003 peak, the majority of respondents (63%) had got to grips with their bank lending by 2007. Reliance on bank overdraft facility started to rise again during the global banking crisis of 2008 and the recession of 2009 before falling sharply from 2010 onwards.



Percentage of clubs feeling the pressure from their bank over the last nine years (%)



Bank pressure on football clubs peaked in 2003 following the demise of ITV Digital and again in 2009 in the immediate aftermath of the global financial crisis, but has fallen steeply since then.

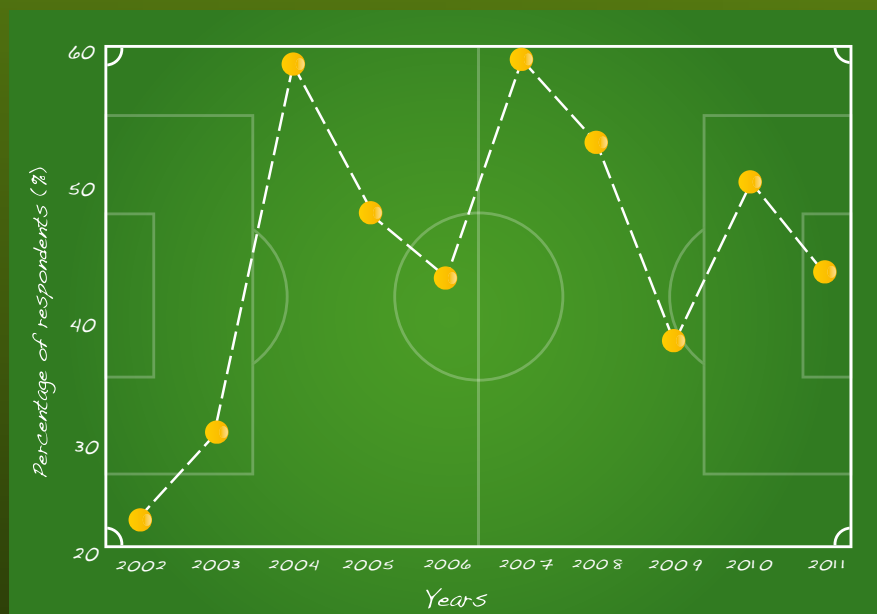
Percentage of clubs who increased their budget for their First Team Squads over the last six years



Since 2008, the percentage of respondents who expected to increase the size of their first team squad has fallen from 27% to 0%. This reflects the desire to keep squad sizes to a minimum following the global financial crisis and the recent requirement of the FAPL for member clubs to cap domestic squads at a minimum of 25 players.

Percentage of clubs whose debt funding was guaranteed by a director or shareholder over the last 10 years (%)

From just 22% of respondents in 2002, the percentage of clubs whose directors have guaranteed debt funding rose sharply to 58% in 2004. Over the last seven years, the average percentage of respondents with director guarantees has been 48%.



Biggest concerns of clubs over the last 10 years

Primary concerns

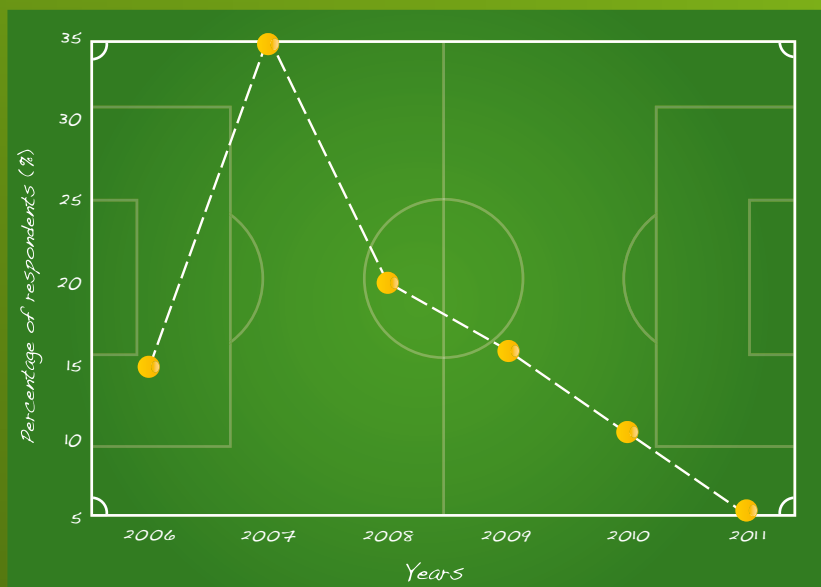


The two main concerns expressed by finance directors throughout the decade have been the inflexibility of players' salaries and the prospect of the loss of television income that would result from their clubs being relegated.



Percentage of clubs who increased their annual transfer budget over the last six years (%)

Secondary concerns



Since 2007, the percentage of respondents who increased their transfer budgets has fallen sharply from 34% to just 5%. Many clubs have experienced falling revenues in recent years as supporters have been affected by the global recession and this has led to a reduction in player spending and more investment in growth academies and home grown talent.

executive summary

FINANCING AND MANAGING THE CLUB

Few clubs in tip top financial health

Fewer respondents consider their finances to be very healthy this year – only 19% compared with 27% in 2010. However, only 17% of respondents are concerned about their financial position (19% in 2010).

One in three expect to make a profit

Over a third (34%) of respondents expect to make a profit post player trading in the next accounting period. This is an improvement on last year when only 22% of respondents anticipated being profitable.

Bank pressure continues to ease

The pressure from banks continues to ease with only 12% of respondents experiencing greater pressure this year. In 2009, over a third of respondents were under greater pressure from their banks, falling to 15% in 2010. Only 27% of respondents envisage using more than 90% of their bank facility next season – a sharp drop from 44% in 2010.

One in five clubs pay their tax late

A fifth of respondents have been late with their HMRC payments this year – down from 27% in 2010 – but almost two thirds (63%) of these had not agreed this with HMRC.

Majority use wages to turnover ratio as financial health KPI

Almost six in ten respondents (59%) use the wages to turnover ratio as a KPI of the club's financial health. Only 29% have a benchmarking range above 65% compared with 38% last year.

The Fair Play rules

Only half of respondents (49%) are planning to comply with the Fair Play rules. However, this could be because the majority of the lower league clubs feel that it does not apply to them, as they are not strong contenders to play European football. A fifth of respondents anticipate having difficulty complying with the break-even requirement.

Clubs do little to protect themselves from fraud

Worryingly few respondents have fraud-prevention strategies in place. Only 24% have an internal audit function; 5% have an agreed counter-fraud strategy; 5% have an anti-fraud statement; and 7% have a fraud response plan.



PLAYER COSTS

More evidence of tighter grip on player costs

Nearly three quarters of respondents will cut players' wages if the club is relegated.

