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Annual Review of Football Finance – Highlights

Sports Business Group
June 2013

Deloitte Annual Review of Football Finance 2013

Our first football finance report was produced in June 1992, a couple of months ahead of the start of the inaugural Premier League season. For more than 20 years we have documented clubs' business and commercial performance, striving to provide the most comprehensive picture possible of English professional football's finances, set within the context of the regulatory environment and the wider European game.

The Sports Business Group at Deloitte provides an in-depth analysis of football's finances in its 90 page full report, which includes:

Europe's premier leagues
Scale of the overall European football market; Comprehensive data and analysis of trends for clubs in the 'big five' leagues including revenue breakdowns, wage costs, operating results, and match attendances; Factors impacting on clubs' future revenues; Key financial indicators for eleven more European leagues.

Industry insights
Our perspectives on ten topics facing football, including the impact of UEFA's new financial fair play regulations, emerging football markets in Brazil and the Middle East, governance matters in the German Bundesliga, the development of women's football, business analytics in football, and clubs' investment in player training facilities.

Databook
The full report, incorporating a pull-out Databook, includes over 8,000 data items, prepared on the basis of our unique and long-established methodologies.

The following sections of the full report include comprehensive data and analysis of the business drivers and financial trends for clubs in the top four divisions of English football, with a particular focus on Premier League and Championship clubs. The analysis covers through to the end of the 2011/12 season and we also include some pointers to future financial results.

Revenue and profitability
Analysis of matchday, broadcasting and commercial revenue streams; Revenue projections to 2013/14; The financial impact of participation in UEFA club competitions, promotion and relegation; Operating results and pre-tax profits and losses; Tax contribution to Government.

Wages and transfers
Analysis of clubs' total wage costs; The relationship between revenue growth and wage costs; Club-by-club analysis of wage costs including rankings, comparison to on-pitch performance, and wages to revenue ratios; Estimated total player wages; Cost control regulatory developments; Premier League wage costs projections for 2013/14 season; Player transfer spending; Transfer flows between the top four divisions and to agents.

Stadium development and operations
Capital investment by clubs in the top four divisions, 2011/12 and 20 year history; Average attendances and stadium utilisation up to 2012/13 season; Ticketing and matchday revenue strategies and trends.

Club financing
Key trends in Premier League clubs' financing since 1992; Net debt position of Premier League and Championship clubs, in aggregate and analysis of the top ten clubs; Premier League clubs' net assets position.

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Foreword

Welcome to the 22nd edition of the Deloitte Annual Review of Football Finance, our analysis and commentary on recent financial developments and future prospects in the world's most popular sport.

Start me up

Our review covers the financial performance of clubs in the 20th Premier League season, and illustrates the phenomenal growth that the sport has enjoyed. In 1991/92 the 22 clubs of the then Football League First Division had collective revenue of £170m – in 2011/12 the revenue of the 20 Premier League clubs was almost 14 times greater at over £2.3 billion, while five clubs each generated revenue greater than that of the entire First Division twenty years previously.

Despite operating in a challenging economic environment, English club football's profile, exposure and increasingly global interest have continued to drive revenue growth, allowing the clubs to invest in top quality playing talent who in turn help to boost the league's popularity and support further revenue growth, completing a virtuous circle. The Premier League continues to be a huge success in this respect.

Next season is the first in the Premier League's seventh set of broadcast deals, which have delivered another step change in values. Live domestic rights have been sold for over £1 billion per season, a staggering increase of almost 70% in value, and when all media rights are included the total value is c.£5.5 billion over the deals' three season duration. These are phenomenal amounts, which cement the Premier League's position as the world's strongest football league in commercial terms – overall its clubs are likely to see a £600m increase in revenues to over £3 billion in 2013/14.

Top level sport, and football in particular, has always been key content, given its capacity to capture the public imagination and attract an audience. Sports reporting has been a key driver of the historical popularity of print media and now online news consumption, and it retains the capacity to deliver huge terrestrial TV audiences, as the 20m who tuned in to watch England's Euro2012 quarter-final against Italy illustrates.

Most recently, live top level football has been a cornerstone of many successful Pay-TV models. Previously, increases in rights values have been driven by competition from Pay-TV operators keen to use Premier League rights to develop their subscriber base, and we have seen a number of challenges to Sky, from ITV Digital, to Setanta and most recently ESPN. In recent years we have seen BSkyB build upon its success and strong track record of high quality delivery to the public in the Pay-TV market, and capitalise on the opportunities presented by technological progression to make inroads into the phone and broadband markets. This time competition for the broadcast rights is coming from a traditional telephony operator approaching from the opposite direction and entering the sports broadcast market.

As such, and given its resources, BT could reasonably be expected to be embarking on a different and longer term journey into UK sports broadcasting than previous new entrants. BT has invested heavily in its rights portfolio in preparation for the launch of the BT Sport channel in July. We will monitor developments with interest, as the scale and pace of the channel's success may have a huge impact on football's longer term financial fortunes.

Not fade away

Football's enduring popularity is further illustrated by the progress which clubs are making in other areas. Average Premier League attendances in 2012/13 reached almost 36,000 with capacity utilisation exceeding 95% for the first time, although with limited stadium developments and a tough marketplace for corporate hospitality, matchday revenue remains around its 2006/07 level.

