

AFC Club Licensing

Financial Handbook

Reference Library

Edition 2021

Contents

DOCUMENT I: Annual Financial Reporting: Overall Considerations and Underlying Principles	3
DOCUMENT II: Annual Financial Reporting: Model Financial Statements and Commentary	6
DOCUMENT III: Promoted Applicants: Guidance on Relaxation of Disclosure Requirements	53
DOCUMENT IV: Annual Financial Reporting: Template Player Identification Table	54
DOCUMENT V: Annual Financial Reporting: Illustrative Form of Agreed-Upon Procedures on Supplementary Information	56
DOCUMENT VI: Annual Financial Reporting: Commentary Regarding Audit Reports – Contents and Different Forms of Opinion	60
DOCUMENT VII: Interim Financial Reporting: Commentary on Recognition and Measurement	65
DOCUMENT VIII: Interim Financial Reporting: Commentary on Specific Explanatory Notes	68
DOCUMENT IX: Interim Financial Reporting: Illustrative Form of Review Report that May be Issued from an Engagement to Review Interim Financial Statements	70
DOCUMENT X :Declaration in Respect of No Payables Overdue Towards Football Clubs Arising from Transfer Activities	72
DOCUMENT XI : Transfers Payable Table	73
DOCUMENT XII : Transfers Payable Reporting: Illustrative Form of Agreed-Upon Procedures	75
DOCUMENT XIII : Transfers Receivable Table	80
DOCUMENT XIV : Transfers Receivable Reporting: Illustrative Form of Agreed-Upon Procedures	82
DOCUMENT XV :Declaration in Respect of No Payables Overdue Towards Employees and Social / Tax Authorities	87
DOCUMENT XVI : Employees Payables Reporting: Illustrative Form of Agreed-Upon Procedures	88
DOCUMENT XVII : Employees Payables Reporting: Illustrative Confirmation Letter from Employees	92
DOCUMENT XVIII : Illustrative Management Representations Letter to Licensor	93
DOCUMENT XIX : Financial Information Extracts: Illustration of Agreement or Reconciliation Between Different Types of Information Supplied by Licence Applicants	94
DOCUMENT XX : Future Financial Information: Commentary on Preparation	107
DOCUMENT XXI : Illustrative Future Financial Information	110
DOCUMENT XXII : Indicators: Guidance on Interpretation of IND.03 In Respect of Net Assets/Liabilities	117
DOCUMENT XXIII : Future Financial Information: Commentary on Possible Additional Assessment Procedures In Respect of Future Financial Information and Updated Future Financial Information	119
DOCUMENT XXIV: Updated Future Financial Information: Summary of Information to be Provided as Part of the Updated Future Financial Information	121
DOCUMENT XXV: Annual Budget: Commentary on Preparation	128

DOCUMENT I: Annual Financial Reporting: Overall Considerations and Underlying Principles

This document provides additional commentary about the underlying principles of accounting practice, such that the accounting practice provides a suitable framework for the preparation and presentation of financial statements.

Fair presentation and compliance with accounting standards

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework.

A fair presentation also requires an entity:

- (a) To select and apply Accounting Policies in accordance with applicable accounting standards;
- (b) To present information, including Accounting Policies, in a manner that provides relevant, reliable, comparable and understandable information;
- (c) To provide additional disclosures when compliance with the specific requirements in the applicable accounting standards is insufficient to enable users to understand properly the impact of particular transactions, other events and conditions on the entity's financial position and financial performance or when the omission of the 'additional disclosures' would render the information presented as misleading.

Inappropriate Accounting Policies are not rectified either by disclosure of the Accounting Policies used or by notes or explanatory material.

Going concern

When preparing financial statements, Management shall make an assessment of an entity's ability to continue as a Going Concern. Financial statements shall be prepared on a Going Concern basis unless Management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

When Management is aware, in making its assessment, of Material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a Going Concern, those uncertainties shall be disclosed. When financial statements are not prepared on a Going Concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not regarded as a Going Concern.

In assessing whether the Going Concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date (this may be different in some jurisdictions). The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, a conclusion that the Going

Concern basis of accounting is appropriate may be reached without detailed analysis. In other cases, Management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the Going Concern basis is appropriate.

Accrual basis of accounting

An entity shall prepare its financial statements, except for cash flow information, using the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur (and not as cash or its equivalent are received or paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate.

Financial statements prepared on the accruals basis inform users not only of past transactions involving the payment and receipt of cash but also of obligations to pay cash in the future and of resources that represent cash to be received in the future. Hence, they provide the type of information about past transactions and other events that is most useful to users in making economic decisions.

Consistency of presentation

The presentation and classification of items in the financial statements shall be retained from one period to the next unless:

- (a) It is apparent, following a Significant Change in the nature of the entity's operations or a Review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of Accounting Policies in the applicable accounting standard;
- (b) A Standard or an interpretation requires a change in presentation.

Materiality and aggregation

Each Material class of similar items shall be presented separately in the financial statements. Items of a dissimilar nature or function shall be presented separately unless they are immaterial.

Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items on the face of the balance sheet, profit and loss statement, statement of changes in equity and cash flow statement, or in the notes. If a line item is not individually Material, it is aggregated with other items either on the face of those statements or in the notes. An item that is not sufficiently Material to warrant separate presentation on the face of those statements may nevertheless be sufficiently Material for it to be presented separately in the notes to the statements.

Offsetting

Assets and liabilities, and income and expenses, shall not be offset unless offset is specifically required or permitted by National Accounting Practice.

It is important that assets and liabilities, and income and expenses, are reported separately. Offsetting in the profit and loss statement or the balance sheet, except when offsetting reflects the substance of the transaction or other event, detracts from the ability of users both to understand the transactions, other events and conditions that have occurred and to assess the entity's future cash flows. Measuring assets net of valuation allowances – for example, obsolescence allowances on inventories and doubtful debts allowances on receivables – is not offsetting.

Comparative information

Except when National Accounting Practice permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

DOCUMENT II: Annual Financial Reporting: Model Financial Statements and Commentary

Introduction

These model financial statements illustrate the typical disclosures to meet the minimum requirements of criterion F.01 for reporting annual financial information. In some instances, the commentary and/or the model financial statements, contained within this Document, illustrate greater disclosures than the minimum requirements – where this is the case, the disclosure is marked as “good practice” and has a shaded background.

The model financial statements are presented with Associated commentary and guidance. This commentary and guidance is applicable as at the date of publication of the Handbook. It is the responsibility of the Licensor to ensure that commentary and guidance included in the National Club Licensing Regulations is kept up to date so that it reflects, for instance, any future changes to International Standards on Auditing (‘ISAs’), International Accounting Standards (‘IASs’) and International Financial Reporting Standards (IFRSs).

