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SPORTBUSINESS
The Balance Sheet of Football Clubs
and the economic and financial context of international football .
Analysis, practical approach, case history .

Let me introduce myself

- Education: Doctor in Economics and Finance, Master in Corporate Finance and Management Control.
- Experiences:
- *sports industry* since the beginning of my career . in particular in the M&A of sports and football clubs, therefore in constant contact with a multitude of subjects such as investors (private individuals, private equity funds, venture capital, ..), who acquire or sell clubs all over the world. And in the field of strategic consultancy to clubs, bodies and federations and athletes.
- Football manager for over 16 years with roles as general manager, CEO and club shareholder.
- CEO and General Manager of Piacenza Calcio 1919 from 2012 to 2022.
- Sole director of Calcio Servizi Lega Pro Srl from 2018 to 2023.
- CEO of Sawyer SportBusiness from 2022, *firm* in strategic consultancy for all sports stakeholders (clubs, sponsors, fans, athletes).
- Sports&Football Advisor at MergersCorp M&A International since 2024, an investment bank specializing in *mergers and acquisitions* .
- Registered in the FIGC register of professional sports directors since 2017.
- Member of the National Order of Journalists, Publicists Section, since 2010.

Everyone has their own life motto, mine is that of the writer Trilussa: ***"If you insist and persist, you achieve and conquer."***

Agenda

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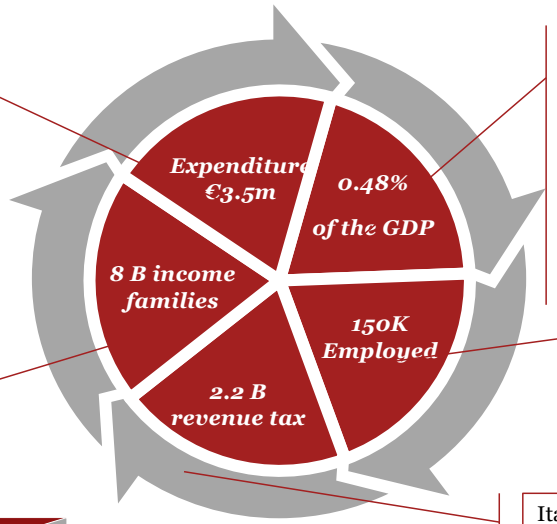
The economic and financial context of national and international football.

The economic and financial context of national and international football

ITALIAN FOOTBALL . The starting point is the **3.5 billion euro expenditure generated by Serie A clubs in 2023** .

All the effects indicated below are manifested directly through spending on suppliers, indirectly along the upstream industrial supply chains involved, and propagate by induction to other economic sectors as a result of spending on incomes of businesses and families in the national economy.

Characteristic management of the club. It includes 1.7m salaries (50%) and the remaining part in transport, technical material, consultancy, food, hospitality, textiles and clothing and sports facilities



The €3.5m expenditure, acting as a demand shock on the Italian economy, produced an impact on the national Value Added of over 9 billion, equal to 0.48% of GDP.

In particular, the direct GDP generated by Serie A is 2.5 billion euros, the indirect one is 720 million, while the induced one is 6 billion euros.

The sectors most impacted are trade (€1.2 B), transport (€1.2 B), real estate (€1 B) and business services (€656 B).

Income generation for families reached 8 billion euros.

The football movement generates over 150 thousand direct and indirect jobs.

In particular, the employment created is divided between services for 63%, industry for 36% and agriculture for 1%.

Italian football tax revenue exceeded €2.2 billion for the tax authorities.

€5.7 B

Aggregate indebtedness of professional football constantly increasing

€471m

Stadium revenues up in

€4.3 B

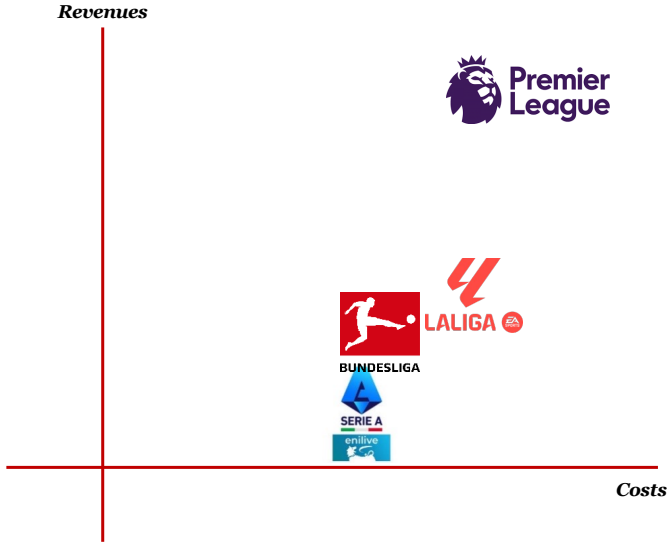
Production Value of Professional Football

Source: Football Report 2024
FIGC/ Pwc / Ariel data

The economic and financial context of national and international football

International competitive context

Championship	Serie A	Premier League	League / Bundesliga
Benchmark			
TV Rights Revenue	€1.1 B (4th)	€3.9 B (1st)	€2 B (2nd) / €1.2 B (3rd)
Infrastructure investments	4 out of 20 stages of its own	17 out of 20 owned stadiums	11 out of 20 / 16 out of 18 owned stadiums



According to the **report 'The UEFA European Club Finance and Investment Landscape** ' (a detailed study of the economic and financial framework of 700 clubs from the top divisions across Europe), in 2023 the total revenues of the companies analysed reached 25.6 million euros, confirming the post-pandemic growth path.

The most significant expenses still concern personnel: expenses reached 16.9 billion euros in 2022 (+15% compared to pre -Covid levels).
Wages accounted for 71% of finances (above the 70% limit set by UEFA rules), up 4% from 2022, despite inflationary pressures across Europe.

In terms of revenue, there is a difference between the various leagues such as the Premier League, La Liga and Serie A: TV rights are the main revenue item . In 2023, the PL reached €6.43 billion in total revenue (47% represented by TV rights). La Liga a total of €3.33 billion in revenue (44% represented by TV rights), while Serie A generated €2.35 billion in revenue (44% represented by TV rights).

European football, with a **growth rate of over 1 billion euros per year between 2013 and 2023** , marks a growth step in a difficult global scenario if we consider industrial sectors such as *automotive* and steel.
In Italy, clubs such as Milan and Napoli are emerging as examples of success, recording significant increases in their revenues (respectively +76 million and +123 m).

1

The Balance Sheet

The financial statement.