The leading clubs have been more successful in developing commercial revenue, largely due to a series of new sponsorship deals. As well as considerably improved values for traditional inventory, such as shirt fronts and kit supply, technological advancements and global popularity have facilitated the delivery of complex and extensive partner programmes subdivided into geographic as well as product categories. However, sponsorship is an area where there is significant polarisation, with smaller clubs having to work very hard to maintain, let alone grow, values.

In the Championship, revenue growth over the next couple of editions of our review is likely to be more limited and heavily influenced by Premier League parachute payments and solidarity distributions, which may comprise over a third of Championship clubs' total revenue from 2013/14, up from their current quarter. This appears to be having a limited material impact on competitive balance; West Ham United and Hull City are the only Championship clubs in the last three seasons to be promoted with the aid of parachute payments. It seems the challenge of managing the negative impacts of relegation continues to outweigh the financial advantages presented by parachute payments.

Paint it black

The increased revenue from 2013/14 means that Premier League clubs are once again presented with a golden opportunity to improve cost control and hence financial performance. In 1995, midway through the Premier League's first broadcast deal, we commented that "we believe that controlling the wage bill is, long term, football's biggest challenge" and this challenge remains. If anything, the trend for any additional revenue generated to disappear as additional costs, the widely quoted 'prune juice' effect, has become more pronounced. Wage costs have consumed 83% of Premier League clubs' revenue growth since 2006/07 and the wages to revenue ratio has reached 70%, while operating margins are now only 4% and are forecast to narrow even further in 2012/13.

In the Championship the situation is more severe: the wages to revenue ratio has hovered threateningly at around 90% since 2007/08, with operating losses once again reaching record levels. For many years the division has struggled financially – the combination of clubs adjusting to the impact of relegation from the Premier League and others aspiring to achieve promotion, has now delivered almost a decade of ever increasing operating losses. Championship clubs continue to spend 30% more than they generate – a clearly unsustainable position without owner benefaction, a source of funds upon which the Football League is trying to reduce its member clubs' dependence.

We wonder whether this time we will, at last, see a change in clubs' behaviour. Recent years have seen a greater desire among football's administrators to collectively improve financial performance, perhaps given additional momentum by the lack of open market funding opportunities in the uncertain financial climate. 2011/12 was the first season's financial performance that will be assessed as part of the introduction of UEFA Financial Fair Play Regulations, which are due to start in earnest from 2013/14.

The Premier League clubs have agreed to a system of enhanced financial regulations, designed to improve the sustainability of its clubs. If they are successfully implemented they could deliver significant benefits. The Premier League clubs' current slim operating profit margins, coupled with the imminent boost to revenue, mean that a reduction of even a few percentage points in the rate of leakage of revenue to wages could provide huge benefits – by facilitating sustained investment in professional football's infrastructure, notably in stadia, youth development, community programmes and marketing, which would in turn support the long term development, growth and stability of the game and its clubs. We look forward to reviewing progress in future.

We hope you enjoy this edition.

Dan Jones
Partner, Sports Business Group

Delivering more to sport

Deloitte has a unique focus on the sports sector, in the UK and across the world. Our experience, long-standing relationships and understanding of the industry mean we bring valuable expertise to any project from day one. For over 20 years we have worked with more sports organisations than any other advisers.

Our specialist Sports Business Group at Deloitte provides consulting, business advisory and corporate finance services including:

- Business planning
- Revenue enhancement and cost control
- Market analysis and benchmarking
- Strategic review
- Economic impact studies
- Sports venue development
- Sports regulation advice
- Due diligence
- Corporate finance advisory
- Business improvement and restructuring
- Forensic and dispute services

Services provided by our specialist team of sport and leisure consultants within Deloitte Real Estate include:

- Project and programme management
- Feasibility studies
- Design appraisal
- Bank loan monitoring
- Cost management advice
- Planning and development
- Business rates

Deloitte are also audit and tax advisers to many sports businesses.

For further details on how Deloitte can add value to your project and your business, visit our website www.deloitte.co.uk/sportsbusinessgroup or contact Dan Jones.
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Financial review and benchmarking of the men's professional tennis tour tournaments.

Extensive economic impact study of the British Horseracing industry.

Review of the organisational structure of volleyball's international governing body.

Feasibility study of Ireland hosting Rugby World Cup 2023.

Provision of financial and technical consulting services in connection with the privatisation of sports clubs in the Kingdom of Saudi Arabia.

Assisting the International Cycling Union with its wide-ranging stakeholder consultation programme, "A Bright Future for Cycling".

Delivering more to football

Deloitte bring an unparalleled breadth of services, expertise and experience to support our clients in the football business.

Our clients

- Clubs
- Leagues
- National associations
- Confederations
- Investors, owners and financiers
- Broadcasters
- Sponsors and commercial partners
- Sports marketing businesses
- Local and national government

Our services

- Business planning and strategy
- Governance and organisational design
- Financial budgets and projections
- Benchmarking and best practice advice
- Financial and commercial due diligence
- Ticketing and hospitality strategy
- Customer data analytics and fan surveys
- Club licensing and cost control regulations
- Advice on the development of stadia and training facilities
- League and competition restructuring
- Economic impact studies
- Business and venue feasibility studies
- Acquisition, disposal and debt advisory

Their results

- Well informed investment decisions
- Greater commercial income
- Improved cost management
- Powerful information to influence key shareholders
- Increased matchday and non-matchday revenues
- Effective league structure, operation and competition
- Improved governance and risk management
- Higher ticket sales, stadium utilisation and attendances
- Competitive advantage from better data and industry insights
- Sound broadcast and commercial rights strategies
- Superior business performance
- Smooth transition to new investment and financing

Highlights

Europe's premier leagues

- In 2011/12 the European football market grew to €19.4 billion (up 11%), of which the 'big five' leagues had a market share of 48% (€9.3 billion). In particular, the top end of the game continues to show resilience in the face of wider economic challenges in Europe.