The model financial statements and commentary are only a summary and are not a substitute for using a comprehensive disclosure checklist to meet nationally accepted accounting practice requirements. Reference to the underlying law and accounting standards will be required in more complex situations.

In many cases the wording used in the financial statements is purely illustrative and, in practice, will need to be modified to reflect the specific circumstances of the License Applicant.

The Annual Financial Statements shall be prepared on the basis of National Accounting Practice requirements. In general, the Handbook and this document are intended to provide illustrative guidance on disclosure and financial reporting. Note that the requirements of National Accounting Practice may require presentation in a different form, in certain respects, from the illustrative presentation given in this document. The Handbook and this document are not meant to provide guidance on accounting practice. However, as set out in 1.2.4.5, this Handbook does include specific accounting requirements in relation to player registration costs carried as intangible fixed assets.

As described in section 1.2 of the Handbook, if the Audited Annual Financial Statements do not meet the minimum disclosure requirements and accounting principles defined by this Handbook, then Supplementary Information must be prepared by the License Applicant and assessed by the auditor.

Commentary/Guidance

Entity name

The name and legal form of the Reporting Entity should be clearly disclosed.

It must be clear whether the financial information covers the individual entity or a Group of entities or some other combination of entities.

Consolidated Financial Statements are the financial statements of a Group presented as those of a single economic entity.

A Group is a Parent and all its Subsidiaries.

A Subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the Parent).

It is a requirement to describe in the financial statements the structure and composition of any such Group or combination.

Registered number

It is good practice for the Reporting Entity's registered number (if relevant under national corporation or tax law) to be prominently displayed on the financial statements.

Statutory Closing Date

If the directors wish to change the Statutory Closing Date, they may do so. The resulting financial statements will be presented for an accounting period which may be more than or less than one year.

Any changes to the Statutory Closing Date shall be clearly marked on the balance sheet.

The resulting changes to the accounting period shall be clearly marked on both the profit and loss account and the cash flow statement.

The prior year comparative figures shall not be restated.

[Name of Reporting Entity]

[Annual] financial statements
for the year/period ended [date] 20XX

Registered Number: [insert]

Contents

Management Review/Directors' report

Balance sheet

Profit and loss statement

Cash flow statement

Notes to the financial statements

Management Review/Directors' report – Commentary/Guidance

The Management Review/directors' report must be attached to the financial statements.

Principal activities

It is good practice to provide details of the principal activities of the entity and any Significant Changes in those activities during the year.

Business Review

A fair Review of the development of the business of the entity during the year and of its position at the year end.

An indication of the likely future developments in the business of the entity. Statements which may be construed as forecasts should be made with due care.

Particulars should be given of any important events affecting the entity (and its Subsidiary undertakings) that have occurred since the end of the Financial Year covered by the financial statements.

Directors

Disclose the names of persons who were directors of the entity at any time during the year. It is considered good practice to state the dates of appointment or retirement/ resignation.

It would also be good practice to include changes in directors since the end of the Financial Year and (if applicable) rotation of directors at the annual general meeting.

Directors' interests

It is good practice to disclose directors' interests. This information is based on the interests notified to the entity by the directors, including those of the directors' spouses and minor children. If no interests are held, this shall also be stated.

Where the License Applicant is reliant on Directors' loans for its funding, such details would provide good practice disclosures.

Approval and signature of directors' report

The directors' report shall be approved by the board of directors and signed by a director or the company secretary on its behalf. The name of the signatory shall be stated.

Domicile and business address

The domicile and business address of the entity must be disclosed.

Template 1: Management Review/Directors' report – Illustrative Example

The directors present their annual report on the affairs of the entity, together with the financial statements and auditors' report, for the year ended [date] 20XX.

Principal activity

The principal activity of the entity is the operating of a professional football club together with related and ancillary activities. The business Review describes the activities of the entity during the year and likely future developments.

Business Review

A Review of the business of the entity, including comment on:

- The development and performance of the football club business;
- The year-end position; brief commentary of operating result and revenue and costs
- Underlying trends and factors (relating to both past and future developments, performance and position); and
- Major business developments and plans (for example – stadium projects; new business ventures; significant contracts; major player transfers; etc.).

Directors

The directors, who served throughout the year, except as noted, were as follows:

[Insert full list of directors]

Directors' interests

The directors who held office at [year end date] had the following interests in the shares and debentures of the entity:

[insert details of name of director and shares/debentures held]

[insert details of the name of director, number of shares held and percentage of called up share capital held]

[Address of entity's registered office]

[Date]

By order of the Board,

[Signature]

[Director/Secretary]

(Name of signatory to be stated)

Independent Auditors' report – Commentary/Guidance

The auditors' report on financial statements shall contain:

- (a) A title;
- (b) The addressee;
- (c) An introductory paragraph identifying the financial statements Audited and the respective responsibilities of the directors and auditors;
- (d) A scope paragraph describing the nature of an Audit, including reference to the International Standards on Auditing or relevant national standards or practices;
- (e) An opinion paragraph referring to the financial reporting framework used to prepare the financial statements and expressing an opinion on whether the financial statements give a true and fair view in accordance with that financial reporting framework;
- (f) The date of the report;
- (g) The auditors' address; and
- (h) The auditors' signature.

[Document VI](#) provides further guidance on auditors' reports.

Independent Auditors' report

Format of auditors' report to be in accordance with International Standards on Auditing or relevant national law and Auditing standards.

Balance Sheet – Commentary/Guidance

Introduction

License Applicants are required to prepare and present Annual Financial Statements based on the accounting standards required by local legislation. For the purpose of AFC Club Licensing requirements, the Audited Annual Financial Statements must contain all items listed in *Guidance Note 1 – Minimum Disclosure Requirements for the Financial Statements*.

Notwithstanding the National Accounting Practice, the financial criteria require License Applicants to present a minimum level of Historic Financial Information in the balance sheet – as summarized in *Guidance Note 1* of the Handbook.

The balance sheet Illustrative example provides an illustration of how the minimum information may be presented. However, the requirements of National Accounting Practice may require presentation in a different form, in certain respects, from the illustrative presentation given in this Document, which is acceptable as long as all the minimum information is contained therein. The note numbers refer to the relevant Notes to the financial statements on the following pages.

Approval and signature

The entity's financial statements must be approved by the board of directors. The entity's balance sheet shall be signed by a director, or more than one director, on behalf of the board, with the name of the signatory stated. Although only one signature is required, it is good practice for the entity's balance sheet to be signed by two directors, usually the chairman or chief executive and the finance director.