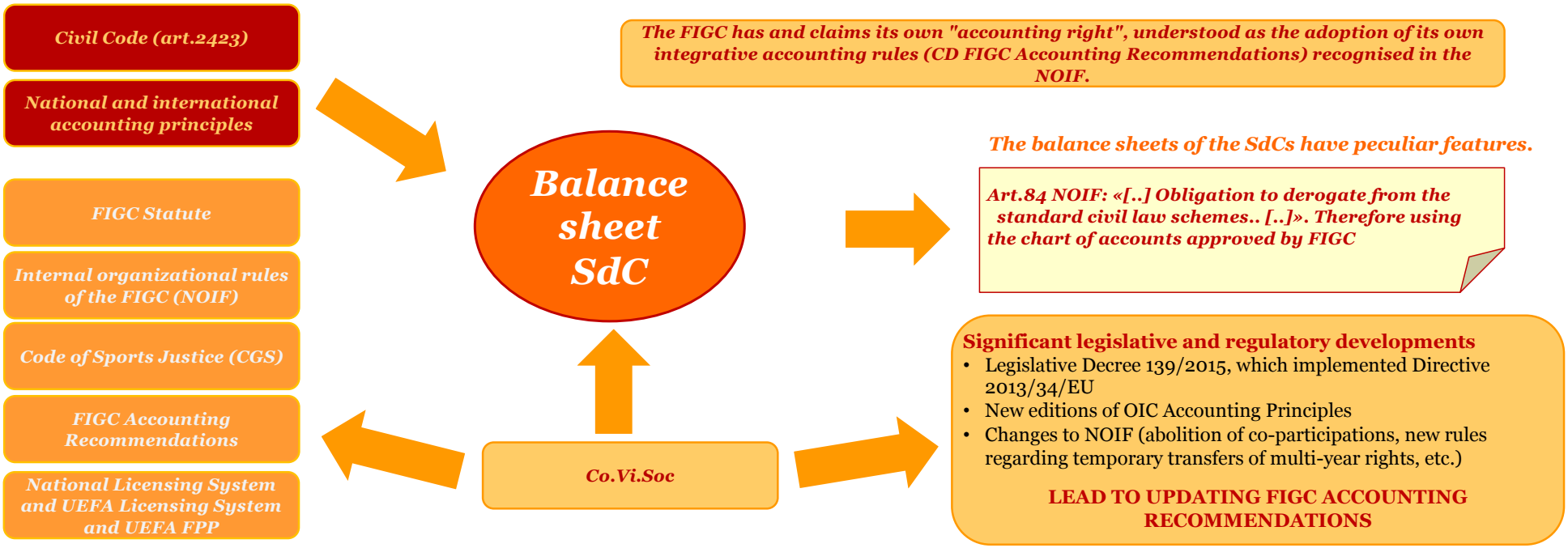
The financial statement is the set of accounting documents that a company must periodically draw up, pursuant to the law, in order to pursue the **principle of truth and to ascertain in a clear, truthful and correct manner** its own **patrimonial and financial situation** , at the end of the administrative period of reference, as well as the economic result of the financial year itself.

It is composed of:

01	**State Patrimonial**	the photograph of the company's financial position at the balance sheet date. It indicates the value of the assets and capital available to a company.
02	**I count Economic**	the set of business operations that contributed to achieving a specific economic result during a financial year. Ensure understanding of ordinary and extraordinary management.
03	**Supplementary**	non-accounting document and its purpose is to provide qualitative information on the items of the Balance Sheet and the Income Statement and on their dynamics that occurred during the financial year
04	**Relation on the Management drafted from administrators**	information document on the management progress and the situation of the company, drawn up by the company's directors, which must be attached to the financial statement

Regulatory sources and federal sources

The rules that currently govern the preparation of the financial statements of Football Clubs (SdC) come from a variety of sources. We can divide them into regulatory sources and federal sources.



art. 19 FIGC Statute *«Professional clubs are subject to verification of their economic and financial balance and compliance with the principles of correct management, according to the system of controls and the consequent provisions established by the FIGC, also by delegation and according to the methods and principles approved by CONI. With respect to professional clubs, the FIGC may exercise the powers of denunciation to the Court provided for by art. 2409 of the civil code. For the tasks referred to in the previous paragraphs, the FIGC makes use of a technical control body called the Supervisory Commission on Professional Football Clubs (Co.Vi.So.C.)» .*

Accounting recommendations and the FIGC Chart of Accounts

The principles set forth in art. 2423 of the Civil Code must be respected in the financial statement report:

«The directors must draw up the financial statements, consisting of the balance sheet, the income statement and the explanatory notes. The financial statements must be drawn up clearly and must represent in a true and correct manner the financial and equity situation of the Company and the economic result of the financial year.»

Art. 84 NOIF

- Accounting and use of the chart of accounts approved by the FIGC and in compliance with the law;
- Obligation (Art.85) for professional companies to file with Co.Vi.Soc . the ordinary financial statement and half-yearly reports and the interim financial statements;
- Obligation to prepare financial statements in accordance with the regulations and principles of the OIC and of accounting auditing.

Accounting Recommendations and Chart of Accounts of the FIGC

Football clubs must draw up their financial statements in accordance with the provisions of the internal federal regulations, governed in particular by the following bodies:

1. **FIGC Statute** , which subjects professional football clubs affiliated with the FIGC to the regulations issued by the federal body itself;
2. **FIGC Internal Organizational Rules (NOIF),** issued by the Federal Council, which is also responsible for preparing the accounting regulations, including the one relating to the obligation for professional football clubs to adopt a specific "Chart of Accounts". The NOIF also regulate a wide range of information obligations, in terms of the content and form of periodic communications that clubs must send to Co.Vi.So.C .;
3. **Federal Accounting Recommendations,** whose function is twofold: firstly, they interpret, from a technical point of view, the legislative discipline that establishes only some general principles on the preparation of the balance sheet, referring to the accounting principles for the applicative interpretation; secondly, through said "Recommendations" the legislative schemes are integrated if the latter prove inadequate for the purposes of a truthful and correct representation of the economic and financial situation of football clubs. Therefore, the aforementioned discipline assumes particular importance in promoting the connection between civil law and international accounting principles and the particular accounting problems that affect professional football clubs;
4. **UEFA Licensing System** , according to which, ultimately, UEFA also intervenes in the accounting system of football clubs, defining detailed rules that establish a series of requirements that *clubs* must satisfy in order to be admitted to participate in European competitions.

It should be remembered that **the Italian Accounting Body (OIC)** constitutes the point of reference for accounting matters in the national system (as prescribed by art. 9-bis of Legislative Decree no. 38/2005) and with which FIGC must always and in any case refer.

Management of a Club.

We can divide the management of a club, like that of a traditional company, into ordinary and extraordinary management .

1. **Ordinary management:**
   - Characteristic management: includes the operations aimed at achieving the management objectives connected with the characterizing object of the economic activity carried out by the company. Reference is made to the algebraic sum of the costs and revenues relating to the characteristic production of the company (operating income). In football, operating income is sports management.
   - Financial management: *it is the complex of operating operations dependent on the financing and liquidity policies of the management* must ensure that the company is able to meet its capital needs at all times.
   - Accessory management.

2. **Extraordinary management:**

These are operations whose isolation satisfies the need not to alter the meaning of the results of "ordinary management".