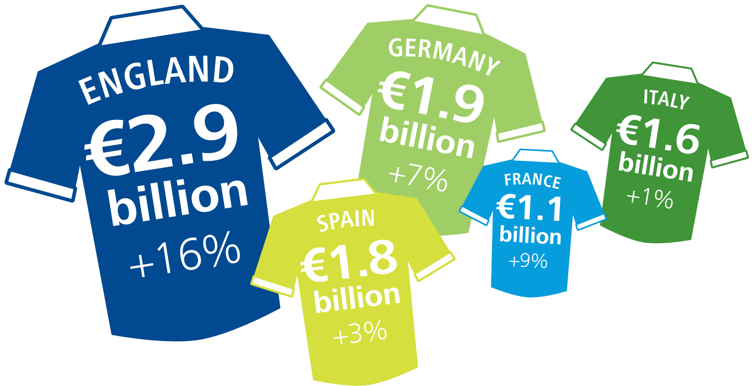
- With a gap of €1 billion over the second placed Bundesliga in 2011/12, the Premier League retains its status as the football world's leading revenue generating club competition, with the clubs' revenue growing 16% (as measured in euros, and up 4% measured in sterling).

- The relative strength of Germany's corporate sector and economy is reflected in commercial/sponsorship contributing almost half of the clubs' total revenue in 2011/12. Average revenue for a Bundesliga club was €104m (up 7%), compared with €146m (£118m) for a Premier League club.

- From 2013/14 the Bundesliga clubs will enjoy a significant increase in revenue, in particular from their domestic broadcast deals that are up c.50%, albeit the Premier League's new domestic and international broadcast deals mean it will drive further ahead in revenue terms from 2013/14.

- The lower revenue growth for La Liga and Serie A clubs is reflective of the challenging economic conditions in these countries. La Liga remains highly polarised, with €1 billion (56%) of 2011/12 revenues relating to Real Madrid and Barcelona, exacerbated by their ability to sell their own broadcast rights. Discussions continue in Spain about changing to a collective rights model and more equal distribution mechanism in the near future.

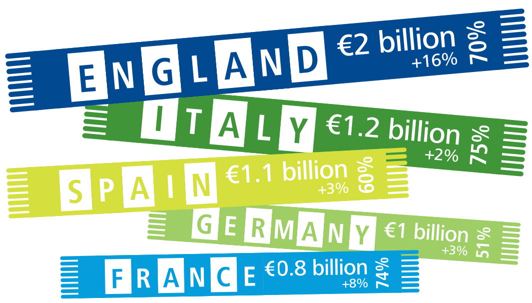
- Italian clubs continue to be most heavily reliant on broadcast revenue, which contributes 59% (€0.9 billion) of their total revenues. Already relatively weak matchday revenues declined further (down 3%), and contribute just 12% of Serie A clubs' overall revenues. Juventus bucked this trend and demonstrate how investment in stadia facilities can improve the matchday experience, attendance levels and revenues.



Top division clubs' revenue 2011/12

- Matchday revenue is also relatively weak for Ligue 1 clubs, contributing just 11% of their overall revenues. New investment in stadia ahead of France hosting UEFA EURO 2016 should help drive up match attendances and revenues in future. The 9% growth in Ligue 1 revenues in 2011/12 was almost entirely due to "the PSG project", with the Paris club's revenue remarkably increasing 120%.

- Elsewhere in Europe, Russia has the next highest revenue generating top tier league (€636m), followed by Turkey (€444m) and the Netherlands (€434m). England's second tier Football League Championship is positioned seventh in Europe with total revenues of €588m (£476m).

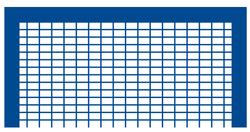


Top division clubs' total wages and ratio to revenue 2011/12

- Although all of the 'big five' leagues reported a rise in wage costs in 2011/12, the rate of growth was slightly slower than for revenue, contributing to stable or reducing wages/revenue ratios and an overall improvement in profitability.

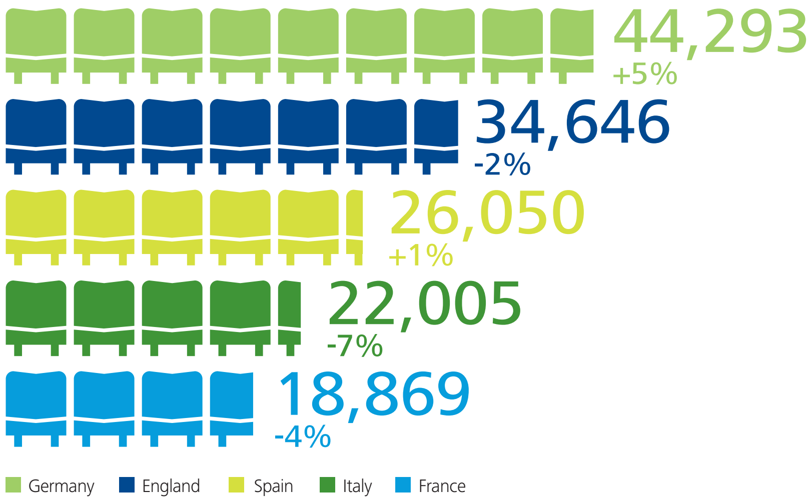
- The Bundesliga again stands out, with wage costs absorbing less than 25% of its revenue growth in 2011/12 such that the wages/revenue ratio reduced further to 51%. Their strict domestic club licensing regime is part of a German approach that constrains clubs' costs. The average wage costs for a Bundesliga club was €53m, compared with €102m (£83m) in the Premier League in which the wages/revenue ratio remained at 70%.