The balance sheet date and the period covered by the financial information (for both current and comparative information) shall be disclosed.

Classification of assets and liabilities

For each asset and liability line item that combines both amounts expected to be recovered or settled (a) within 12 months after the balance sheet date and (b) more than 12 months after the balance sheet date, the amount expected to be recovered or settled after more than 12 months shall be disclosed separately.

A liability shall be classified as current when it satisfies any of the following criteria:

- (a) It is expected to be settled in the entity's normal operating cycle;
- (b) It is held primarily for the purpose of being traded;
- (c) It is due to be settled within twelve months after the balance sheet date; or
- (d) The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

All other liabilities shall be classified as noncurrent.

Template 2: Illustrative Example Balance Sheet

At [date] 20XX

	Notes	[date] 20XX [currency]	[date] 20YY [currency]
Current assets			
Cash and Cash Equivalents			
Accounts receivable from player transfers			
Accounts receivable from Group entities and other related parties	5		
Accounts receivable – other			
Inventories			
Noncurrent assets			
Tangible fixed assets	7		
Intangible Assets - players	8		
Intangible Assets - others	8		
Investments	6		
Total assets			
Current liabilities			
Bank overdrafts and loans	9		
Accounts payable relating to player transfer			
Accounts payable to Group entities and other related parties	10		
Accounts payable – other			
Tax liabilities			
Short term provisions	11		
Noncurrent liabilities			
Bank and other loans	9		
Other long term liabilities			
Tax liabilities			
Long term provisions	11		
Total liabilities			
Net assets/(liabilities)			
Equity			
Treasury shares (own shares)	12		
Issued capital and reserves	12		
Total equity			

The financial statements were approved by the board of directors and authorized for issue on [date].
They were signed on its behalf by:

[Name] Director

[Name of signatory to be stated] Date: [Date]

Balance Sheet – Commentary/Guidance

ASSETS

Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Accounts receivable from player transfers

Amounts receivable from third parties in respect of the transfer of a player's registration to another football club.

Accounts receivable from Group entities and other related parties

Refer to note [5] Accounts receivable from Group entities and other related parties and note [13] Related Party transactions.

Inventories

Inventories are goods held for resale, such as replica football shirts and club merchandise.

Tangible fixed assets

Tangible fixed assets refer to property, plant and equipment. Property, plant and equipment are tangible items that:

- Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes (for example, the club's stadium, training ground and offices); and
- Are expected to be used during more than one financial period.

Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible fixed assets include the capitalized direct costs of obtaining players' registrations. This total should be disclosed separately. This disclosure will be supported by a Player identification table – see *Guidance Note 3* and [Document IV](#) – although the Player identification table does not have to be included in the Annual Financial Statements.

Balance Sheet – Commentary/Guidance - continued

Investments

Investments include investments by the License Applicant in subsidiaries, jointly controlled entities and Associates.

A Subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the Parent).

An Associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a Subsidiary nor an interest in a Joint Venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

LIABILITIES

Loans

Short term loans are defined as loans, or parts thereof, which are due to be settled within twelve (12) months after the balance sheet date – and are to be included under current liabilities. For example, loans from banks, other commercial lenders or from directors.

Long term loans are defined as loans, or parts thereof, which are due to be settled more than (twelve) 12 months after the balance sheet date – and are to be included under noncurrent liabilities.

Accounts payable relating to player transfers

Amounts payable to other parties in respect of the acquisition of players' registrations from other football clubs.

Accounts payable to Group entities and other related parties

Refer to note [10] Amounts payable to Group entities and other related parties and note [13] Related Party transactions.

Balance Sheet – Commentary/Guidance - continued

Tax liabilities

Tax assets and liabilities shall be presented separately in the balance sheet, with current assets and liabilities distinguished from deferred.

Current tax assets shall be classified within the total for '*accounts receivable – other*' if they are not separately disclosed in the balance sheet.

Current tax liabilities shall be separately disclosed as per *Guidance Note 1* of the Handbook.

Deferred tax assets shall be disclosed as a separate line item within noncurrent assets.

Deferred tax liabilities shall be separately disclosed as per *Guidance Note 1* of the Handbook.

Taxes include all taxes which are based on taxable profits, and include taxes, such as withholding taxes, which are payable by a Subsidiary, Associate or Joint Venture on distributions to the Reporting Entity.

Provisions

A provision is a liability of uncertain timing or amount.

Short term provisions (expected to be settled or utilized within 12 months after the balance sheet date) and long term provisions (expected to be settled or utilized more than 12 months after the balance sheet date) shall be shown separately.

EQUITY

Treasury shares

Treasury shares (own shares) are shares in the company which have been re-acquired by the entity.

Issued capital and reserves

Issued capital and reserves includes share capital, share premium, revaluation reserves, retained earnings (i.e. accumulated profit or loss) and other reserves.

Net assets/liabilities

Net assets/liabilities is the aggregate of current assets plus noncurrent assets, less current and noncurrent liabilities. The figure for net assets/liabilities must balance with the figure for total equity.

Profit and loss statement – Commentary/Guidance

Introduction

License Applicants are required to prepare and present Annual Financial Statements based on the accounting standards required by local legislation. For the purpose of AFC Club Licensing requirements, the Audited Annual Financial Statements must contain all items listed in *Guidance Note 1* of the Handbook.

Notwithstanding the National Accounting Practice, the financial criteria require License Applicants to present a minimum level of Historic Financial Information in the profit and loss statement – as summarized in *Guidance Note 1* of the Handbook.

The profit and loss statement Illustrative Example provides an illustration of how the minimum information may be presented – however, the requirements of National Accounting Practice may require presentation in a different form, in certain respects, from the illustrative presentation given in this Document, which is acceptable as long as all the minimum information is contained therein.

Presentation

Additional line items, headings and subtotals shall be presented on the face of the profit and loss statement when such presentation is relevant to an understanding of the entity's performance. When items of income and expense are Material, their nature and amount shall be disclosed separately. Circumstances that could give rise to the separate disclosure of specific items of income and expense include, for example, disposals of items of property, plant and equipment, litigation settlements and other reversals of provisions.