It includes capital gains and losses arising from the realisation of durable assets which in football clubs are identified in the rights to the performance of footballers.

They are excluded from the calculation of the operating result because they are not considered strictly attributable to the production of the period.

Co.Vi.SoC .

It is the body within the FIGC that deals with the economic, financial and patrimonial control of football clubs.

Art. 19 of the FIGC Statute

*« Professional **clubs** are **subject to verification of their economic and financial balance and compliance with the principles of correct management** , according to the system of controls and the consequent provisions established by the FIGC, also by delegation and according to the methods and principles approved by CONI. With respect to professional clubs, the FIGC can exercise the powers of denunciation to the Court provided for by art. 2409 of the civil code.*

For the tasks referred to in the previous paragraphs, the FIGC makes use** of a technical control body **called the Supervisory Commission on Professional Football Clubs (Co.Vi.So.C.)" .

Surveillance

1. Co.Vi.So.C. , through its activities , continuously monitors the company's economic and financial performance.
2. In particular, the legislation in force:

- allows, through the introduction of budgets, a control activity on the management progress of the Serie A and Serie B (and C) companies.
- extends the control over the payment of emoluments and related contributions and withholdings to the entire year
- extends the control over the payment of IRES, IRAP and VAT taxes
- allows, through the analysis of the aforementioned parameters, the verification of compliance with minimum conditions of economic-financial equilibrium.

The Control system is based on

- audited **balance sheets and half-yearly reports**
- **on compliance with pre-established quarterly deadlines** for the payment **of emoluments** due to members, employees and collaborators working in the sports sector, Irpef withholdings, Enpals contributions and the End of Career Fund
- **on the verification of the payment of IRES, IRAP and VAT taxes** shown in the company declarations
- on the preparation of annual budgets and financial statements
- **on compliance with a capital adequacy parameter** (Production Value/Financial Debts), the purpose of which is to place a limit on the coverage of the requirement through financial debt

The financial statement is the only valid instrument through which it is possible to evaluate the economic, financial and patrimonial situation of a given sports company, the balance of which, as a general principle, becomes a fundamental prerequisite functionally preordained to guarantee both the legitimate participation of sports companies in the relevant championships and the regularity of the latter.

Article 12, Law No. 91/1981 states: «For the sole purpose of ensuring the regular running of sports championships, the companies referred to in Article 10 are subjected, in order to verify their financial balance, to the controls and consequent provisions established by the sports federations, by delegation of CONI, according to the methods and principles approved by the latter».
*The **federation (FIGC) is only responsible** for checking the economic-financial balance necessary for registration in the relevant championship for its regular running.*

2

Profit and Loss

The Profit and Loss Statement – Typical Revenues and Expenses.

The specific value classes of the Profit and Loss Statement of a football club are:

1. The **amortization of the cost of multi-year rights** to the performance of footballers;
2. losses **and gains** from the sale of multi-year rights to the use of footballers' performances;
3. ~~the capitalization of the costs of the "youth sector";~~ which have become inadmissible following the indications of the new Italian Accounting Body OIC 24.
4. ~~income and expenses from **participation** *ex* art. 102- *bis* NOIF~~

~~*repealed~~

The income statement – characteristic revenues and costs.

Other **REVENUES** representing **the Characteristic Activity** of the SdC are:

1. **Ticketing** (intended as season tickets and match day tickets): in particular as regards season tickets, usually signed between July and August, the accounting - as for single match tickets - is under **item A1) "Revenue from services" of the CE** and must be indicated by installments. Furthermore, if the season ticket campaign for the following season begins before the end of the financial year, it will be necessary to record the debt towards season ticket holders and the cash inflow connected to the sale (recognition of the financial effect only). The accounting in the Profit and Loss Statement of the revenue will take place in the following financial year (principle of competence)

2. **Mutuality related to the % of the host team on ticketing**

3. **Operating contributions** : these are operating contributions paid, for example, by the competent League in exchange for collective prizes and revenues (excluding audiovisual rights) which are recorded in the financial year in which the right to receive them arose.

4. **Commercial revenues** (sponsorships, advertising, exchanges and transfer of audiovisual rights):
   - As regards audiovisual rights, the recognition in the Income Statement of the revenues deriving from the sale of such rights occurs at the time of the actual performance (date of the event).
   - Sponsorships must be attributed to the relevant financial year according to the so-called “physical time” criterion, i.e. by attributing the revenue in a manner exactly proportional to the relevant period of the financial year (distribution by installments).
   - Revenues from sponsorship sales must be classified under **item A5) "Other revenues and income - sponsorship income"**

The income statement – characteristic revenues and costs.

The cost items include:

1. **Wages and salaries and individual and collective bonuses pursuant to art. 93 NOIF** Together with the amortization of multi-year rights to the performance of footballers, the item Wages and salaries represents the main cost item in the Profit and Loss Account of a football club. *This item includes: wages; variable bonuses; early retirement incentives and compensation to footballers temporarily transferred to other clubs; social security contributions; severance pay fund and end-of-career fund.*
2. **Taxes. Current** income taxes are calculated on the basis of the estimate of the taxable income pertaining to the financial year and the regulations in force in the countries in which the Group operates .

   The expected debt, net of the related advance payments and withholdings incurred, is recorded at the balance sheet level under the item “Current taxes”.

   The accounting for **deferred taxes and advance taxes** reflects the temporary differences existing between the book value attributed to an asset or liability and the corresponding values recognized for tax purposes. The item "Deferred taxes" includes any liabilities for deferred taxes on temporary differences whose taxation is deferred to future financial years in accordance with current tax laws.

   The item “Deferred taxes” includes any taxes which, although pertaining to future financial years, are referable to the current financial year and are accounted for when there is a probability of obtaining future taxable income of such an amount as to be able to absorb their recovery.

3

Balance Sheet

Balance Sheet.

It is the accounting document that photographs the investments existing at a specific time and the related investment sources

Player pool management substantially influences SP, determining the value of:

Multi-year rights to the performance of footballers

- Classification, Effects, Detection;
- Capital gains /losses.

~~*Capitalization of Youth sector costs*~~

- Became inadmissible under the provisions of OIC 24.

~~*Co-participation rights pursuant to art.102 bis of the NOIF*~~

- Repealed with OFFICIAL NOTICE N. 232/A of 06/28/2023.

Temporary transfers of contracts pursuant to art.103 NOIF

- Classification, Evaluation and Value Detection.

The library and the valorization of the brand

- Classification , Accounting;
- *Sales and lease* back.

Credits and debts towards football clubs

- Classification and accounting recognition.

Members' payments

- **Payments for financing purposes** (interest-bearing or non-interest-bearing);
- **Payments for capital endowments** (payments for capital increase, for future capital increase, for loss coverage).

Multi-year rights to the performance of footballers.

The capital invested by the SdC is largely constituted by the value connected to the right to the performance of footballers (DPC).