No respondents are budgeting to increase the size of the first team squad. Half (49%) of respondents are budgeting for the same size squad while over a third (37%) will be reducing the size of the squad.

Only a fifth of respondents are planning on spending more on the first team payroll this season. This percentage has fallen steadily each year from 59% in 2008 to 20% in 2011.

Only 5% of respondents will be increasing their transfer budget this year, 59% have the same budget as last year and one fifth are reducing their transfer budget.

CLUB REVENUE TRENDS

Clubs rein in capital spending

Two thirds of respondents are planning on spending less than £2.5m on capital investment over the next two years and only 7% are planning on spending more than £10m.

More clubs seek external investment

The percentage of respondents seeking to attract external investment has risen significantly this year to 85% from just 52% in 2010. The three main reasons are for investment in the stadium (27%), players (24%) and training facilities (22%).

Ticket sales still the most important source of revenue

Ticket sales continue to be the most important income stream for the financial performance of all leagues over the next three years. TV and other media income is the second most important income stream.

Sponsorship revenue flatlines

Growth in sponsorship revenue appears to have flatlined. Only 37% of respondents increased their sponsorship revenue last season compared with 56% in 2010 and only a third (32%) anticipate an increase in the 2011-2012 season compared with 52% last year.

Constrained consumer spending affects merchandising and catering

Merchandising continued to be badly affected by the downturn with 54% of respondents saying that revenue fell in 2011. Match day catering sales also fell for half (49%) of respondents with 29% citing more than a 5% drop in sales.

TV income and players' salaries the top two concerns

Finance directors' top two concerns for the football industry are the potential fall in TV income (34%) and the inflexibility of players' salaries (32%).

methodology and sample profile

METHODOLOGY

PKF (UK) LLP's Football Industry Group commissioned an independent research company in April and May 2011 to undertake structured telephone interviews with finance directors of football clubs. A total of 41 telephone interviews or online surveys were completed with finance directors in the English Premier League (EPL), English Football League Championship (EFLC),

Football Leagues One (FL1) and Two (FL2), and the Scottish Premier League (SPL).

Results are presented as column percentages, rounded to the nearest whole and arithmetic means. Estimated statistical accuracy: +/- 8% to +/- 14% for the whole sample at 95% confidence.

PROFILE OF SAMPLE

LEAGUE	TOTAL
English Premier League (EPL)	22%
English Football League Championship (EFLC)	24%
Football League One (FL1)	24%
Football League Two (FL2)	20%
Scottish Premier League (SPL)	10%

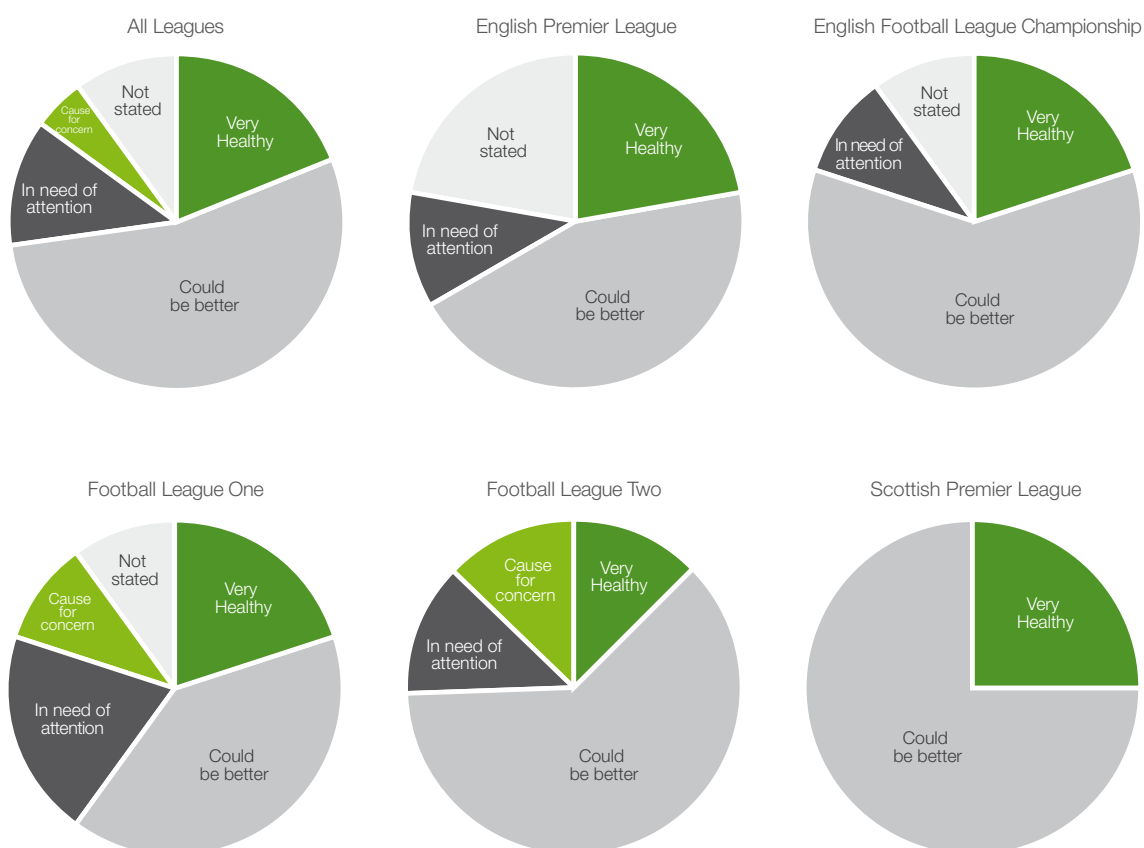
ANNUAL TURNOVER	TOTAL
Under £4m	20%
£4 – £15m	32%
Over £15m	32%
Not stated	17%
Average of stated values	£27.3m

League abbreviations are used in the report to aid brevity.