European football market 2011/12



€19.4 billion
+11%

Top division average match attendances 2011/12



- For the fifth successive year, in 2011/12 the Bundesliga (€190m) and Premier League (€121m) were the only 'big five' leagues to generate an operating profit (before player trading and finance costs).

- In Spain the combined wages/revenue ratio for Real Madrid and Barcelona reduced to a modest 47%, whereas it increased to a concerning level of 77% for the other 18 La Liga clubs, many of whom have suffered financial difficulties in recent times.

- Serie A clubs had the highest wages/revenue ratio (of 75%) amongst the 'big five' leagues, and suffered the highest operating losses (€160m) continuing their trend of deteriorating profitability. In France, the Ligue 1 clubs' operating loss of €67m was an improvement compared with the previous season.

- The break-even requirement, the cornerstone of UEFA's Financial Fair Play Regulations, will apply to clubs in UEFA competitions for the first time in the 2013/14 season and covers the clubs' results for the 2011/12 and 2012/13 seasons. Some domestic competitions are also following UEFA's lead. The new era of cost constraints aims to help clubs across Europe to achieve a more sustainable balance between their costs and revenues and encourages investment for the longer-term benefit of football.

Revenue and profitability

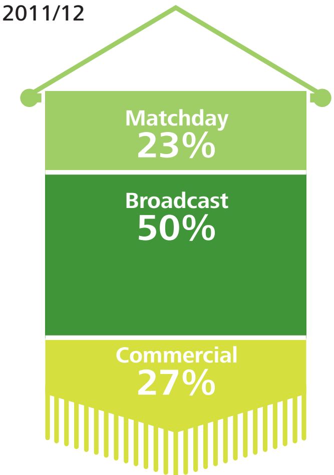
- In 2011/12 the total revenues of the 92 clubs in the top four divisions of English football exceeded £3 billion for the first time.

- Within the Premier League total of £2,360m for 2011/12, Premier League clubs' revenues ranged from £320m (Manchester United) to £53m (Wigan Athletic).

- There were six Premier League clubs with revenue above the average (£118m), including the four clubs that competed in the UEFA Champions League in 2011/12. Champions League football generated at least £30m extra revenue per club, and around £70m for Chelsea who won the competition.

- Commercial revenue was the main area of growth (up 15%) in 2011/12, in particular due to new sponsorship deals at the two big Manchester clubs. Broadcast revenue (up 1%) and matchday revenue (down 1%) changed only marginally.

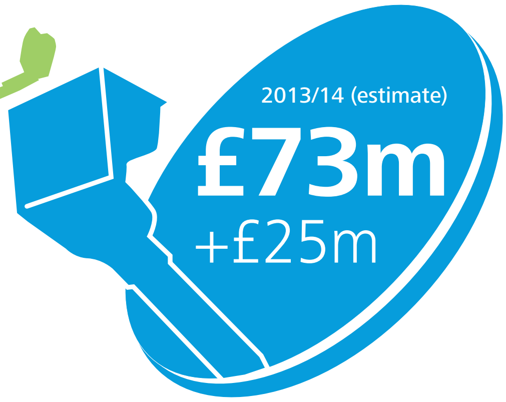
Premier League revenue mix 2011/12



- Premier League clubs' revenue for 2012/13 is estimated at £2,480m (up 5%), and then for 2013/14 there is a significant projected uplift of £600m (up 24% to £3,080m), largely driven by the first season of the new broadcast deals.

- Domestic broadcast deals, largely relating to BSkyB and new market entrant BT for the live television rights, will generate around £3.4 billion over the three seasons from 2013/14 (up about 60% on the previous cycle). Overseas broadcast rights covering over 200 countries will generate over £2.2 billion (up over 50% on the previous cycle).

- Based on the Premier League's long-established central revenue distribution mechanism, for 2013/14 TV monies to clubs are estimated to range between £60m and £95m; on average an extra c.£25m per club. The equivalent TV monies for 2011/12 ranged from £39m (to relegated Wolverhampton Wanderers) and £61m (to Premier League winners Manchester City).



Premier League TV distributions (average club)

Average Championship club revenue 2011/12

- The aggregate operating profit (before player trading and finance costs) of Premier League clubs improved to £98m in 2011/12; a margin equivalent to only 4% of revenue. Only half of the Premier League clubs made an operating profit.

- Premier League clubs' net losses (after player trading and finance costs) for 2011/12 were £245m (2010/11: £375m). This improvement was largely due to lower losses at Manchester City and Chelsea. Only eight Premier League clubs made a net profit.

- Championship clubs' revenues were £476m (up 13%) in 2011/12, mainly driven by more clubs being in receipt of parachute payments from the Premier League and the change in club mix within the division following the previous season's promotions and relegations.