The DPCs include the costs incurred by a Company in the following cases:

1. **"direct stipulation"** : a hypothesis that occurs in two cases: in the case of the registration of so-called "free-agent" players, therefore after the expiry of the previous contract between the same players and other clubs; in the case of the registration of players who sign their first professional contract;
2. **"contract transfer"** : i.e. in the event of acquisition of rights following the transfer of the contract of professional footballers by other clubs.

The transfer of a footballer's contract can occur **on a permanent** or **temporary basis** .

Multi-year rights to footballers' performances.

CLASSIFICATION

Multi-year rights to the performance of footballers constitute an intangible asset of a multi-year nature *, since the relative value corresponds to an advantageous situation of the Company that holds the right, compared to the other Companies, which is intended to last over time.*

The cost of acquiring the right goes into the ***active balance sheet among intangible assets*** ***:***

B) I. 8) Multi-year rights to the performances of footballers

It is important to underline that the benefit related to the acquisition of each right is represented by the sporting performance of the footballer, which constitutes the basis for any increases in revenues deriving from ticket sales, the sale of television rights and other circumstances, such as sponsorships, merchandising and advertising revenues.

The contract between the player and the Company constitutes the legal title for the registration in the balance sheet of the relative right to sporting performances.

The provision of this specific item is necessary pursuant to art. 2423 ter, paragraph 3, of the Civil Code.

Multi-year rights to footballers' performances.

TERMINATION OF THE DPC RELATIONSHIP,

The Effects

0 1	**EFFECT**	the first effect consists in the right of the transferee club to assume, in the relationship with the player, the position of the transferor club and in the corresponding obligation to pay the transferor club the agreed price;
0 2	**EFFECT**	the second effect consists in the subjective modification of the relationship with the player, a modification which is achieved with the stipulation of a new contract, on the basis of which the player will be able to assert his rights and will have to fulfil his obligations only towards the transferee company, his new contracting party.

The right of the transferee Company to assume, in the relationship with the player, the position of the transferor Company has its own economic value determined by the price agreed between the Companies for the transfer of the contract. This price is related to the legal position that the transferee Company assumes, following the transfer, for the entire duration of the new contract.

It is therefore clear that **the acquired right must be registered among intangible assets** .

Multi-year rights to footballers' performances.

DPC ,

Registration value

Direct stipulation:

- **free agents** : registration of any directly attributable additional costs (agent fees). This method also applies to players coming from foreign amateur clubs;
- **footballers coming from national amateur clubs (first professional contract):** capitalisation of directly attributable additional costs, training bonus and technical education pursuant to art. 99 NOIF;
- **free agent footballer coming from another foreign club:** for footballers over 23 years of age, capitalisation of only directly attributable additional costs; if under 23 years of age, also registration of the training and technical education bonus provided for by FIFA regulations.

Assignment of contract:

- **footballer coming from a national club :** registration of the value of the agreed price and of the additional charges; the settlement of these positions must take place through the "Lega c/trasferimenti" account. These operations are subject to VAT;
- **footballer coming from a foreign club: in** addition to accounting for the above costs, it is necessary to account for the training allowance (for players under 23 years of age) and solidarity bonuses.

Multi-year rights to footballers' performances.

DPC ,
Accounting Recording

The registration of contracts relating to the sporting performances of footballers and the beginning of the maturation of the related economic and financial effects ***coincides with the moment of signing the relative contract itself*** . Exception: moment of fulfillment of the condition that imposes the obligation of redemption in the context of a temporary transfer pursuant to art. 103, paragraph 3, of the NOIF.

Contracts stipulated with players already registered with other national clubs, both in the case of direct stipulation and in the case of transfer of the contract, are subject to federal regulations and to a procedure that requires filing with the competent League within five days of signing and, in any case, no later than the deadline set for transfers or transfers of contracts. Such contracts become effective only after the competent League has granted the visa of enforceability (so-called ratification).
Pursuant to art. 1360 of the Civil Code, the effect of the issuance of the enforceability visa by the competent League is retroactive to the date of signature.

For contracts stipulated with players already registered with foreign clubs, both in the case of direct stipulation and in the case of transfer of the contract, the time of registration is always constituted by the date of signing of the contract, to which the effect of the issue of the international transfer certificate (so-called *"transfert"*) by the foreign Federation of origin of the player is retroactive.

Contracts, therefore, are perfected, that is, their structure is completed, after signing and, until the moment of granting the visa of enforceability or the release of the " *transfer* ", they are in the situation of suspensively conditioned contracts, governed by articles 1353 and following of the Civil Code.

- In the event of an event deduced as a "substantially certain" suspensive condition from the outset → the condition is considered not to have been added → the multi-year right must be detected on the date of signing of the temporary transfer contract
- In the event of the occurrence of a suspensive condition that determines the obligation to redeem within the scope of a temporary transfer, the portion of the cost relating to the temporary transfer agreement that refers to the period between the date of occurrence of the suspensive condition and the expiry date of the aforementioned agreement also constitutes part of the cost of acquiring the multi-year right.

Multi-year rights to footballers' performances.

DPC ,

Registration value

Direct stipulation:

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- **footballer coming from a foreign club: in** addition to accounting for the above costs, it is necessary to account for the training allowance (for players under 23 years of age) and solidarity bonuses.

Multi-year rights to footballers' performances.

DPC ,
Depreciation

Given the nature of "intangible assets" whose use is limited in time, the multi-year rights to the performance of footballers (DPC) , the related cost, pursuant to art. 2426 of the Civil Code, must be ***systematically amortized in each financial year in relation to the residual possibility of use.***

The financial year in which the amortization of rights takes effect is the one in which the players are registered.

The amortization criterion for the rights to the performances of footballers, ***in compliance with the principle of prudence*** *, is that of* ***distribution of the cost of the right*** *, as defined above,* ***in constant or decreasing installments*** *, for the entire duration of the contract which binds the player to the Club.*

It is understood that, with reference to all the rights to the performance of the footballers, a single amortization criterion must be adopted and ***that in any case, amortization methods other than those mentioned above are not permitted*** *.*

The original amortization plan is subject to changes resulting from the extension of the contract between the Company and the player following any early renewal of the same. In this case, the new amortization plan must take into account the net book value of the right at the date of the extension of the contract and the new duration of the same.
The net book value of multi-year rights to the performance of footballers must be shown in the Balance Sheet.

Multi-year rights to footballers' performances.

DPC ,

Devaluations

The residual possibility of using them must be subject to constant review and confirmation over time. If a lasting reduction in the conditions of future use is found, this reduction must be reflected in the financial statements through a ***write-down*** .

With regard to multi-year rights to the performances of footballers, the abandonment of competitive activity by the athlete and the serious injury suffered constitute specific hypotheses of reduction of the value of the rights.

In the event that, during the term of the contract, the player decides to abandon competitive activity, ***the Company,*** in compliance with the aforementioned general principle of residual possibility of use, ***must charge to the Profit and Loss Statement, as a write-down of the related fixed asset, the entire part of the unamortised cost*** , as the player's capacity to produce future economic benefits has ceased.