analysis of key findings 2011

FINANCING THE CLUB

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

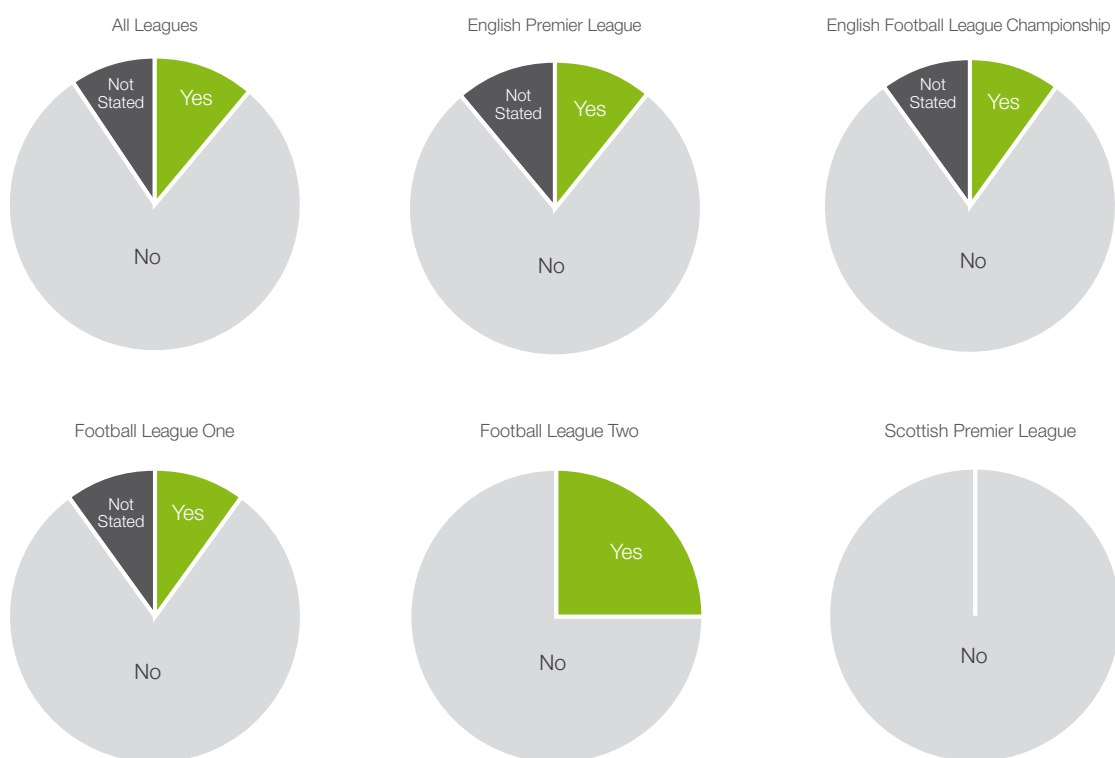


Fewer respondents consider their finances to be very healthy this year – only 19% compared with 27% in 2010. While the EPL has the highest health ratings, the percentage considering their financial position to be very healthy has fallen from 50% last year to 22% in 2011.

Only 17% of respondents are concerned about their financial position, much the same as last year, although this rises to 30% of FL1 respondents. None of the SPL clubs are concerned about their financial position.



2. Have you been under more pressure from your bank in the last 12 months?



The pressure from banks continues to ease with only 12% of respondents experiencing greater pressure this year. In 2009, over a third of respondents were

under greater pressure from their banks, falling to 15% in 2010. However, a quarter of FL2 respondents are still under pressure.

3. Have you increased the level of your bank facility within the last 12 months?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	10%	0%	10%	20%	13%	0%
No	80%	89%	80%	60%	88%	100%
Not stated	10%	11%	10%	20%	0%	0%

Only one in ten respondents increased their bank facility during the year – a very similar result to 2010.

Most banks remain reluctant lenders to the sector and are unlikely to commit further facilities.

4. Do you envisage using more than 90% of your available bank facility during the forthcoming year?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	27%	22%	40%	30%	13%	0%
No	51%	44%	50%	30%	75%	100%
Don't know	7%	22%	0%	0%	0%	0%
Not stated	15%	11%	10%	40%	13%	0%

The percentage of clubs who envisage using more than 90% of their bank facility next season has fallen sharply from 44% last year to 27% in 2011. While

the drop is across all leagues, the percentage of EPL and FL2 respondents has fallen the most from 60% in 2010 to 22% and 13% respectively this year.

“ This reduction is most welcome and it is clear that many more clubs now have a buffer of unused but available funding. This will allow directors more flexibility were exceptional circumstances or opportunities to arise during the season. ”

Charles Barnett, Head of the Football Industry Group

5. Has the debt funding at your club been guaranteed by a director or shareholder?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	44%	22%	30%	40%	88%	50%
No	41%	67%	60%	20%	13%	50%
Not stated	15%	11%	10%	40%	0%	0%

Only 44% of clubs have had their debt funding guaranteed by a director or shareholder this year – a fall from 51% last year. This is a slight reversal of the trend over the last few years with the EPL percentage of respondents with director guarantees falling from 50% in 2010 to just 22% in 2011.

There appears to be a correlation between club size and personal guarantees: the smaller the club, the greater the likelihood that that debt funding has been guaranteed by a director or shareholder.

6. Have you faced any problems sourcing finance this year?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	20%	11%	30%	20%	25%	0%
No	68%	78%	60%	60%	63%	100%
Not stated	12%	11%	10%	20%	13%	0%

Only a fifth of respondents have had problems sourcing finance this year – and the results are broadly the same as 2010. EFLC respondents have

the most difficulty sourcing finance while SPL and EPL clubs have had the fewest problems.



Q5: “ The on-going need to provide these guarantees is evidence that many clubs continue to operate with excessive debt levels, which are only made available with benefactor support. Clubs should be targeting to reduce the need for this extra security. ”

Charles Barnett, Head of the Football Industry Group

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

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	20%	0%	10%	30%	25%	50%
No	73%	89%	80%	60%	75%	50%
Not stated	7%	11%	10%	10%	0%	0%

A fifth of respondents have been late with their HMRC payments this year – down from 27% in 2010. While fewer EPL, EFLC and FL1 respondents have been late

payers, the percentage of FL2 and SPL late payers has increased.

8. If yes, was the delay formally agreed by HMRC? (Base = 20% of sample)

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	38%	0%	0%	67%	0%	50%
No	63%	0%	100%	33%	100%	50%

Almost two thirds (63%) of respondents who paid their tax late had not agreed this with HMRC. This is up from the 27% of respondents last year who had not made an agreement.



Q8: “ In 2010, 55% of the clubs had agreed the delay with HMRC, whereas this year only 38% had done so. That is a big drop. I would urge any club, or any other business for that matter, to open dialogue with HMRC straight away if it is apparent that there will be difficulty making a tax payment. In reality, HMRC does not want to kill off a good source of tax and, in my experience, will be far more sympathetic and helpful if the club is open with and approaches HMRC at an early stage to sort out the problem. ”

John Cassidy, Tax Partner, Football Industry Group

9. HMRC has a major on-going project challenging the tax effects of payments made to players and agents for image rights. A potentially large tax bill could further add to pressure on cash flows. Which of the following statements best reflects your club's view?