- In 2011/12, the average revenue of the seven Championship clubs in receipt of parachute payments was £29m (with only West Ham United from this group gaining promotion at the end of the season), and the average revenue for the other 17 Championship clubs was £16m. In the first three seasons since 2009/10 when parachute payments increased in value and duration, only two of the nine relegated clubs have won promotion back to the Premier League, and two have fallen below the Championship.

- Championship clubs' revenue for 2012/13 is estimated at £460m, down 3% primarily as a result of lower distributions in the first season of the Football League's new broadcast deal. Then, aggregate revenue for 2013/14 is projected to increase to over £500m, including eight clubs in receipt of parachute payments. There will also be a club with a parachute payment in each of League 1 and League 2.

- The aggregate operating losses of Championship clubs worsened to £147m in 2011/12; a long slide from an aggregate operating loss of £35m back in 2003/04. Only three Championship clubs made an operating profit.

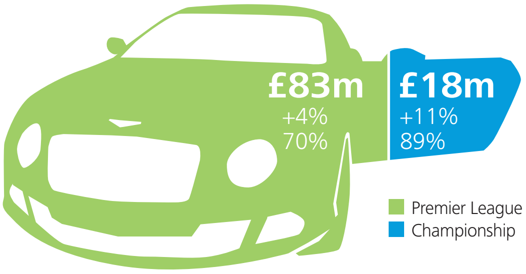
- Championship clubs' net losses (after player trading and finance costs) for 2011/12 improved to £158m (2010/11: £189m), an average of £6.6m per club. Only five Championship clubs made a net profit.

- This loss-making behaviour is, in part, due to the lure of the Premier League promotion prize of at least £120m. Each of the promoted clubs can expect a revenue increase of more than £60m in 2013/14 and, even if a club is relegated after one season, it will be entitled to parachute payments over the following four seasons of around £60m.

- In 2011/12 the average revenue of a League 1 club was £5m (down 8%) and in League 2 it was £3.3m (up 10%). The change in the mix of clubs in each division mainly explains these changes. The wider economic landscape has made operating a lower division club more challenging over recent years.

- The net losses of both League 1 and League 2 clubs in 2011/12 were at a similar level to the previous season. The average net loss for a League 1 club was £2.4m and in League 2 it was £0.3m.

- English football continues to make an extraordinary contribution to life in the UK in terms of its diversity, popularity, social contribution, economic impact, investment in facilities and community activities, and unique global reach.