A similar devaluation of the net book value of the right, ***to be charged to the Profit and Loss Statement*** , must be carried out ***as a result of a serious injury suffered by the footballer*** which forces him to abandon competitive activity.

It should be noted that, in exchange for this cost, ***the Company must account for the recognised rights (revenues) deriving from the insurance compensation*** .
The review of the residual value of the right to the player's performances must be carried out by the Clubs even in the event of an injury which is not so serious as to require the player to immediately abandon the activity, but which is, however, of such a nature as to determine uncertainty regarding the recoverability of the value of the right.

If the causes that led to the devaluation cease to exist, in whole or in part, the devaluation cannot be maintained.
The original value, therefore, must be restored net of any further depreciation not calculated due to the previous devaluation.

The new FIGC 2021 recommendations have provided for a further devaluation hypothesis: the definitive transfer of the right at a value lower than the net book value occurring after the balance sheet reference date.

IT SHOULD BE UNDERLINED that in no case are revaluations permitted with the exception of the increase in the original registration value following the capitalisation of premiums recognised to the transferor company as a result of the fulfilment of certain contractually established conditions (an aspect not foreseen in traditional accounting but specific to the sector)

Multi-year rights to footballers' performances.

DPC ,

Notes on IAS/IFR financial statements

Fair Value valuation of the footballer in case of indicators of permanent loss of value.

a) reference principles: IAS 36 and IAS 38;

b) use of the so-called ***Impairment Test*** ;

c) evaluation methods:
- cost;
- differential economic result;
- market;

d) recoverable value from ***Cash Generating Units*** (footballers) compared to the net book value.

A cash generating unit (CGU) is the smallest identifiable group of assets that generates cash inflows that are independent of the cash inflows generated by other assets or groups of assets. In sports clubs, the identification of CGUs can range from a single player to an entire team.

The choice of the CGU is not imposed by international law but falls on the Company's Directors.

Multi-year rights to footballers' performances.

DPC ,
Capital Gains and Losses

In the event that a player is sold before the expiry of his contract, the selling club must compare the transfer price with the net book value attributed to the player's registration rights.
The sale operation leads to two alternative scenarios (three if we consider a "draw and draw") :

1) Capital gain on disposal: if the difference between the transfer value and the net book value is positive;
2) Capital loss on disposal: if the difference between the transfer value and the net book value is negative.

Capital gains and losses arising from the sale of rights to the performance of footballers cannot be considered to derive from events outside the ordinary activity of the SdC , as the sale of rights is an event deeply connected to the characteristic activity of the Companies themselves. The capital gains and losses in question, therefore,
they are placed in the Income Statement among the ordinary components .

Any capital gain realised must be entered under the heading:

A5) of the Income Statement ("Other revenues and income");

any capital loss must be entered under the heading:

B14) of the Income Statement ("Other operating costs")

In the event that the right subject to transfer refers to a player who was acquired at the time without recognising any consideration to another Company, the transferring Company must recognise, in addition to the credit towards the transferee Company, also an income equal to the consideration for the transfer. This income constitutes, similarly to the capital gain relating to the transfer of the right to the performance of the players registered in the assets of the Balance Sheet, a positive component of an ordinary nature to be recorded in the item

A5) of the Profit and Loss Statement, using the item "Capital gains from the sale of multi-year rights to the performance of footballers"

Capitalization of Youth sector costs.

Nature

Youth development costs are costs of a multi-year nature that football clubs incur for the promotion and organisation of youth sports activities which represent a **strategic lever** for the club's development, also to pursue balanced economic and sporting management.

In the past, they have been assimilated to the costs of Research and Development incurred by industrial companies and, given their multi-year utility, they can be capitalised.

HOWEVER, the Accounting Recommendations 2021/2 and the changed regulatory context (entry into force of Legislative Decree 139/2015 which amended art. 2424 of the Civil Code by providing for the elimination of the reference to research costs from the Balance Sheet item) led to a revision of the accounting principle OIC 24 indicating that such costs cannot be considered R&D costs and therefore ineligible for capitalization since it was deemed appropriate to update the definition of research cost and development cost by eliminating the reference to the cost of applied research.

Capitalization Technicalities

1) The **capitalisation of costs must necessarily take place in their entirety** : in fact, it is not permitted to make any reference to individual youth sector players.

Why? The reasons for this choice must be identified in the fact that young footballers, at least in the first years of training, are tied to the club they belong to exclusively by virtue of the so-called "membership", without the ownership of any sports employment relationship (law no. 91/1981); consequently the various corporate groups do not hold any rights to the sports performances of individual athletes such as to allow their registration in the balance sheet as an asset.

2) **Only the costs of the structure and management of the youth sector** of the SdC can be capitalised , namely:

a) the preparation bonuses paid, pursuant to art. 96 of the NOIF, for the registration of young footballers;
b) The costs of food, accommodation and transport with reference to the competitions played by the youth teams;
c) expense reimbursements paid;
d) the compensation and expense reimbursements paid to coaches, instructors and technicians;
e) the costs associated with taking out accident insurance and health care expenses.

Classification

Subject to the prior consent of the Board of Auditors, " **They can** " be entered **in the assets of the Balance Sheet ("intangible assets")** and must be amortized within a period not exceeding **five years.** (this approach conflicts with civil law principles).

B) I. 7) Capitalization of Youth sector costs.

It should be mentioned that, pursuant to art. 2426, paragraph 1, number 5), of the Civil Code, until the amortization is completed, dividends can be distributed only if there are available reserves remaining. sufficient to cover the amount of unamortized costs.

Valuation and recognition of value

The capitalization of youth sector costs must occur in an "indirect" manner, that is, by making the following items pass through to the Profit and Loss Statement:

B) Production costs

The amount to be capitalized results from the various sub-accounts that include the capitalizable costs relating to the youth sector.

A) 4) b) Increases in fixed assets for capitalization of youth sector costs.

The provision of the two specific items “Capitalization of youth sector costs” and “Increases in fixed assets for capitalization of youth sector cost. It is necessary pursuant to art. 2423 *ter* , paragraph 3, of the Civil Code.

Temporary transfers of contracts – ex art.103 NOIF

Classification

Article 103 of the NOIF provides for the possibility for the Company holding the right to the sporting performances of a footballer to temporarily transfer the relevant contract to another Company.
In the case in question, the transferor Company, **remaining the de facto owner of the right, will continue to amortize the cost in relation to the duration of the original contract** . This solution is consistent with the principle of correlation between costs and revenues: the revenue related to the temporary transfer is represented by the consideration recognized to the transferor Company by the transferee Company.

The temporary transfer of a contract has a minimum duration equal to that between the two transfer periods and a maximum duration **of 2 sporting seasons** (or in any case never exceeding that of the economic contract).