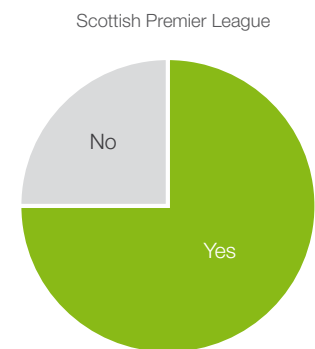
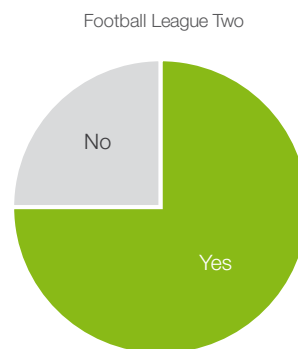
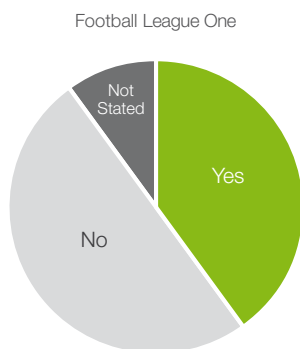
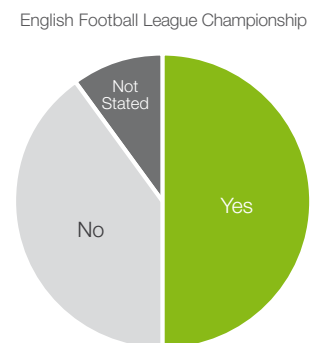
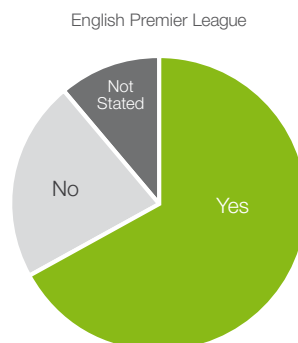
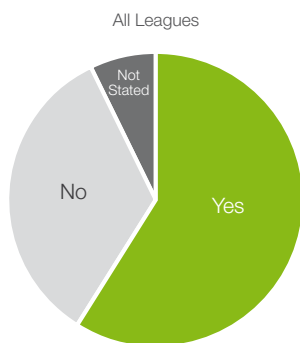
	ALL	EPL	EFLC	FL1	FL2	SPL
Not concerned, we have not been challenged by HMRC	10%	22%	10%	10%	0%	0%
Not concerned, our position on image rights is robust and very defensible	7%	22%	10%	0%	0%	0%
Not concerned, we have no players with image rights arrangements	63%	11%	50%	80%	100%	100%
Somewhat concerned that a sizeable challenge on image rights could create a problem	5%	0%	20%	0%	0%	0%
Very concerned that a sizeable challenge on image rights would create a problem	0%	0%	0%	0%	0%	0%
Not stated	15%	44%	10%	10%	0%	0%

As only 5% of respondents are concerned about HMRC's project to challenge tax-free payments made to some players for image rights, this does not appear to be a significant issue for league clubs. This is largely because nearly two thirds (63%) of

respondents do not have players with image rights' arrangements. Of the EPL respondents, 44% were not willing to answer this question. This lack of transparency could indicate that they are concerned about a potential challenge from HMRC.



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



This year's responses are very similar to last year's with 59% using the wages to turnover ratio as a KPI of the club's financial health.

11. If 'yes', in which range is your benchmark?

	ALL	EPL	EFLC	FL1	FL2	SPL
<50%	21%	17%	40%	25%	17%	0%
51% -55%	25%	0%	20%	50%	33%	33%
56% - 60%	13%	33%	0%	0%	17%	0%
61% - 65%	4%	17%	0%	0%	0%	0%
>65%	29%	33%	40%	25%	17%	33%
Not stated	8%	0%	0%	0%	17%	33%

It is encouraging to note that 46% of respondents reported a benchmark of 55% and under – a considerable increase on just 15% last year. Only

29% have a benchmarking range above 65% compared with 38% last year.

12 . Will you operate within your benchmark in the current financial year?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	63%	56%	50%	60%	88%	75%
No	10%	11%	20%	0%	0%	25%
Not stated	27%	33%	30%	40%	13%	0%

Just under two thirds (63%) of respondents will operate within their benchmark in the current financial year compared with 89% in 2010.



Q11: “ It is surprising that clubs have not made more progress over recent years in improving this key ratio given the proximity of the UEFA Financial Fair Play Regulations. Over a third of the Premier League and Championship respondents have benchmarks greater than 65%. Clubs adopting this ratio will find it very hard to make operating profits. ”

Stuart Barnsdall, Audit Partner, Football Industry Group

13. Given the economic climate of recent years, businesses face a heightened risk of fraud. Does your club have any of the following?

		ALL	EPL	EFLC	FL1	FL2	SPL
An internal audit function	Yes	24%	22%	10%	30%	25%	50%
	No	76%	78%	90%	70%	75%	50%
An agreed counter fraud strategy	Yes	5%	11%	0%	30%	0%	25%
	No	95%	89%	100%	70%	100%	75%
An anti-fraud statement	Yes	5%	0%	10%	0%	13%	25%
	No	95%	100%	90%	100%	88%	75%
A fraud response plan	Yes	7%	0%	10%	0%	13%	25%
	No	93%	100%	90%	100%	88%	75%

The low percentages of respondents who are well prepared to tackle fraud within their clubs are very worrying. Only 24% have an internal audit function (just 10% of EFLC respondents); 5% have an agreed counter-fraud strategy (none of EFLC and FL2

respondents); 5% have an anti-fraud statement (none of EPL and FL1 respondents); and 7% have a fraud response plan (none of EFLC and FL2 respondents).

“ For most sectors the use of internal audit increases with the size of business, reflecting the increased complexity of systems and the directors being further removed from the day to day activity. Football is going against this trend. This may mean that clubs are missing out on the potential for process improvements and don't have as tight a control over their spend as they may need. ”

Richard Weighell, Partner, Internal Audit



Q13: “ Fraud represents a significant financial cost to any organisation, with the latest global research indicating that this averages just under 4.6% of expenditure. With over 90% of those surveyed not having any arrangements in place to address the issue, it is likely that the cost of fraud in football is much higher than the average. By implementing some simple, practical measures, football clubs could make themselves much more resilient to fraud and substantially reduce that cost. With the cost pressures that clubs face, this would appear to be an obvious step to take. ”

Jim Gee, Director of Forensic Services

THE CLUB

14. Do your players have clauses in their contracts stipulating that their wages will be cut if the club is relegated?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	73%	44%	90%	90%	88%	25%
No	12%	11%	0%	0%	13%	75%
Not stated	15%	44%	10%	10%	0%	0%

Nearly three quarters of respondents will cut players' wages if the club is relegated.

15. What is your projected level of non-player capital spend (net of player sales) during the next two years?

	ALL	EPL	EFLC	FL1	FL2	SPL
<£2.5m	66%	22%	70%	80%	100%	50%
£2.6-£10m	17%	22%	20%	10%	0%	50%
£10.1-£25m	7%	33%	0%	0%	0%	0%
>£25m	0%	0%	0%	0%	0%	0%
Not stated	10%	22%	10%	10%	0%	0%

With the exception of a third of EPL respondents who will be spending more than £10 million on non-player capital investment over the next two years, all respondents will be spending less than £10 million,

and two thirds of respondents will be spending less than £2.5m. This battening down of the financial hatches suggests that clubs are containing their non-player investment during this era of austerity.