Template 3: Illustrative Example Profit and loss statement

For the year ended [date] 20XX

	Notes	20XX [currency]	20YY [currency]
Revenue			
Media (TV) Rights			
Sponsorship			
Merchandising			
Gate receipts / ticketing			
Transfer Fee Income			
Income from Member Association / League			
Income from Government			
Membership Fees / Season Tickets			
Rental Income from Stadium / Facility			
Other income			
Expenses			
Player's Wages and Salaries			
Player Transfer Expenses			
Coach's Wages and Salaries			
Salaries of Club Staff			
Operational Expenses of Teams			
Advertisement Expenses			
Rental / Maintenance fee of Stadium / Training Centre			
Administrative Costs			
Finance Costs	3		
Depreciation / Amortization Expense			
Other expenses			
Operating profit/(loss)			
Impairment of Fixed Assets			
Profit/loss on disposal of fixed assets	2		
Tax expense	4		
Profit or loss after taxation			

Profit and loss statement – Commentary/Guidance

Revenue

Media (TV) Rights includes income from broadcasting, advertisement and other media related income.

Sponsorship includes income from commercial sponsorship agreements.

Merchandising includes income from the sale of club merchandise, such as jerseys, flags and other items.

Gate receipts / ticketing includes income from match day ticket sales and related match day revenue, in relation to both domestic and international matches.

Transfer Fee Income includes income from the sale of players.

Income from Member Association / League includes income from the Member Association / League that is distributed to all clubs.

Income from Government includes income assistance direct from the Government and income from other sources (ie companies) to comply with Government policy.

Membership Fees / Season Tickets includes income from membership fees and season ticket sales.

Rental Income from Stadium / Facilities includes income from stadium and/or facilities rental.

Other Income includes all income not included in the categories above. When items of other operating income are Material, their nature and amount shall be disclosed separately. This may include Prizemoney, Contribution from Owners, Marketing Events and Other Non-Operating Income.

The disaggregation of revenue in a note, rather than on the face of the profit and loss statement, is considered to be good practice.

Profit and loss statement – Commentary/Guidance – continued

Expenses

Player's Wages and Salaries includes cost of players' salaries and any related costs.

Player Transfer Expenses includes cost of player acquisition, including agents' commission and related costs.

Coach's Wages and Salaries includes cost of coaches' salaries and any related costs.

Salaries of Club staff includes costs of non playing club / support staff salaries and any related costs.

Operational Expenses of Teams includes team related expenses including medical, insurance, transportation, hire of facilities / training grounds, travel costs, training camps (hotels / meals).

Advertisement Expenses includes costs incurred for advertisement.

Rental / Maintenance fee of Stadium / Training Centre includes costs incurred for the rental and/or maintenance of stadium and training centre facilities.

Administrative Costs includes costs of running the administrative offices such as utilities, communication and consumables.

Finance Costs includes interest, finance and bank charges.

Depreciation and Amortization includes:

- Depreciation of tangible fixed assets (such as the stadium);
- Amortization of player registration costs; and
- Amortization of other intangible fixed assets.

Separate disclosure is required in the financial statements. In this illustration; these items are shown as separately disclosed in the notes to the financial statements. Refer to note [7] (Tangible fixed assets) and [8] (Intangible fixed assets)

Other Expenses includes all expenses not included in the categories above. When items of other operating expenses are Material, their nature and amount shall be disclosed separately.

Profit and loss statement – Commentary/Guidance – continued

Impairment of fixed assets

Separate disclosure required of impairment of player registration costs and impairment of other tangible or intangible fixed assets. In this illustration; these items are shown as separately disclosed in the notes to the financial statements.

An asset is impaired when the carrying amount of the asset exceeds its Recoverable Amount. Both tangible assets (for example, a club's stadium) and Intangible Assets (for example, a player's registration) may be impaired in relevant and applicable circumstances.

Carrying amount is the amount at which an asset is recognized in the balance sheet after deducting any accumulated depreciation (Amortization) and accumulated impairment losses thereon.

Recoverable Amount is the higher of an asset's net selling price and its value in use.

Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If, and only if, the Recoverable Amount of an asset is less than its carrying amount, the carrying amount of the asset should be reduced to its Recoverable Amount. That reduction is an impairment loss.

An impairment loss must be recognized as an expense in the profit and loss statement immediately.

After the recognition of an impairment loss, the depreciation (Amortization) charge for the asset should be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Profit and loss statement – Commentary/Guidance – continued

Profit or loss on disposal of fixed assets

In the financial statements, profit or loss on disposal of player registrations shall be reported separately from profit or loss on disposal of other fixed assets, either on the face of the profit and loss statement or in the notes to the financial statements.

Profits and losses on disposal of players' registrations shall be shown separately from the Amortization of the players' registrations and cannot be netted off against Amortization expense.

Tax expense

Tax expense (or tax income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current tax and deferred tax – i.e. tax expense will be based on taxable profits.

Cash Flow Statement – Commentary/Guidance

Introduction

License Applicants are required to prepare and present Annual Financial Statements based on the accounting standards required by local legislation. For the purpose of AFC Club Licensing requirements, the Audited Annual Financial Statements must contain all items listed in *Guidance Note 1* of the Handbook.

Notwithstanding the National Accounting Practice, the financial criteria require License Applicants to present a minimum level of Historic Financial Information in the cash flow statement – as summarized in *Guidance Note 1* of the Handbook.

The cash flow statement Illustrative Example provides an illustration of how the minimum information may be presented (using the direct method). However, the requirements of National Accounting Practice may require presentation in a different form, in certain respects, from the illustrative presentation given in this Document, which is acceptable as long as all the minimum information is contained therein.

The cash flow statement may also be presented using the indirect method – an example of which is also given later in this Document. Cash flows are inflows and outflows of Cash and Cash Equivalents.

Template 4: Illustrative Example Cash flow statement – direct method

For the year ended [date] 20XX

	Notes	20XX [currency]	20YY [currency]
Cash flows from operating activities			
Cash receipts from Media (TV) and broadcasting rights			
Cash receipts from sponsorship and advertising			
Cash receipts from merchandising sales			
Cash receipts from gate receipts / ticketing / membership			
Cash receipts from Member Association / League / Government			
Cash receipts from rental income			
Cash receipts from other operating activities		_____	_____
Cash payments to and on behalf of players / coaches / staff			
Cash payments in relation to operating expenses of teams			
Cash payments in relation to other operating expenses		_____	_____
Cash inflow/outflow from operating activities		_____	_____
Taxation		_____	_____
Cash flows from investing activities			
Cash receipts from sale of property, plant and equipment			
Cash payments to acquire property, plant and equipment			
Cash receipts from sale of player registrations			
Cash payments to acquire player registrations			
Cash receipts from sale of other long term assets			
Cash payments to acquire other long term assets			
Cash receipts from sale of financial investments			
Cash payments to acquire new financial investments			
Cash receipts in relation to receipts of loans from non-financial institutions			
Cash payments in relation to repayment of loans to non-financial institutions			
Cash inflow/outflow from investing activities		_____	_____
Cash flows from financing activities			
Cash receipts from issuing short or long-term borrowings			
Cash payments in relation to repayment of amounts borrowed			
Cash receipts from an increase in capital			
Cash payments to acquire or redeem the entity's shares			
Cash inflow/outflow from financing activities		_____	_____
Net increase/decrease in cash		_____	_____

Cash Flow Statement – Commentary/Guidance

Cash flows from operating activities

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. An entity shall report cash flows from operating activities using either:

- i. the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
- ii. the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income and expense Associated with investing or financing cash flows.