Valuation and recognition of value

The consideration connected to the temporary transfer of the contract represents **for the transferring Company** an income related to ordinary management . This positive income component must be recorded in the **Profit and Loss Statement among "Other revenues and income",** using the following item:

A) 5) g) Revenue from temporary transfer of footballers' performances

For **the transferee company** , however, the cost associated with the temporary transfer of the contract constitutes a negative income component that must be entered in the **Profit and Loss Statement under "Other management costs"** , using the following item:

B) 14) d) Costs for temporary acquisition of footballer performances

The provision of these two specific items is necessary pursuant to art. 2423 *ter* , paragraph 3, of the Civil Code.

Temporary transfers of contracts – ex art.103 NOIF

Valuation and recognition of value

The value of the temporary transfer of a contract is determined on the basis of the consideration owed by the transferee Company to the transferor Company.

In the event of temporary acquisition for consideration of a contract relating to the performances of a player from a foreign club, **the transferee club shall also have to collect the solidarity contribution and training compensation due in accordance with the provisions of the FIFA Regulations on the Status and Transfer of Players.**

With the new provisions issued by FIGC with Communication 232/A of 06/28/2023, the following cases can be detected:

1. **The transferee company is granted the *right of option* to *transform the temporary transfer of the contract into a permanent transfer under the following* conditions:**
   a) that such right of option is included in the temporary transfer agreement, with an indication of the agreed consideration.
   b) that the expiry of the transferred contract is not prior to the end of the first season following the one in which the option right can be exercised;
   c) That the transferee company with the right of option stipulates with the footballer an economic contract whose expiry is not prior to the end of the first season following the one in which the right of option can be exercised. The clause relating to the option, under penalty of nullity , must be consented to by the footballer with an express declaration of acceptance of all consequences of the exercise or otherwise of the option rights by the transferee company .

   The same agreement may provide for a possible right of counter-option for the transferor company, specifying the consideration, to be exercised in the event of exercise of the option by the transferee.
   The economic effects on the transferor Company deriving from the definitive transfer of the right to the sporting performances of the footballer, as a result of the exercise of the option by the transferee Company, must be attributed in the financial year in which the definitive transfer contract is signed with the methods set out in Accounting Recommendation no. 1.

2. ***Temporary transfer of contract with option right in favour of the transferee Company;***
3. ***Temporary transfer of contract with option right in favour of the transferee Company and with "counter-option" right in favour of the transferor Company;***
4. ***transfer of contract with the setting of a premium in favour of the transferee company ('obligation to redeem').***

Temporary transfers of contracts – ex art.103 NOIF

Valuation and recognition of value

The enhancement premium must be charged on an ***accrual basis in the Profit and Loss Account of the financial year*** in which the premium itself accrued: it is therefore specified that the time in which the relative payment is made is not relevant.

- For the transferor Company, like the consideration connected to the temporary transfer of the contract, the premium represents revenue relating to ordinary management and must be entered in the

  Profit and Loss Statement among "Other revenues and income", using the specific sub-item "Footballer development bonuses"
  of the specific item "Other income from football player management".

- For the transferee Company, like the cost associated with the temporary transfer of the contract, the premium constitutes a negative component of income that must be entered in the

  Profit and Loss Statement among "Other management costs", using the specific sub-item "Player development costs" of the specific item "Other player management costs".

The Library and brand enhancement.

Classification

a **Library** : represents a right to economic use of the television images of teams, telematic channels and digital media. Valuation at acquisition cost or at Fair Value and subjected to periodic verification of their actual value through the so-called *Impairment Test* . In the past, these rights were owned by the television broadcasters, now they are purchased by the latter and entered in the Balance Sheet among intangible assets with an indefinite life. The amortization period of the value entered in the balance sheet is generally based on valuations drawn up by independent third-party experts based on the revenue flows achievable over time.

b **Brand** : among the distinctive signs of a company, it is the one that is most capable of linking products and services to a company, allowing companies operating in the same commercial sector to be distinguished, making it easier for consumers to choose and select products and services. ***Football clubs*** are very particular companies in that ***their brands are not traditional but rather well-known brands*** (« *Popularity properties* »).

The library and brand enhancement.

Detection

In the civil balance sheet, the trademark is recorded **in the SP's intangible assets** based on the amortised cost, while in the IAS/IFRS balance sheet, if generated internally, it must not be recorded as an asset like substantially similar assets (e.g. goodwill, etc.), as required by IAS 38. Therefore, in application of international accounting principles

the item "Brand" may not appear in the Balance Sheet of Companies, however it may equally be the subject of significant transactions, carried out with the sole aim of creating significant capital gains aimed at reducing balance sheet losses.

Over time, in fact, we have witnessed the proliferation of operations for the transfer of the brand and the commercial branch of the Companies, such as ***Sales and lease back operations.***

*The operation consists **in selling one's trademark to third parties, wholly controlled , with the simultaneous signing of a leasing contract for the trademark** itself in favour of the transferor.*

From this operation comes:

1) *a capital gain in the separate financial statements of the transferor (intra-group transaction does not generate consolidated revenues);*

2) *deferral of debts over several financial years through the opening by the controlled company of bank loans for the purchase of the brand supported by a real guarantee on the same.*

The operations were carried out by various clubs, especially with wholly-owned companies and therefore outside of a real economic transaction and, above all, outside of shared, standardised and equal rules for all.

The library and brand enhancement.

Sales and leaseback .

From a federal point of view, it should be noted that these operations were blocked by Co.Vi.So.C. , which did not recognize the capital gains generated and requested the corresponding recapitalizations.

From a fiscal point of view, this type of operation, following the assessment phases by the Revenue Agency, has been configured as mortgages supported by real guarantees. Therefore, for the Company selling and renting the trademark it entails:

- the recovery for taxation for the purposes of direct taxes of the leasing fees paid periodically and deducted by the user with the exception of the portion relating to accrued interest;
- the denial for VAT purposes of the deductibility of the tax charged by the lessor on the aforementioned rents.

Credits and Debts towards Football Clubs.

Credits - evaluation

In general terms, receivables represent rights to demand, at an identified or identifiable deadline, fixed or determinable amounts of liquid assets, or goods/services having an equivalent value, from customers or other parties. The classification of receivables in current assets or in fixed assets is independent of the principle of collectability (i.e. the period of time within which the receivables will be transformed into liquidity, conventionally represented by the year), but is based on the criterion of the "destination" (or origin) of the same with respect to the ordinary business activity .
Therefore, financial receivables, even if collectible within the following financial year, must be classified among financial fixed assets, while other receivables, even if collectible beyond the following financial year, must be included in current assets.

Accounting recommendations also regulate credits towards football clubs.

- More detailed definition of the relationship between the accounting item relating to credits towards football clubs and the «Lega c/Trasferimenti» account
- **Evaluation → application of the general criterion of amortized cost *pursuant to* art. 2426, paragraph 1, no. 8, of the Civil Code,** taking into account the time factor and the presumed realizable value

Debts - valuation

In general terms, debts are liabilities of a determinate nature and certain existence, which represent obligations to pay fixed or determinable amounts of cash, or goods/services of equivalent value, usually on a fixed date. Such obligations are towards lenders, suppliers and other parties. The classification of debts among the various debt items is made on the basis of the nature (or origin) of the same with respect to ordinary management regardless of the period of time within which the liabilities must be extinguished.