Q15: “ This shows that the EPL are looking to spend more, ie <£10m was 80% last year, now 44%; >£10m was 10% last year now 33%. Revenue or day to day expenditure is being reined in so this is perhaps an indicator that capital investment is important (eg ground, training facilities) and a longer term financial view is being taken rather than living for today.”

Stuart Barnsdall, Audit Partner, Football Industry Group

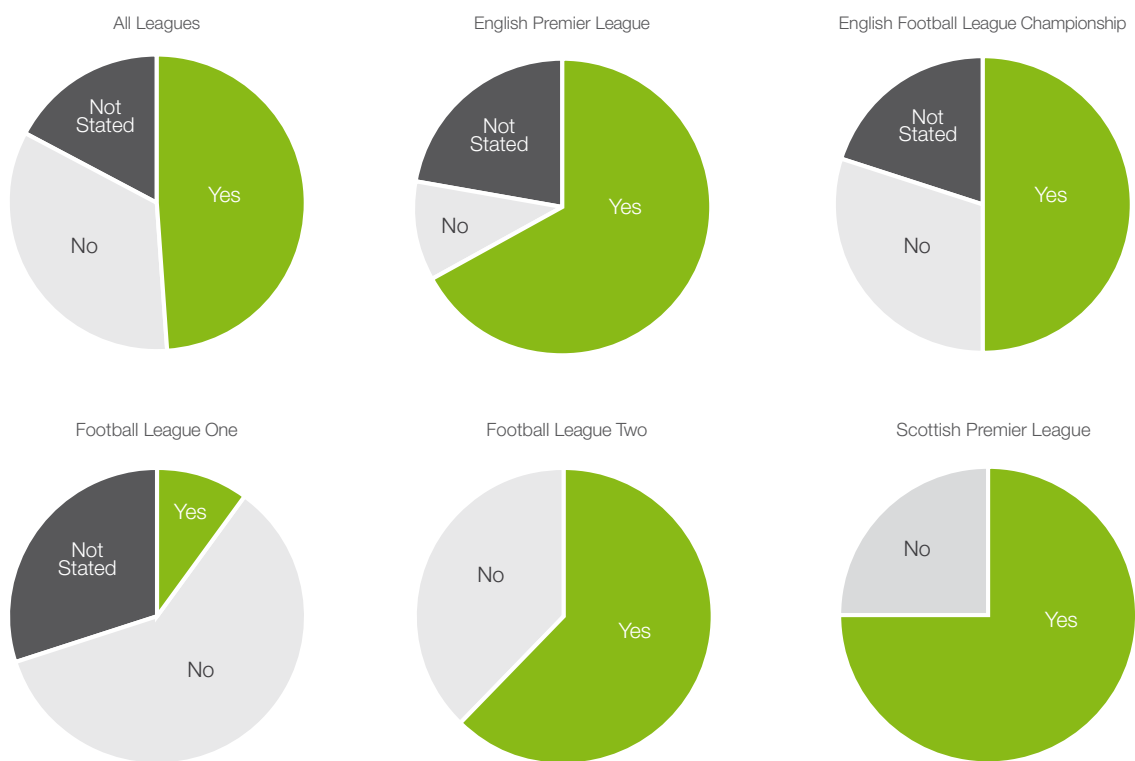
16. What are your two biggest concerns for the sector over the next 12 months?

	ALL	EPL	EFLC	FL1	FL2	SPL
Potential fall in TV income	34%	0%	40%	40%	50%	50%
The inflexibility of players' salaries	32%	22%	40%	40%	25%	25%
Loss of income due to relegation	27%	44%	20%	30%	13%	25%
Falling attendances due to economic environment	24%	11%	20%	30%	25%	50%
Ability to attract sponsorship	22%	33%	10%	10%	25%	50%
Ability to raise new capital	12%	0%	30%	10%	13%	0%
Season ticket pricing	12%	0%	20%	10%	25%	0%
HMRC attitude to collection of overdue tax liabilities	7%	0%	0%	10%	13%	0%

Finance directors' concerns are spread more widely this year across five main issues. The top two are the potential fall in TV income (34%) and the inflexibility of players' salaries (32%).

While none of the EPL respondents are worried about a fall in TV income, this is the number one concern for all the other leagues. EPL respondents are most concerned about the financial impact of relegation.

17. Are you planning to comply with the UEFA Fair Play financial rules for season 2012/13?



Almost half of respondents (49%) are planning to comply with the Fair Play rules. Not surprisingly, the SPL (75%) and EPL (67%) have the highest percentages of planned compliance (because their

clubs are more likely to compete in Europe) while FL1 respondents have the lowest level of planned non-compliance (60%).

18. If yes, do you anticipate difficulty in complying with the break-even requirement?

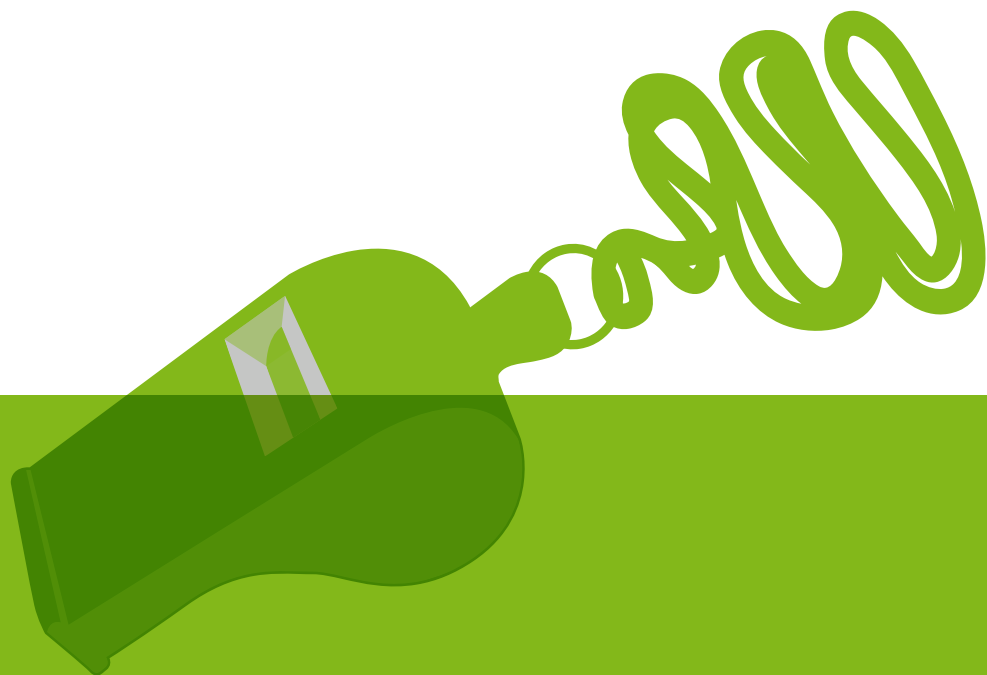
	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	20%	17%	40%	0%	20%	0%
No	80%	83%	60%	100%	80%	100%

A fifth of respondents anticipate having difficulty complying with the break-even requirement. This rises to 40% of EFLC respondents.