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss. License Applicants are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method.

Cash flows from investing activities

Investing activities are the acquisition and disposal of long-term assets (including player registrations) and other investments not included in cash equivalents. The entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing activities.

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

Cash flows from financing activities

Financing activities are activities that result in changes in the size and composition of the contributed equity share capital and borrowings of the entity. The entity shall report separately major classes of gross cash receipts and gross cash payments arising from financing activities.

Cash Flow Statement – Commentary/Guidance – continued

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

Other cash flows

Cash flows from interest and dividends received and paid should each be disclosed separately. Each should be disclosed in a consistent manner from period to period as either operating, investing or financing activities.

Cash flows arising from taxes on income should be separately disclosed and shall be classified as cash flows from operating activities unless they can be appropriately and specifically identified with financing and investing activities.

Notes to the financial statements – Commentary/Guidance

The notes to the financial statements shall:

- (a) present information about the basis of preparation of the financial statements and the specific Accounting Policies used;
- (b) disclose required information that is not presented on the face of the balance sheet, profit and loss statement or cash flow statement; and
- (c) provide additional information that is not presented on the face of the balance sheet, profit and loss statement or cash flow statement, but is relevant to an understanding of any of them or items disclosed in them.

Notes shall, as far as practicable, be presented in a systematic manner. Each item on the face of the balance sheet, profit and loss statement and cash flow statement shall be cross-referenced to any related information in the notes.

An entity shall disclose, in the summary of significant Accounting Policies or other notes, the judgements, apart from those involving estimations, that Management has made in the process of applying the entity's Accounting Policies and which have the most significant effect on the amounts recognized in the financial statements.

The Notes to the financial statements Illustrative Example provides an illustration of how the minimum information may be presented. However, the requirements of National Accounting Practice may require presentation in a different form, in certain respects, from the illustrative presentation given in this Document, which is acceptable as long as all the minimum information is contained therein.

Template 6: Illustrative Example Notes to the financial statements

For the year ended [date] 20XX

1. Significant Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with [name of country] [National Accounting Practice].

The financial statements have been prepared under the historical cost basis, [except for the revaluation of certain properties].

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognized impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings (including stadium)	[] % per annum
Fixtures and equipment	[] % per annum

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in income.

Intangible fixed assets

The transfer and incidental costs Associated with the acquisition of players' registrations are capitalized as intangible fixed assets. These costs are fully amortized, in equal annual instalments, over the period of the respective players' contracts. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Revenue

Revenue represents income receivable from the entity's principal activities excluding transfer fees for the sale of player registrations and sales tax.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Media (TV) Rights includes income from broadcasting, advertisement and other media related income.

Sponsorship includes income from commercial sponsorship agreements.

Gate receipts / ticketing includes income from match day ticket sales and related match day revenue, in relation to both domestic and international matches.

Illustrative Example Notes to the financial statements

Other revenue categories include:

Merchandising

Transfer Fee Income

Income from Member Association / League

Income from Government

Membership Fees / Season Tickets

Rental Income from Stadium / Facility

Other Income

Deferred revenue

Revenue from gate receipts, broadcasting, sponsorship and commercial contracts, which has been received prior to the year end, in respect of future football sessions is treated as deferred income.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The entity's liability for current tax is calculated using tax rates that have been enacted in legislation or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available in the future against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is Reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the profit and loss statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Illustrative Example Notes to the financial statements

2. Profit/loss on disposal of fixed assets

	Notes	20XX [currency]	20YY [currency]
Profit/loss on disposal of player registrations			
Profit/loss on disposal of other intangible fixed assets			
Profit/loss on disposal of tangible fixed assets			
Total		<hr/>	<hr/>

3. Finance costs

	Notes	20XX [currency]	20YY [currency]
Interest on bank overdrafts and loans			
Interest on convertible loan notes			
Interest on obligations under finance leases			
Total borrowing costs		<hr/>	<hr/>

4. Tax expense

	Notes	20XX [currency]	20XX %	20YY [currency]	20YY %
Current tax					
Deferred tax					
Profit before tax					

Tax is calculated at [x] percent (20YY: [x] per cent) of the estimated assessable profit for the year.
The charge for the year can be reconciled to the profit per the profit and loss statement as follows:

	Notes	20XX [currency]	20XX %	20YY [currency]	20YY %
Tax at the [name of country] [name of tax] rate of [25]% (20YY: [25]%)					
Tax effect of share of results of Associated					
Tax effect of expenses that are not deductible in determining taxable profit					
Tax effect of utilization of tax losses not previously recognized					
Increase in opening deferred tax liability resulting from an increase in tax rates					
Effect of different tax rates of subsidiaries operating in other jurisdictions					
Tax expense and effective tax rate for the year		<hr/>		<hr/>	

Illustrative Example Notes to the financial statements

5. Accounts receivable from Group entities and other related parties

	Notes	20XX [currency]	20YY [currency]
Amounts receivable from Group entities			
Amounts receivable from other related parties		<hr/>	<hr/>
		<hr/>	<hr/>

6. Investments in subsidiaries and Associates

Year ended [date] 20XX

Details of the entity's subsidiaries as at [date] 20XX are as follows:

Name of <u>Subsidiary</u>	Place of incorporation (or registration)	Type of business/ operations	Proportion of ownership <u>interest</u> %	Proportion of voting <u>power held</u> %	Method used to account for <u>investment</u>
[Names]					

Details of the entity's Associates as at [date] 20XX are as follows:

Name of <u>Associate</u>	Place of incorporation (or registration)	Type of business/ operations	Proportion of ownership <u>interest</u> %	Proportion of voting <u>power held</u> %	Method used to account for <u>investment</u>
[Names]					

Illustrative Example Notes to the financial statements

7. Tangible fixed assets

	Notes	Total [currency]
Cost or valuation		
At beginning of period		
Additions		
Disposals		
Revaluation increase		
At end of period		<hr/>
		<hr/>
Comprising		
At cost		
At revaluation		<hr/>
		<hr/>
Accumulated depreciation and impairment		
At beginning of period		
Charge for the year		
Eliminated on disposals		
Impairment		
Eliminated on revaluation		
At end of period		<hr/>
		<hr/>
Carrying amount		
At end of period		
At beginning of period		<hr/> <hr/>

The entity has pledged tangible fixed assets having a carrying value of approximately [amount] to secure banking facilities granted for the entity.