- Updated indication of the cases for which debts may arise towards visiting football clubs *connected* to the obligation to pay such clubs a share of the revenues relating to matches played *at home*
- More detailed definition of the relationship between the accounting item relating to debts towards football clubs and the "Lega c/Trasferimenti" account
- **Evaluation → application of the general criterion of amortized cost *pursuant to* art. 2426, paragraph 1, no. 8, of the Civil Code,** taking into account the time factor and the presumed realizable value. This criterion may not be applied to debts with a maturity of less than 12 months or, in the case of debts with a maturity of more than 12 months, when the transaction costs, the commissions paid between the parties and any difference between the initial value and the maturity value are of little importance. In application of this criterion, when the debt is recognized for the first time, the initial registration value is represented by the nominal value of the debt adjusted to take into account the transaction costs, premiums, discounts and rebates directly deriving from the transaction that generated the debt; the aforementioned costs are included in the calculation of the amortized cost using the effective interest criterion which implies their amortization over the expected duration of the debt. Furthermore, to take into account the time factor, the debt must be initially recorded by discounting the future financial flows deriving from the debt itself, using the market interest rate, in the event that the interest rate deducible from the contractual conditions is significantly different from the market interest rate.

Debts maturing after 12 months from the time of initial recognition, without interest payments, or with interest significantly different from market interest rates , and the related costs, are initially recognized at the value determined by discounting future cash flows at the market interest rate. The difference between the initial recognition value of the debt thus determined and the forward value is recognized in the Income Statement as a financial expense over the life of the debt using the effective interest rate criterion.
At the end of each financial year, the debt will be valued at an amount corresponding to the present value of future cash flows discounted using the effective interest rate.

Credits and debts towards football clubs.

The FIGC Accounting Recommendation deals exclusively with credits and debts towards football clubs for the transfer/acquisition of rights to the sporting performances of footballers.

➢ **Credits towards the SdC arise mainly as a result of** :	1. of the transfer of rights to the sporting performances of footballers to national and foreign football clubs; 2. the right to receive from the host teams' clubs a percentage, established by the competent League, of the revenue shares relating to away matches, deriving from the sale of tickets and season tickets and from the sale of television rights.
➢ **debts towards football clubs arise mainly as a result of:**	1. of the acquisition of rights to the sporting performances of footballers from national and foreign football clubs; 2. of the obligation to pay the clubs of the visiting teams a percentage, established by the competent League, of the revenue shares relating to the matches played at home, deriving from the sale of tickets and season tickets and from the sale of television rights.

Classification

The provision of these specific items is mandatory pursuant to art. 2423 ter, paragraph 3, of the Civil Code. For all other credit/debit items, separate indication of the amounts due beyond the following financial year is required. Considering that generally the credits/debits in question are of significant amount, they must be indicated separately in the Notes to the Financial Statements.

➢ **Credits** towards football clubs, in relation to the nature of the debtor, must be **entered in the assets of the balance sheet** , using the specific sub-items "Credits towards national football clubs" and "Credits towards foreign football clubs " of the following item:	***C) II. 5) Credits towards institutions – specific sector***
➢ Debts towards football clubs, in relation to the nature of the creditor, must be entered in the **liabilities of the balance sheet** , using the appropriate sub-items "Debts towards national football clubs " and "Debts towards foreign football clubs" of the following item:	***D) 15) Debts to institutions – specific sector***

Credits and debts towards football clubs.

Detection

Credits must always be shown in the balance sheet at their **presumed realisable value,** while debts must be shown at their **nominal value** .

Peculiarities in the detection of credits and debits:

1) the classification of credits and debts arising from the sale/acquisition of rights to the performance of footballers must be determined on the basis of the foreseeable terms of realization and payment when these are different from those contractually provided for. Carrying out by the Directors of an assessment to determine the reasonableness of the classification;

2) must be given in the balance sheet of the credits/debts deriving from the transfer/acquisition in the case of multi-year payment clauses and/or transfer of rights to foreign SdC in the case of payment by instalments;

3) the settlement of the consideration for the transfers and acquisitions of rights to national football clubs takes place through the "Lega c/trasferimenti" account, an account which acts as a "clearing house " for the credits and debts of football clubs deriving from the transfer of rights operations.

Members' payments.

Detection

Payments by members to the companies may take the form of **loans as credit capital.** or actual **contributions as capital endowments** . It should be noted that the possibility of obtaining funds as financing by members must be expressly provided for by a statutory provision.

In addition, ***the member intending to finance the Company must hold a shareholding equal to at least 2%*** of the share capital resulting from the latest approved balance sheet and must have been registered in the members' register for at least three months .

Payments can be:
1) financing payments;
2) payments as capital endowments.

a

Payments for financing Payments by members for financing **may be interest-bearing or non-interest-bearing.**

The amount of financing received must be entered in the **liabilities of the Balance Sheet under item D3) "Debts to members for financing",** with evidence, in specific sub-items , of the nature, interest-bearing or non-interest-bearing, of the financing.

Any interest is entered in the appropriate **item C17) of the Profit** and Loss Statement and accrued interest are recorded in item E) of the liabilities of the Balance Sheet. For football clubs, interest-free loans from members with a subordination clause with respect to other creditors are of particular importance. Also in this case, it is considered appropriate to highlight this debt in a specific sub-item of the account "Debts to members for loans" called "Members for interest-free and subordinate loans".

NOTE: pursuant to art. 2467 of the Civil Code, with regard to limited liability companies, **the reimbursement of loans granted by members to the Company is deferred with respect to the satisfaction of other creditors** and, furthermore, must be returned to the Company if it occurred in the year preceding the declaration of bankruptcy of the same. This regulation applies to member loans, in any form made, granted at a time when there is an excessive imbalance of debt compared to Net Equity or in a financial situation of the Company in which a contribution would be reasonable.

Members' payments.

Detection

b

Payments for capital endowments (destined to net assets)

Members may make contributions as capital endowments by means of:

a) capital increase payments;
b) payments into account for future capital increase;
c) payments to cover losses (non-repayable fund). The waiver of previous credits claimed by members against the Company to cover the Company's losses is also considered to be similar to this latter hypothesis.

a) Payments for capital increase account

Payments for capital increases occur in the presence of a paid increase in the share capital already approved, pending registration in the Company Register of the directors' certification of the completed increase in share capital. In fact, the increase in share capital cannot be mentioned in the Company's documents until such registration has taken place and, consequently, the amounts subscribed by the members must be recorded in a temporary account opened in a special capital reserve called "Reserve for payments for capital increases". This reserve will then be charged to account **A) I. "Capital"** once the entire operation has been completed.