19. Do you anticipate that further capital contributions will be required to meet the break-even requirement?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes	17%	11%	30%	20%	13%	0%
No	39%	44%	40%	10%	50%	75%
Not stated	44%	44%	30%	70%	38%	25%

It is difficult to draw a conclusion due to the high number of not stated replies. However, of those replies received, 70% do not envisage the need for capital contributions to achieve the break even requirement.



Q19: “ The high level of “not stated” suggests that a number of clubs may not yet fully understand the implications of the Fair Play Rules with their budgets. The real danger is that clubs may be precluded from participating in UEFA tournaments in the next few years through non-compliance with these rules. ”

Charles Barnett, Head of the Football Industry Group

THE PLAYERS

20. In your budget for 2011/12 will your first team squad size be greater, the same or smaller than the season just ended?

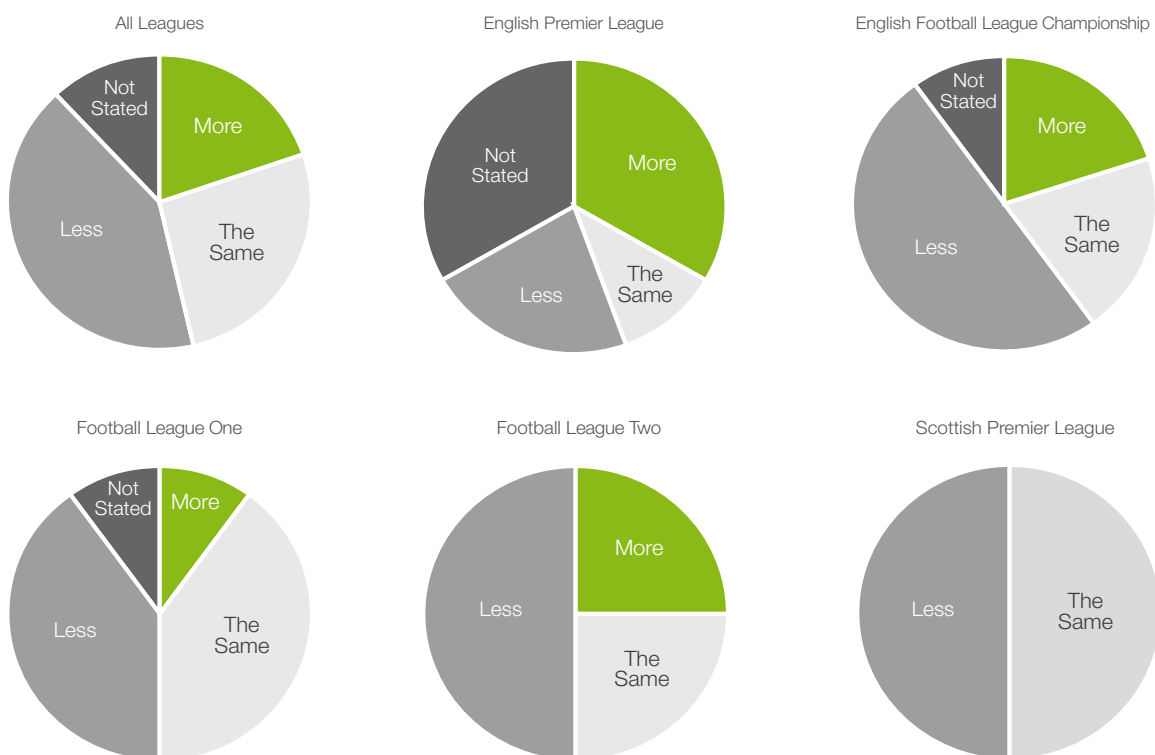
	ALL	EPL	EFLC	FL1	FL2	SPL
Greater	0%	0%	0%	0%	0%	0%
The same	49%	56%	50%	60%	38%	25%
Smaller	37%	11%	40%	30%	50%	75%
Not stated	15%	33%	10%	10%	13%	0%

For the first time in the history of the PKF survey no respondents are budgeting to increase the size of the first team squad. Half (49%) of respondents are budgeting for the same size squad while over a third

(37%) will be reducing the size of the squad. SPL (75%) and FL2 (50%) respondents are cutting back the most.



21. In your budget for 2011/12, will you spend more, the same or less on the payroll cost of the first team squad than the season just ended?



The cost cutting trend for the players' payroll continues with only a fifth planning on spending more on the first team payroll this season. This percentage has fallen steadily each year from 59% in 2008 to 20% in 2011. Half of the EFLC, FL2 and SPL respondents plan to spend less on first team salaries this year.

When asked about their 2011-12 transfer budgets, only 5% of respondents will be increasing them this year while 59% are budgeting for the same as last year. One fifth are reducing their transfer budget.

YOUR CLUB'S REVENUE

22. There is increasing emphasis on football clubs diversifying their income stream. Where do you predict your income will be coming from in the next year? Please rate the importance of your top five from the list below to the financial performance of your club over the next three years (where 1 = least important and 5 = most important).

	ALL	EPL	EFLC	FL1	FL2	SPL
Ticket sales (inc corporate boxes)	4.1	3.6	4.3	4.1	3.9	4.5
TV and other media	3.6	3.6	3.7	3.6	3.1	4
Sponsorship and ground naming rights	2.8	2.8	3	3	2.4	2.5
Merchandising (retail and royalties)	2.7	2.8	2.8	2.3	2.7	3
Conferences and catering	2.4	2.8	2.4	2.6	2.4	1.3
Overseas expansion of club brand eg China/Asia	2.3	2.3	2	1	1.5	0