Land and buildings were revalued at [date of revaluation] by [name of company which performed valuation], independent valuers not connected with the entity, on the basis of market value. The valuation confirms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

As at [date of revaluation], had the land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately USD\$100 (20YY : USD\$100).

Illustrative Example **Notes to the financial statements**

8. Intangible fixed assets

	Notes	Player Registrations [currency]	Other [currency]	Total [currency]
Cost				
Brought forward from previous period				
Additions				
Disposals				
Carried forward at end of period				
Amortization				
Brought forward from previous period				
Amortization charge for the period				
Disposals				
Impairment				
Carried forward at end of period				
Carrying amount				
At end of period				
At beginning of period				

Illustrative Example Notes to the financial statements

9. Bank overdrafts and loans

	Notes	20XX [currency]	20YY [currency]
Bank overdrafts			
Bank loans			
The borrowings are repayable as follows:			
On demand or within one year			
In the second year			
In the third to fifth years inclusive			
After five years			
Less: Amount due for settlement within 12 months (shown under current liabilities)			
Amount due for settlement after 12 months			

10. Accounts payable to Group entities and other related parties

	Notes	20XX [currency]	20YY [currency]
Amount payable to Group entities			
Amounts payable to other related parties			
Total			

Illustrative Example Notes to the financial statements

11. Provisions

	Notes	Provision Class A [currency]	Provision Class B [currency]	Provision Class C [currency]	Total [currency]
At beginning of period					
Additional provision in the year					
Utilisation of provision					
At end of period					
Total		<hr/>	<hr/>	<hr/>	<hr/>
Included in current liabilities					
Included in non-current liabilities					
		<hr/>	<hr/>	<hr/>	<hr/>
		<hr/>	<hr/>	<hr/>	<hr/>

Illustrative Example Notes to the financial statements

12. Issued share capital and reserves

Share capital

	Notes	20XX [currency]	20YY [currency]
Authorised:		_____	_____
[number] ordinary shares of [amount] each		_____	_____
Issued and fully paid:		_____	_____
[number] ordinary shares of [amount] each		_____	_____

During the year an amount of USD\$x was raised for [insert the purpose of the issue of the share capital] through the issue of [y] ordinary shares [at a premium of [USD\$y] per share]

Reserves

	Share premium	Treasury shares (Own shares)	Other reserves	Retained earnings
At beginning of period				
Premium arising on issue of equity shares	[x]			
Expenses of issue of equity shares	[x]			
Acquired in the period		[x]		
Disposal of an exercise of options		[x]		
Increase in reserve			[x]	
Decrease in reserve			[x]	
Dividends paid				[x]
Retained profit after tax for the year				[x]
At end of period	_____	_____	_____	_____

Illustrative Example Notes to the financial statements

13. Related Party transactions

During the year, the entity entered into the following transactions with related parties:

	Sale of goods/ services		Purchase of goods/services		Amounts owed by related parties		Amounts owed to related parties	
	20XX	20YY	20XX	20YY	20XX	20YY	20XX	20YY
ABC Holdings								
Associates								

The following paragraphs give details of all Related Party transactions involving the entity and any of its Subsidiary undertakings.

ABC Holdings is a Related Party of the entity because [give reasons]. The amount owing to ABC Holdings at the year-end of [USD\$100] is interest bearing at a rate of [5]% per annum.

[Name of Subsidiary] is a Related Party because it is under common control. Both [name of Subsidiary] and [entity name] are owned by [insert name of Parent company or individual].

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

Companies of which [insert name of Director] is a Director, were invoiced [USD\$100] for [insert description of services] during the year. [Insert name of Director] is an Executive Director of [name of entity].

During the year, the entity purchases from Company A, an Associated company, [USD\$100] (20YY – USD\$200) of merchandise at normal trade price. At the Financial Year end, [USD\$10] (20YY - USD\$20) was due to Company A in respect of finished goods. This amount is included within creditors due within one year.

Illustrative Example Notes to the financial statements

14. Contingent liabilities

Under the terms of certain contracts for the purchase of players' registration future payments may be due, dependent on the future success of the team and/or the future team selection of individual players. As at [period end] the maximum that could be payable is [amount].

15. Controlling party

The ultimate Parent undertaking of the [Reporting Entity] is [entity name], a company incorporate in [country].

16. Events after the balance sheet date

[Disclose the nature of the event and an estimate of the financial effect].

Notes to the financial statements – Commentary/Guidance

1. Significant Accounting Policies

Intangible Fixed Assets

Guidance on player accounting is provided in section 1.2.4.5 of the Handbook and *Guidance Note 2- Minimum Accounting Requirements for Player Registration Costs*.

2. Profit/loss on disposal of fixed assets

Separate disclosure of profit or loss from disposal of player registrations and profit or loss from disposal of other tangible or intangible fixed assets.

3. Finance costs

The financial statements shall disclose Material items of income, expense, and gains and losses resulting from financial assets and financial liabilities, whether included in profit or loss or as a separate component of equity.

4. Tax expense

The tax expense (or income) related to the profit or loss from ordinary activities shall be disclosed on the face of the profit and loss statement. The major components of tax expense (or income) should be separately disclosed.

Disclosure of an explanation of changes in the applicable tax rate compared to the previous accounting period is good practice.

An explanation of the relationship between the tax expense (income) and the accounting profit is good practice. This can be by way of reconciliation between tax expense (income) and the tax computed on accounting profit (using the applicable tax rate) and/or a numerical reconciliation between average effective tax rate and the applicable tax rate. In either case disclosure on the basis on which the applicable tax rate is computed may be provided.

5. Accounts receivable from Group entities and other related parties

Group entities are entities that are under common control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group entities include Parents, subsidiaries and fellow subsidiaries.

Other related parties include Associates. For further details about related parties, refer to note 13 “Related Party transactions”.

Notes to the financial statements – Commentary/Guidance

6. Investments

Investments includes, but is not limited to, interest in subsidiaries, jointly controlled entities and Associates.

A list of significant investments in subsidiaries, jointly controlled entities (which are not illustrated opposite) and Associates shall be given, including:

- (a) The name;
- (b) Country of incorporation or residence;
- (c) Type of business/operations of the entity;
- (d) Proportion of ownership interest;
- (e) If different, proportion of voting power held; and
- (f) A description of the method used to account for the investments.