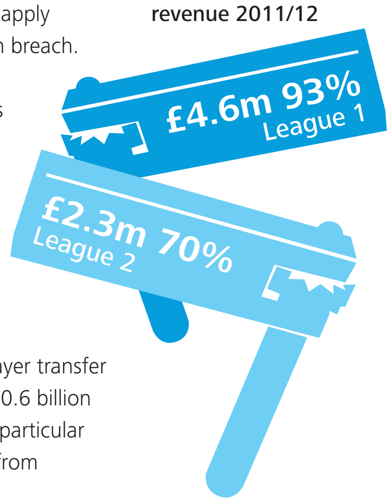


Average club total wages and ratio to revenue 2011/12

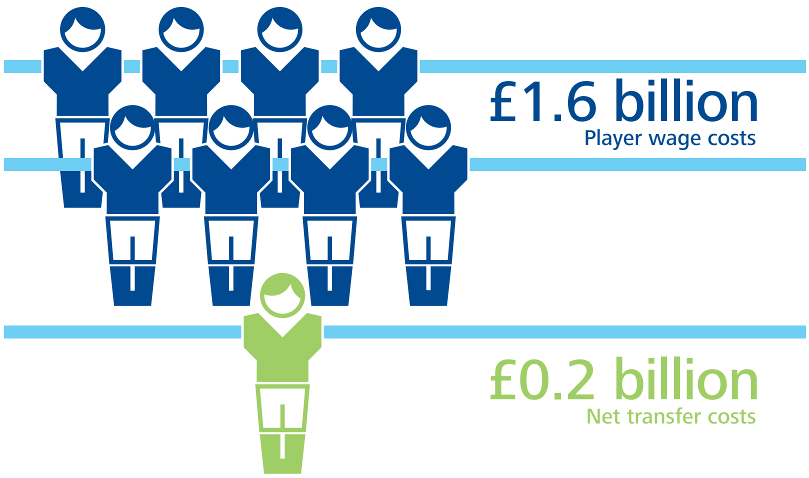
Wages and transfers

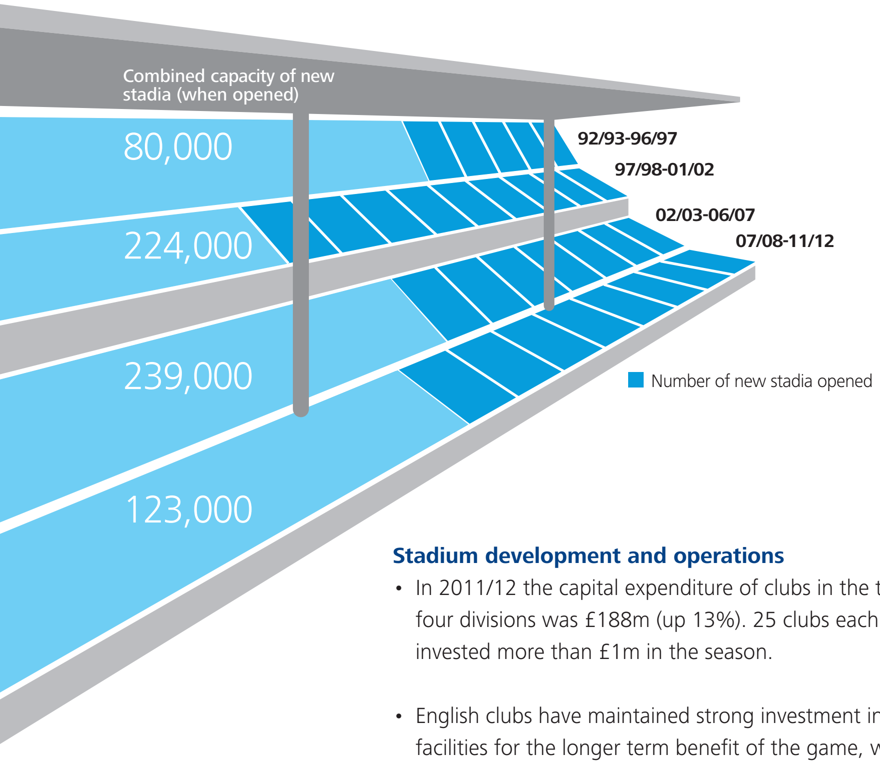
- The total wage bill, across all employees, of Premier League clubs in 2011/12 was £1,658m (up 4%), ranging from £202m (Manchester City) down to £35m (Swansea City).
- There were six Premier League clubs with total wages above the average of £83m, all of which finished in the top eight positions in the table. 13 Premier League clubs had total wages in a relatively narrow range between £35m and £64m.
- The wages/revenue ratio is a well-established key performance indicator for football clubs. In 2011/12, of the 28 clubs from the top two divisions with a wages/revenue ratio greater than 70% only four reported an operating profit.
- The average wages/revenue ratio for Premier League remained at 70%, ranging from 49% (Norwich City) to 94% (Aston Villa). It has been between 67% and 70% for four seasons in a row.
- Premier League clubs' total wages are projected to have been c.£1,800m for the 2012/13 season. Given the upcoming step-change in 2013/14, the key question is how much of the extra £600m revenue will be spent on wages?
- If historic trends are repeated, increasing wages will absorb about 80% (£480m) of the extra revenue. However, if the clubs exhibit unprecedented restraint helped by new cost control constraints and only 40% (£240m) of the extra revenue is absorbed by increasing wages, then the wages/revenue ratio will fall to 66% and operating profits will climb to a record level of around £380m. Time will tell.
- The total wages of Championship clubs in 2011/12 were £422m (up 11%), in part due to the mix of clubs. Within this aggregate amount, wage costs ranged from £42m (for West Ham United, promoted through the play-offs) to £6m (Peterborough United, finishing 18th).
- The average wages/revenue ratio for Championship clubs was 89% and has been between 87% and 90% for five seasons. 17 Championship clubs reported a wages/revenue ratio above 70%, including nine clubs for which the ratio exceeded 100%. So, these nine clubs spent more on wages than they earned in revenue in the season, and in addition had to fund their other operating costs.
- This imbalance between wages and revenue at some clubs, deteriorating losses and concerning debt levels have contributed towards the introduction of Financial Fair Play Rules for Championship clubs, for which the sanctioning regime will start to apply against clubs whose 2013/14 results are in breach.
- Cost control regulations for League 2 clubs since 2004 have helped restrain wage costs and limit clubs' losses. Similar requirements have now been introduced for League 1 clubs and should help improve the wages/revenue ratio from the 2012/13 season.
- In 2011/12 Premier League clubs' total player transfer spend was down around one-quarter to £0.6 billion (with net transfer costs of £0.2 billion), in particular due to lower spend on importing players from overseas clubs.

Average club total wages and ratio to revenue 2011/12



Total player costs for clubs in the top four divisions 2011/12





Stadium development and operations

- In 2011/12 the capital expenditure of clubs in the top four divisions was £188m (up 13%). 25 clubs each invested more than £1m in the season.

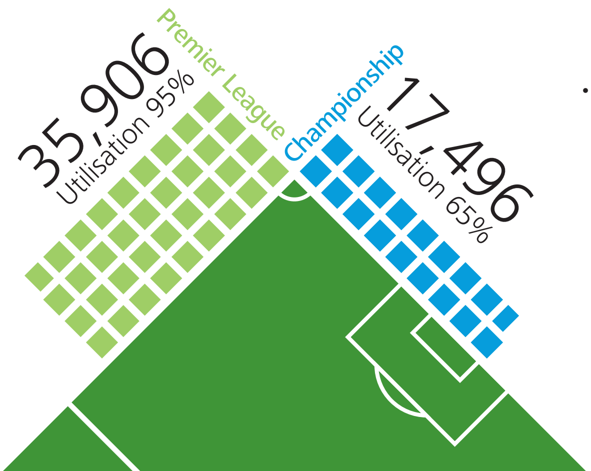
- English clubs have maintained strong investment in facilities for the longer term benefit of the game, with more than £150m invested in facilities in every one of the 15 seasons since 1997/98.

- Capital investment over the 20 seasons to 2011/12 has included the building of 29 new club stadia across the four divisions with a combined capacity (when opened) of c.670,000, numerous stadia redevelopments, and investment in player training facilities.