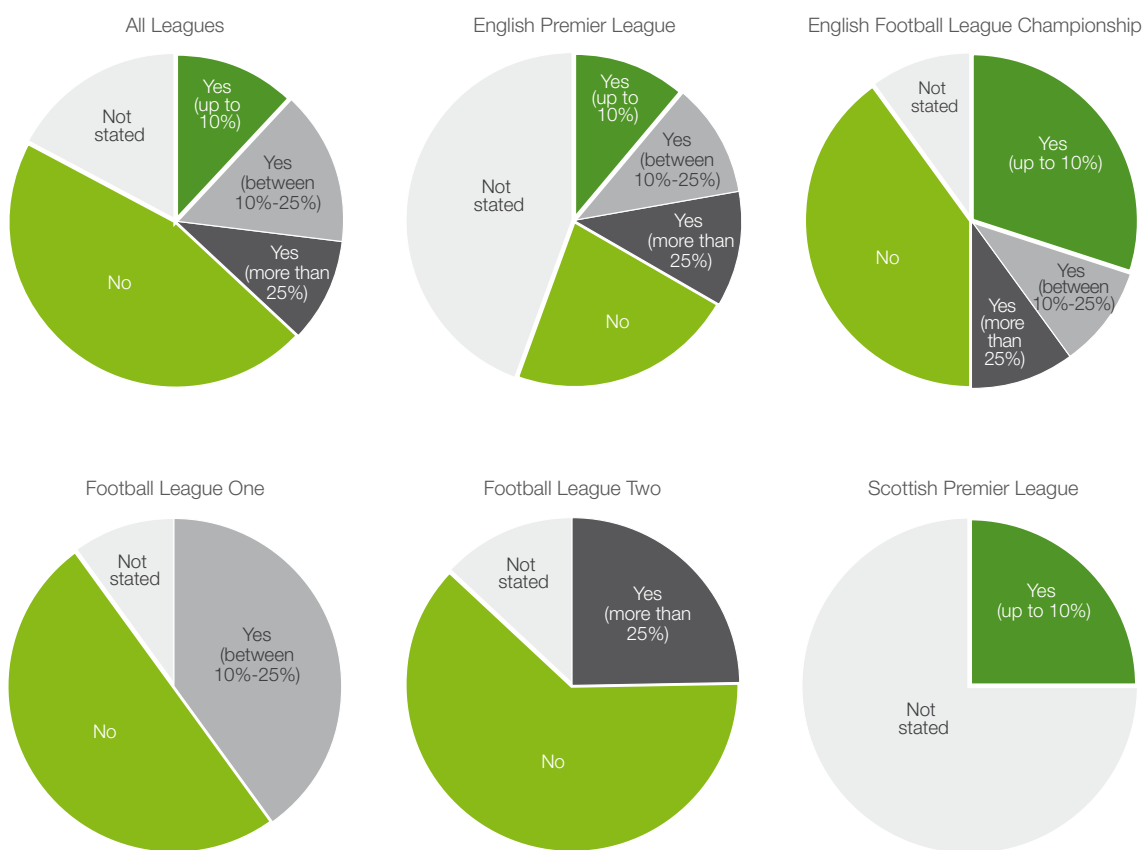
Ticket sales continue to be the most important income stream for the financial performance of all leagues over the next three years. Clubs will therefore need to concentrate on selling more tickets to protect this revenue stream.

TV and other media income is the second most important income stream for all leagues apart from

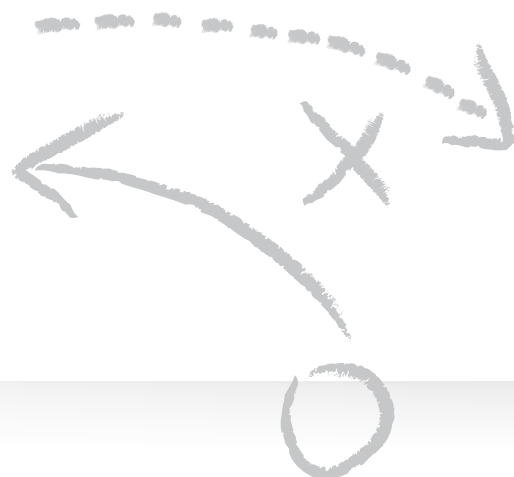
FL2 who are looking to overseas expansion of the club to generate future income.

The significance of conferences and catering income to the financial fortunes of football clubs continues to wane – perhaps reflecting the deepening impact of the faltering economic recovery.

23. Did your revenue from sponsorship in 2010/11 increase and, if so, by how much?



Only 37% of respondents increased their sponsorship revenue last season compared with 56% in 2010. Sponsorship revenues did not increase for just under half (46%) of respondents, rising to 63% of FL2 respondents.



24. Do you expect your revenue from sponsorship in 2011/12 to increase and, if so, by how much?

	ALL	EPL	EFLC	FL1	FL2	SPL
Yes, but by less than last year	5%	11%	10%	0%	0%	0%
Yes, by about the same as last year	15%	11%	20%	20%	25%	25%
Yes, by more than last year	12%	11%	10%	0%	0%	25%
No, do not expect it to increase	51%	22%	50%	70%	63%	50%
Not stated	17%	44%	10%	10%	13%	0%

Growth in sponsorship revenue appears to have flatlined. Only a third (32%) are anticipating an increase in the forthcoming season compared with 52% in 2010. More than half (51%) do not expect their

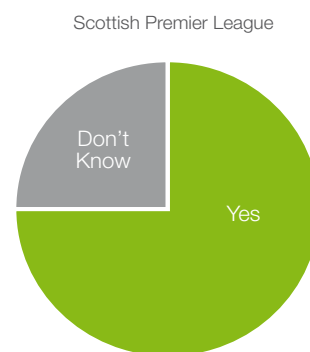
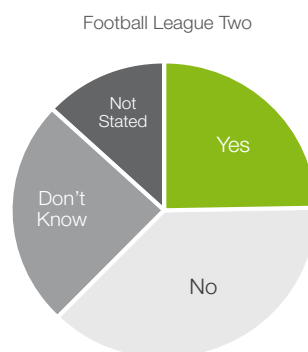
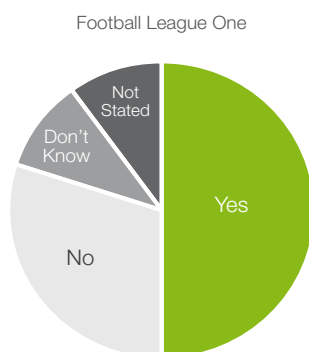
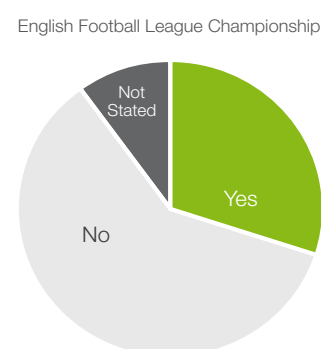
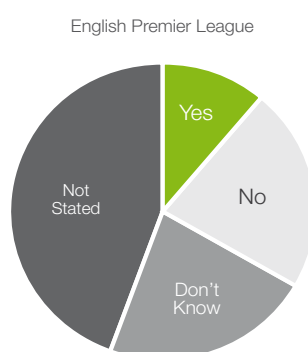
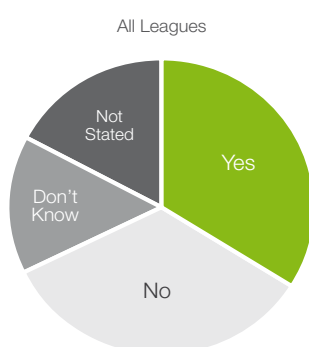
sponsorship revenue to increase next season. This could again be a reflection of the faltering economy. FL1 (70%) and FL2 (63%) are the most pessimistic while EFLC and SPL clubs are the most optimistic.