For the portion of the capital increase, possibly subscribed and not paid, it will be necessary to record the credit towards members for the amount of payments not yet made in the specific item A) "Credit towards members for payments still due, with separate indication of the portion already called up" of the assets of the Balance Sheet.

Members' payments.

b) Payments towards future capital increase

Payments for future capital increases are those payments made by members before a resolution to increase the share capital is actually adopted. The related amounts must be recorded in the liabilities of the Balance Sheet under item **A) VII. "Other reserves",** highlighting the nature of the reserve in a specific sub-item called "Reserve for payments for future capital increases".

c) Payments to cover losses

Members can make payments to cover:

- the losses of the previous financial year, already ascertained;
- losses relating to the current financial year which, as such, are only estimated.

In the first case, the amount corresponding to the payment must be entered in the Net Equity in a specific sub-item of item A VII). "Other reserves" called "Reserve for coverage of losses from previous financial years". This reserve may be used only when the Company meeting resolves to cover the losses.

In the second case, the amount corresponding to the payment must be entered in the Net Equity in a specific sub-item of item A VII). "Other reserves" called "Reserve to cover losses for the current financial year".

Members may also cover losses by renouncing previous credits towards the Company. In this case the accounting treatment of the transaction is as follows:

- **reduction of the debt** entered under item D3) "Debts to members for financing " against the establishment, for a corresponding amount, of a reserve to cover losses;
- **use of this reserve to cover losses** as resolved by the Company's meeting.

The registration in the accounts and balance sheet of the members' payments is based on their nominal value. With regard to interest-bearing loans, the interest must be recorded on an accrual basis, with possible registration of the related accrued liability.

NB. Particular attention is paid to interest-free loans to members with a voluntary deferral clause, which are typical cases for football clubs (also to comply with specific provisions of the sports regulations) and must be accounted for in a specific separate item.

Application of the amortized cost criterion in the evaluation of shareholder financing

In the Notes to the Financial Statements it is necessary to indicate: a) financing carried out by entities that exercise management and coordination activities or that are subject to them; b) interest-free financing granted by related parties, as they are not concluded under market conditions

other value classes.

- **Land and buildings;**
- **Interests in subsidiaries, affiliates and other companies;**
- **Factored credits;**
- **Funds for risks and charges;**
- **Severance pay for subordinate employment;**
- **Order accounts**

NB:

Updated indication of the nature of the characteristic revenues connected to the playing of *away matches*

☐ Attribution of revenues deriving from the sale of television rights according to the so-called "physical time" criterion, i.e. by attributing the revenue in proportion to the period of competence of the financial year

☐ The variable fees provided for in sponsorship contracts connected to the achievement of certain sporting results must be recorded in the accounts when the contractually established suspensive condition occurs

☐ the regulation of this situation, not clearly identifiable within the rules of national accounting principles, constitutes a specific sector accounting policy, developed pursuant to paragraph 4 of OIC 11

☐ In the Notes to the Financial Statements, it is necessary to highlight relationships with related parties with particular reference to sponsorship contracts, sponsorships of the "owner" and specifically the activity of the company that "holds control, direction and coordination" if present.

☐ The so-called " Parachute" series A or B must be accounted for on an accrual basis regardless of the financial accreditation date

4

Balance sheet information

The Supplementary Note.

The criteria for drafting the explanatory notes are established ***by art. 2427 of the Italian Civil Code.*** *The accounting recommendations issued by the FIGC integrate this article with the following information:*

1. **Multi-year rights to the performances of footballers:**

- the principle by which the values were determined;
- the method and repayment plan adopted and any changes;
- a detailed table of the movements of rights during the financial year (historical cost, amortization, increases, decreases, write-downs and realized capital gains/losses);
- the amount of rights for which amortisation has not started and those relating to players currently unused due to injuries and/or other reasons, together with the reasons and amount of any write-down made;
- the commitments.

2. **Temporary contract assignments and participations:**

- two separate analytical movement statements for the items “Shareholdings pursuant to art. 102 bis NOIF” and “Debts for shareholdings pursuant to art. 102 bis NOIF”. Furthermore, the effects on the Income Statement resulting from the termination of the participation agreements must be indicated;
- separate indication of revenues and costs associated with temporary assignments of contracts. In the event that such temporary assignments include option rights, "counter-option" rights, participation agreements and/or enhancement premiums, it is deemed necessary that the clauses in question be adequately highlighted and commented on in the Notes to the Financial Statements.

The Supplementary Note.

The criteria for drafting the supplementary note are established ***by art. 2427 of the Civil Code.*** *The accounting recommendations issued by the FIGC integrate this article with the following information:*

3. **Credits and debits:** a separate indication of the amounts of credits and debits towards each football club must be given.
4. **Members' payments:** must be divided according to the relative due dates, indicating separately the financing with a subordination clause with respect to the other creditors. It is also necessary to indicate the composition of the item A) VII. "Other reserves" of the liabilities of the Balance Sheet and the analytical movements with respect to the previous financial year.
5. **Revenue:**

- must be displayed by dividing the following items:
  a) revenues from the sale of tickets for home matches;
  b) b) revenues from away matches;
  c) c) revenue from the sale of subscriptions.

  The revenues referred to in letters a) and b) must in turn be distinguished in relation to the sporting competition to which they refer;
- other revenues and proceeds must be broken down in relation to the nature of the income. Furthermore, information must be provided regarding the details of the most significant contracts and any other significant fact whose

Management Report

The criteria for drafting the explanatory notes are established ***by art. 2427 of the Italian Civil Code.*** *The accounting recommendations issued by the FIGC integrate this article with the following information:*

1. Multi-year rights to the performances of footballers:

- significant events occurring after the end of the financial year, such as for example the financial and economic effects (capital gains and losses) deriving from contracts for the transfer and/or purchase of rights accounted for after the balance sheet reference date or from other possible significant events relating to the rights to the performance of footballers

2. Main risks and uncertainties of the sector:

- *sponsorship markets : reduced time horizon for* promotional and advertising investments ;
- *attract human capital:* ability to attract and retain quality managers, players and medical staff;
- *financial resources requirement* : equity/third-party capital ratio;
- *sporting activity:* risk related to the physical condition of footballers;
- *trademark* : counterfeiting by third parties;
- *fan demonstrations* : risk of incurring fines, sanctions and other measures against the Company;
- *transfer campaign:* economic and financial results are significantly influenced by the operations carried out during the transfer campaign;
- *relations with footballers* : significant increase in the costs of salaries and bonuses, the cost of purchasing performance rights and failure to accept the transfer by the footballer who is no longer included in the technical project;
- *television rights* : dependence of the Company's revenues on radio and television revenues and on the terms and methods of sale of the same;
- *participation in sports competitions* : economic results significantly influenced by the sporting results obtained and by participation in the various national and continental competitions;
- *Financial Fair Play:* compliance with the requirements for obtaining the UEFA license.

Case History

Attachments

1. Example and analysis of a financial statement file of a professional club.
2. Case of capital gain/loss .

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