7. Tangible fixed assets

Items classified as tangible fixed assets in the financial statements shall be limited to tangible assets that are both:

- Held by an entity for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Expected to be used during more than one financial period.

Separate disclosure of each class of tangible fixed assets shall be made. A class of property, plant and equipment is a grouping of assets of a similar nature and use in an enterprise's operations. The following are examples of separate classes:

- Land;
- Land and buildings (including stadium and training ground);
- Plant and machinery;
- Motor vehicles;
- Fixtures and fittings;
- Office equipment.

Notes to the financial statements – Commentary/Guidance

7. Tangible fixed assets (continued)

The following information shall be disclosed for each class of tangible fixed assets:

- The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
- A reconciliation of the carrying amount at the beginning and the end of the period showing:
 - Additions;
 - Disposals;
 - Increases or decreases during the period resulting from revaluations;
 - Impairment losses recognized in the profit and loss statement during the period (if any);
 - Impairment losses reversed in the profit and loss statement during the period (if any);
 - Depreciation; and
 - Other changes.

The depreciation methods and useful lives (or depreciation rates) used shall be disclosed in the accounting policy note. These are matters of judgement and such disclosure provides information that allows comparison to be made with other entities.

The financial statements shall also disclose the existence and amounts of restrictions on title, and tangible fixed assets pledged as security for liabilities.

Where tangible fixed assets such as the stadium, are stated at revalued amounts, the following additional information may be disclosed (as good practice):

- The effective date of the revaluation;
- Whether an independent valuer was involved;
- The methods and significant assumptions applied in estimating the items' fair value;
- The extent to which the items' fair values were determined by reference to observable prices in an active market or recent market transactions on arm's length terms or were estimated using other valuation techniques;
- The carrying amount that would have been recognized had the assets been carried under the historical cost model; and
- The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to the shareholders.

Notes to the financial statements – Commentary/Guidance

8. Intangible fixed assets

Separate disclosures of each class of intangible fixed assets shall be made. A class of Intangible Assets is a grouping of assets of a similar nature and use in an enterprise's operations. The following are examples of separate classes:

- Player registrations
- Goodwill
- Other Intangible Assets

Player registrations

In relation to amounts capitalized and amortized in respect of player registrations, the note should include a reconciliation of the cost, Amortization, net carrying value and movements in the accounting period.

For further information and guidance in relation to accounting for player registrations, refer to section 1.2.4.5 of the Handbook.

Goodwill and other Intangible Assets

In relation to amounts capitalized and amortized in respect of other Intangible Assets, the note should include a reconciliation of the cost, Amortization, net carrying value and movements in the accounting period.

The existence and carrying amounts of Intangible Assets whose title is restricted and the carrying amount of Intangible Assets pledged as security for liabilities shall be disclosed.

9. Bank overdrafts and loans

For each class of financial asset, financial liability and equity instrument, the following may be disclosed as good practice:

- Information about the extent and nature of the financial instruments, including amounts and duration and also any significant terms and conditions that may affect the amount, timing and certainty of future cash flows; and
- The Accounting Policies and methods adopted, including the criteria for recognition and the basis of measurement applied.

For borrowing facilities, the following information may be disclosed as good practice:

- Promised credit facilities;
- Balance outstanding at closing date;
- Name of lender; and
- Duration of the facilities.

Notes to the financial statements – Commentary/Guidance

10. Accounts payable to Group entities and other related parties

Group entities are entities that are under common control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Group entities include Parents, subsidiaries and fellow subsidiaries.

Other related parties include Associates. For further details and definitions of other related parties, refer to note [13] Related Party transactions.

11. Provisions

A provision is a liability of uncertain timing or amount.

Provisions can be distinguished from other liabilities such as trade payables and accruals because there is uncertainty about the timing or amount of the future expenditure required in settlement. Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions. Accruals are often reported as part of trade and other payables, whereas provisions are reported separately.

Provisions shall be disclosed in separate classes. In determining which provisions or contingent liabilities may be aggregated to form a class, it is necessary to consider whether the nature of the items is sufficiently similar to be combined in a statement of a single amount.

For each class of provision, the entity shall disclose:

- The carrying amount at the beginning and end of the period;
- Additional provisions made in the period, including increases to existing provisions;
- Amounts used (i.e. incurred and charged against the provision) during the period;
- Unused amounts reversed during the period; and
- The increase during the period in the discounted amount arising from the passage of time and the effect of any change in the discount rate.

Comparative information is not required for the disclosures described above.

The entity is encouraged to disclose (as good practice) the following for each class of provision:

- A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits;
- An indication of the uncertainties about the timing of those outflows including, where necessary to provide adequate information, the major assumptions made concerning future events; and

- The amount of any expected reimbursement (for example from a counterclaim or insurance recovery), stating the amount of any asset that has been recognized for that expected reimbursement.

12. Issued capital and reserves

Share capital

The following may be disclosed (as good practice) for each class of share capital.

- The number of shares authorised;
- The number of shares issued and fully paid, and issued but not fully paid;
- Par value per share (or that the shares have no par value);
- A reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- The rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;
- Shares in the entity held by the entity or by its subsidiaries or Associates; and
- Shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts.

The following may be disclosed (as good practice) in relation to share capital issued during the current year:

- The number and type of shares issued;
- The share premium (if applicable) arising on the shares issued;
- The total amount raised as a result of the issuing of shares;
- The reason for the issuing of new shares.

Other reserves

For instance, it is good practice, where items of property, plant and equipment are stated at revalued amounts, the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders, shall be disclosed.

Retained earnings

The balance of retained earnings (i.e. accumulated profit or loss) at the beginning of the period and at the balance sheet date, and the changes during the period, shall be disclosed.

It is good practice to disclose the amount of distributable and non-distributable reserves.

Notes to the financial statements – Commentary/Guidance

13. Related Party transactions

The objective of the requirements for disclosure of Related Party transactions in the Club Licensing Regulations is to help ensure that an entity's financial statements (or Supplementary Information) contain disclosures to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties and also, that its ability to continue its business in an orderly manner may be dependent on Related Party loans and other funding.

A Related Party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

A party is related to an entity if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the entity (this includes Parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the entity that gives it significant influence over the entity; or
 - (iii) has joint control over the entity;
- (b) the party is an Associate of the entity;
- (c) the party is a Joint Venture in which the entity is a venturer;
- (d) the party is a member of the key Management Personnel of the entity or its Parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity. They may include:

- (a) The individual's domestic partner and children;
- (b) Children of the individual's domestic partner; and
- (c) Dependents of the individual or the individual's domestic partner.