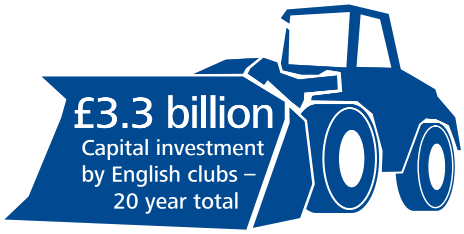
- Capital investment by Premier League clubs accounted for about three quarters of the total in 2011/12, led by Tottenham Hotspur (£48m – primarily their proposed new stadium project and training centre) and Manchester City (£30m – primarily for training and community facilities).

- Brighton & Hove Albion opened their new stadium in 2011/12 season. The cumulative c.£100m expenditure in the preceding three years, largely funded by the club's owner, is one of the largest single investments by any club in the last 20 years.

Match attendances 2012/13



- In 2011/12 Premier League clubs' total matchday revenue (largely from gate receipts) was £547m (down 1%). Arsenal, Chelsea and Manchester United together accounted for about half of matchday revenue across the Premier League. Average matchday revenue per attendee was £34, ranging from £66 (Chelsea) to £10 (Wigan Athletic). During tougher economic times this average has increased only £1.50 since the 2007/08 season, representing a decrease in real terms.



- Clubs continue to innovate with their ticket pricing, packaging and marketing initiatives; conscious of the price sensitivity of their fans and a desire to attract and retain the next generation. Increasingly, many clubs also look towards additional ways of engaging with their fanbase and improving the matchday experience, such as the creation of more social environments for fans to congregate at the stadium and use of in-stadia technology.

- The average attendance for Premier League clubs in 2012/13 increased 4% to 35,906 (2011/12: 34,646), largely due to the change in mix of clubs. Average stadia capacity utilisation of 95% was the highest level recorded in Premier League history and the 16th consecutive season above 90%, illustrating the particular attraction of Premier League football and the success of the clubs' efforts to maintain and build attendances.

- Across the three divisions of the Football League, in 2012/13 aggregate attendances (of 15.6m, down 4%) remained above 15m for the 10th consecutive season, again demonstrating the strength and passion of spectator support lower down the English football pyramid.

Club financing

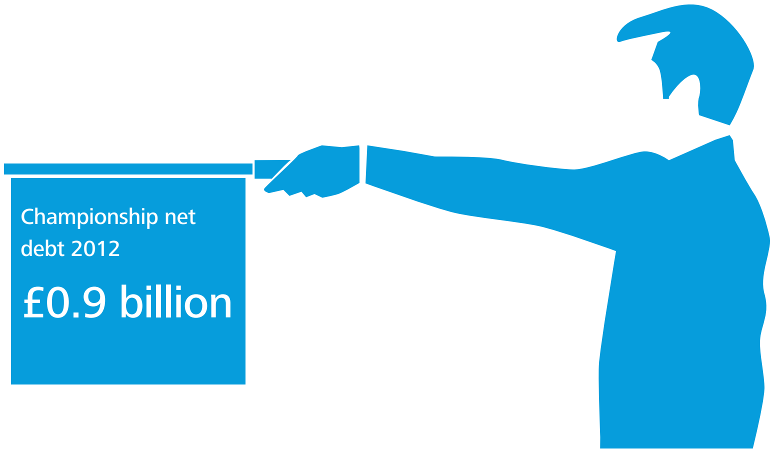
- At summer 2012 Premier League net debt was £2.4 billion, consistent with 2011. Eight clubs had a reduction in net debt over the 2011/12 season.

- Premier League club's net debt included £1.4 billion of interest-free soft loans from owners (2011: £1.5 billion), of which around 90% related to three clubs: Chelsea (£895m), Newcastle United (£267m) and Queens Park Rangers (£93m). Excluding soft loans, the clubs' interest-bearing net debt of less than £1 billion was equivalent to c.40% of annual revenues.

- Over recent years the trend of conversion of owner debt to equity has helped improve the overall balance sheet position; with such conversions in 2011/12 at Fulham (£212m) and Wigan Athletic (£48m).

- In 2011/12 Premier League clubs' net interest charges totalled £79m (down 23%).

- Since the middle part of the last decade, during a time when the market for external financing has diminished, Premier League clubs have attracted additional funding largely from owners to help cover their operating expenditure and investment in playing talent and facilities. Premier League clubs have benefitted from around £2 billion of additional funding since 2006; an amount equivalent to over 15% of their revenues over the same period.



- In 2008 Premier League clubs' net bank borrowings stood at £1.1 billion. The equivalent figure for 2012 was a net cash surplus of £80m.

- Looking forward, the upcoming step-change in Premier League clubs' revenues from 2013/14 and the introduction of cost control and funding measures – in both the Premier League and UEFA competitions – should contribute towards an overall further reduction in net debt relative to revenues.

- At summer 2012, the carrying value of player registrations of Premier League clubs was £1.1 billion (2011: £1.2 billion), of which over 70% related to six clubs; being the same six clubs with the highest revenues and wage costs.

- At summer 2012 Championship clubs' net debt reached a record level of £0.9 billion (2011: £0.7 billion). The net debt position worsened for around two-thirds of the Championship clubs.

- Below the top two divisions, managing a club's financial position is a challenge from season-to-season. Legacy debt issues and the risks taken by some owners will, without correction, inevitably lead to sporadic insolvency cases in the upcoming seasons.