25. Do you expect to make a profit before player trading in your next accounting period?

	ALL %	EPL	EFLC	FL1	FL2	SPL
Yes	39%	44%	40%	30%	38%	50%
No	42%	11%	50%	60%	38%	50%
Not stated	20%	44%	10%	10%	25%	0%

Almost four out of ten respondents expect to make a profit before player trading in the next accounting period while 42% do not – rising to 60% of FL1 respondents.

26. Do you expect to make a profit post player trading in your next accounting period?



Only a third (34%) of respondents expect to make a profit post player trading in their next accounting period, while a third do not expect to make a profit.

This rises to 60% of EFLC respondents. This is an improvement on last year when only 22% of respondents were expecting to make a profit.

27. By how much has the economic downturn reduced the following revenue streams in the current financial year?

MATCH TICKETS

More than half (51%) of respondents have suffered a fall in match ticket sales as a result of the economic downturn. This rises to 80% of FL1 respondents.



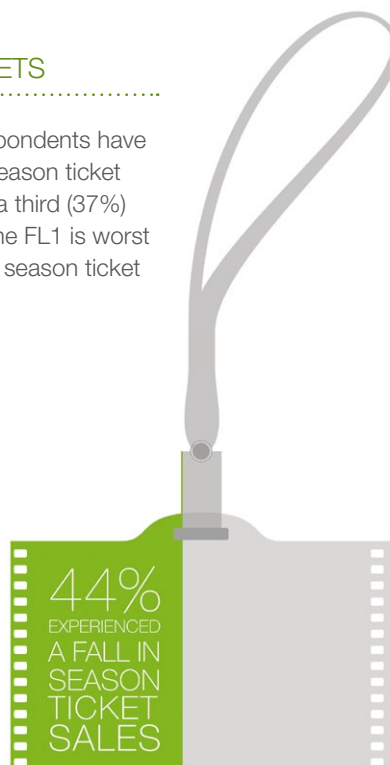
SEASON TICKETS

While 44% of respondents have suffered a fall in season ticket sales, more than a third (37%) are unaffected. The FL1 is worst affected by falling season ticket sales (60%).



MATCH DAY CATERING

While a third of respondents have not suffered a drop in catering sales, half (49%) of respondents have suffered falling revenue with 29% saying that sales had fallen by more than 5%.



MERCHANDISING

Merchandising sales continue to be badly affected by the downturn with 54% of respondents saying that revenue has fallen and 37% saying that it has fallen by more than 5%. Only a fifth of respondents have been unaffected.



CORPORATE SUPPORTER/ ENTERTAINING PACKAGES

Just under half (48%) have experienced a fall in corporate entertainment sales.



28. What effect do you expect the state of the economy to have on your 2011/12 revenue streams compared with the season just ended?

With the exception of match day catering revenues where 71% (2010 – 67%) of respondents expect little or no impact from the state of the economy in 2011/12, many respondents expect revenues to continue to fall in 2011/12. 44% of respondents expect match ticket sales to be lower in 2011/12 than in the last season which is higher than the 37% in 2010's survey. 32% (2010 – 31%) expect merchandising sales to fall, 44% expect corporate supporter/entertaining

packages to fall, down from 49% last year, and 37% of respondents (2010 – 40%) believe that season ticket sales will be lower than the previous year. None of the revenue categories is showing any significant signs of improvement over 2010 with the highest being merchandising and season tickets at 12% each. This compares unfavourably to the 2010 survey, where between 22% - 29% of respondents in the categories projected an improvement.

our sector experience



PKF's Football Industry Group (FIG) consists of partners and directors in key regional offices who have extensive knowledge of the football industry. We work for a range of football clubs including Celtic and Fulham, for whom we provide a full range of services including accounting, annual audit and tax compliance services.

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

- internal and external audit
- specialist tax and VAT
- forensic and fraud
- leisure development consultancy
- financial modelling
- corporate finance
- corporate recovery

More specifically, we offer:

SPECIALIST VAT CONSULTANCY AND PLANNING ADVICE

Some of our recent assignments have included providing extensive VAT input on the following: affinity card agreements, overseas sponsorship issues, testimonial/benefit games for current and former players, stadium refurbishments and alternative uses, catering issues, retail sales liabilities and agents fees.

SPECIALIST EMPLOYMENT TAXES AND NATIONAL INSURANCE CONTRIBUTIONS SERVICES

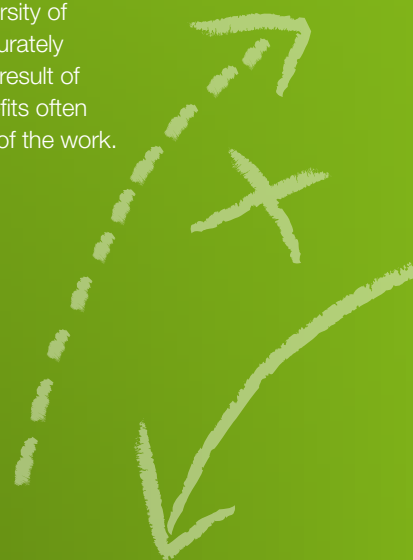
Some of our recent assignments have included advising on the use of image rights agreements taking into account HM Revenue & Customs new policy in respect of disguised remuneration, advising in relation to Employer Financed Retirements Benefits Schemes, and generally dealing with HMRC enquiries and PAYE audits of books and records of football clubs.

CORPORATE RECOVERY

Some of our recent assignments include being appointed Administrators of a number of clubs including Motherwell Football Club Ltd, Clydebank Football Club Ltd, and Dundee Football Club Ltd. All four appointments led to a successful outcome whereby a dividend was accepted by creditors under a Creditors' Voluntary Arrangement (CVA). The four Ltd. Companies all survived and are continuing to trade.

FORENSIC AND FRAUD

We provide forensic accountancy, investigatory and expert witness services including business intelligence to a number of clubs. We recognise that any investigation within football attracts huge media attention, and for this reason we do not publish our successes. Our investigations are thorough, discrete and tailored to your needs. Using our links with the 'Centre for Counter Fraud Studies' at the University of Portsmouth we are also able to accurately measure and then reduce loss as a result of fraud. We deliver real financial benefits often achieving a 12:1 return on the cost of the work.



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