- Concern about the level and sustainability of clubs' debt was a key driver for the Football League and its member clubs to introduce their new Financial Fair Play Rules. Effective application should help the clubs improve their financial results and position in future.

Prostate Cancer UK and The Football League partnership

With the growth of English football into a globally renowned sports business, it is important to remember that the founding objective of many clubs was to be an agent of positive social change in their local communities.

Alexander Thorpe, Consultant

While the issues affecting these communities have changed over time, it is good to see that despite their development into commercial businesses, football clubs can still champion important social causes within and beyond their communities.

Examples of this abound within football. The Premier League Creating Chances programme has continued to deliver a wide range of initiatives across a number of community issues, with 843 active club projects across English football in 2012. Similarly, individual clubs continue to champion causes specific to their local communities such as Everton in the Community's "Safe Hands" programme, helping integrate local young offenders back into society. The success of delivering against non-commercial objectives is partly dependent on the reach that clubs and leagues can have, which makes The Football League a particularly interesting vehicle through which to promote such causes.

The Football League's 72 clubs represent an estimated aggregate active fan base of over 14m people and provide potential partners with significant matchday exposure, with the 2012/13 season seeing on average, over 300,000 people attending Football League matches each weekend. Every season since 2009/10, The Football League has had an Official Charity Partnership, chosen by fans, which allows the selected charity to utilise The Football League website as well as direct contact with clubs in order to promote awareness of their cause.

The partnership between Prostate Cancer UK and The Football League for the 2012/13 season represents a close synergy between the target demographic of the charity and the profile of Football League fan. Prostate cancer is the most common cancer amongst men in the UK, with one in eight men set to develop the disease at some point in their lifetime, with it mainly affecting men over the age of 50. Approximately 80% of Football League fans are men, and c.40% of supporters are over 45 years old.

The 2012/13 season saw activity at over 50 Football League grounds, with a volunteering presence, as well as matchday programme and perimeter advertising, resulting in c.500,000 people being exposed to the charity's message. Prostate Cancer UK's online strategy also featured an award winning football related campaign via social media that saw the charity engage with bloggers and journalists. This helped Prostate Cancer UK's football website account for a quarter of the charity's total website traffic as well as c.4m people exposed to tweets related to Prostate Cancer UK and football.

The partnership has already delivered significant benefits for Prostate Cancer UK, contributing to an overall c.50% increase in brand awareness for the charity over the 2012/13 season. The partnership also attracted c.1,000 volunteers to assist with the campaign during the season and continues to raise funding for research.
One of the charity's aims is to continue to use the medium of football to raise awareness amongst previously hard to reach communities. It will be interesting to see how the charity builds on an exciting campaign in 2012/13 over the coming years.

While using football in promoting social causes is not new, its relationship and relevance for Prostate Cancer UK is fascinating. The partnership has represented a practical means of communicating with at risk men. Where conventional methods may have failed, by using Football League clubs as their beacons in communities up and down the country, Prostate Cancer UK has been able to deliver real benefits in the fight against the most common form of cancer amongst male football fans.

Half of all profits from sales of this report will be donated to Prostate Cancer UK.
Prostate Cancer UK is one of three Deloitte National Charity Partners for 2013-16.

Prostate Cancer UK is a registered charity in England and Wales (1005541) and in Scotland (SC039332). Registered company 2653887.

Basis of preparation

Basis of preparation
Our review of the financial results and financial position of English football clubs, and comparisons between them, has been based on figures extracted from the latest available company or group statutory financial statements in respect of each club – which were either sent to us by the clubs or obtained from Companies House. In general, if available to us, the figures are extracted from the annual financial statements of the legal entity registered in the United Kingdom which is at, or closest to, the 'top' of the ownership structure in respect of each club.

Our review of the financial results and financial position of clubs in various European leagues, and comparisons between them, has been based on figures extracted from the company or group financial statements or from information provided to us by national associations/leagues.

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

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

Availability of financial information regarding football clubs
For the 2011/12 season there were two clubs in the top two divisions of English football for which financial statements were not available to us at June 2013. There were also several League 1 and League 2 clubs for which financial statements were not available to us at June 2013.

Divisional totals have been 'grossed up' to represent the full divisional total for comparison purposes (from year to year or between divisions). Where necessary, the aggregate divisional totals for European leagues have been 'grossed up' in a similar manner.

Limitations of published information
In some cases we have made adjustments to a club's figures to enable, in our view, a more meaningful comparison of the football business on a club by club basis and over time. For example, where information was available to us, significant non-football activities or capital transactions have been excluded from revenue.

Some differences between clubs, or over time, are due to different commercial arrangements and how the transactions are recorded in the financial statements; or due to different ways in which accounting practice is applied such that the same type of transaction might be recorded in different ways.

The publication contains a variety of information derived from publicly available or other direct sources, other than financial statements. We have not performed any verification work or audited any of the financial information contained in the financial statements or other sources in respect of each club for the purpose of this publication.

The aggregated results shown in this publication for the clubs in the top four divisions of English football are not a true consolidation exercise because transactions between clubs, such as the transfer of player registrations, are not eliminated.

Wage costs
The published financial statements of clubs rarely split wage costs between playing staff and other staff. Therefore, the great majority of references in this publication to wages relate to the total wage costs for a club/division, including playing and non-playing staff.

Exchange rates
For the purpose of our international analysis and comparisons we have converted all figures into euros using the closing exchange rate at 30 June 2012 (£1 = €1.236).

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