Notes to the financial statements – Commentary/Guidance

13. Related Party transactions (continued)

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

An Associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a Subsidiary nor an interest in a Joint Venture.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

In considering each possible Related Party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Disclosures

If there have been transactions between related parties during the period, an entity shall disclose the nature of the Related Party relationship as well as information about the transactions during the period and outstanding balances at the period end necessary for an understanding of the potential effect of the relationship on the financial statements. At a minimum, disclosures must include:

- (a) The amount of the transactions;
- (b) The amount of outstanding balances and:
 - Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - Details of any guarantees given or received;
- (c) Provisions for doubtful debts related to the amount of outstanding balances; and
- (d) The expense recognized during the period in respect of bad or doubtful debts due from related parties.

Notes to the financial statements – Commentary/Guidance

13. Related Party transactions (continued)

As good practice, disclosures should also include any other elements of any Related Party transactions that are necessary for an understanding of the financial statements.

The following are examples of transactions that are disclosed if they are with a Related Party:

- (a) Purchases or sales of goods;
- (b) Purchases or sales of property and other assets;
- (c) Rendering or receiving of services;
- (d) Leases;
- (e) Transfers under licence agreements;
- (f) Transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- (g) Provision of guarantees or collateral; and
- (h) Settlement of liabilities on behalf of the entity by another party or by the entity on behalf of another party.

Related Party transactions and outstanding balances with other entities in a Group are disclosed in an entity's financial statements. If applicable, certain intra-group Related Party transactions and outstanding balances are eliminated in the preparation of Consolidated Financial Statements of a Group.

14. Contingent liabilities

Unless the possibility of any outflow in settlement is remote, an entity shall disclose for each class of contingent liability at the balance sheet date a brief description of the nature of the contingent liability and, where practicable:

- An estimate of its financial effect;
- An indication of the uncertainties relating to the amount or timing of any outflow; and
- The possibility of any reimbursement.

Examples of contingent liabilities include:

- Amounts that may become payable to other parties, in respect of player registrations;
- Guarantees to Banks in respect of related parties; or
- Amounts that are subject to litigation.

This listing is not all-inclusive.

Notes to the financial statements – Commentary/Guidance

15. Controlling party

When the Reporting Entity is controlled by another party, there shall be disclosure of the Related Party relationship and the name of that party and, if different, that of the ultimate controlling party. If the controlling party or ultimate controlling party of the Reporting Entity is not known, that fact shall be disclosed. This information shall be disclosed irrespective of whether any transactions have taken place between the controlling parties and the Reporting Entity.

16. Events after the balance sheet date

It is considered good practice to disclose Material non-adjusting events after the balance sheet date. Disclose the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made. Examples of events or conditions which would fall into this category include:

- Fixed term borrowing approaching maturity without realistic prospects of renewal or repayment;
- Substantial operating losses;
- Discovery of Material fraud or errors that show the financial statements are incorrect;
- Management determines that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to so do;
- Player transactions where the amounts paid or received are significant;
- Transactions relating to property – for example, in relation to the club's stadium.

Cash Flow Statement – indirect method – Commentary/Guidance

Introduction

Licence Applicants are required to prepare and present Annual Financial Statements based on the accounting standards required by local legislation. For the purpose of AFC Club Licensing requirements, the Audited Annual Financial Statements must contain all items listed in *Guidance Note 1* of the Handbook.

Notwithstanding the National Accounting Practice, the financial criteria require Licence Applicants to present a minimum level of Historic Financial Information in the cash flow statement – as summarized in *Guidance Note 1* of the Handbook.

The cash flow statement Illustrative Example provides an illustration of how the minimum information may be presented (using the indirect method). However, the requirements of National Accounting Practice may require presentation in a different form, in certain respects, from the illustrative presentation given in this Document, which is acceptable as long as all the minimum information is contained therein.

The cash flow statement may also be presented using the direct method – an example of which is also given earlier in this Document. Cash flows are inflows and outflows of Cash and Cash Equivalents.

Template 5: Illustrative Example Cash flow statement – indirect method

For the year ended [date] 20XX

Reconciliation of operating profit to operating cash flows

	Notes	20XX [currency]	20YY [currency]
Operating profit			
Depreciation and Amortization			
Profit on sale of tangible fixed assets			
Increase in inventories			
Decrease in debtors			
Increase in creditors			
Decrease in provisions			
Other <i>[describe]</i>			
Net cash inflow from operating activities			
Cash flows from investing activities			
Cash receipts from sale of property, plant and equipment			
Cash payments to acquire property, plant and equipment			
Cash receipts from sale of player registrations			
Cash payments to acquire player registrations			
Cash receipts from sale of other long term assets			
Cash payments to acquire other long term assets			
Cash receipts from sale of financial investments			
Cash payments to acquire new financial investments			
Cash receipts in relation to receipts of loans from non-financial institutions			
Cash payments in relation to repayment of loans to non-financial institutions			
Cash inflow/outflow from investing activities			
Cash flows from financing activities			
Cash receipts from issuing short or long-term borrowings			
Cash payments in relation to repayment of amounts borrowed			
Cash receipts from an increase in capital			
Cash payments to acquire or redeem the entity's shares			
Cash inflow/outflow from financing activities			
Net increase/decrease in cash			

Cash Flow Statement – Commentary/Guidance

Cash flows from operating activities

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. An entity shall report cash flows from operating activities using either:

- i. the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed; or
- ii. the indirect method, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income and expense Associated with investing or financing cash flows.

The amount of cash flows arising from operating activities is a key indicator of the extent to which the operations of the entity have generated sufficient cash flows to repay loans, maintain the operating capability of the entity, pay dividends and make new investments without recourse to external sources of financing. Information about the specific components of historical operating cash flows is useful, in conjunction with other information, in forecasting future operating cash flows.

Cash flows from operating activities are primarily derived from the principal revenue-producing activities of the entity. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss. Licence Applicants are encouraged to report cash flows from operating activities using the direct method. The direct method provides information which may be useful in estimating future cash flows and which is not available under the indirect method.

Cash flows from investing activities

Investing activities are the acquisition and disposal of long-term assets (including player registrations) and other investments not included in cash equivalents. The entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing activities.

The separate disclosure of cash flows arising from investing activities is important because the cash flows represent the extent to which expenditures have been made for resources intended to generate future income and cash flows.

Cash flows from financing activities

Financing activities are activities that result in changes in the size and composition of the contributed equity share capital and borrowings of the entity. The entity shall report separately major classes of gross cash receipts and gross cash payments arising from financing activities.

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity.

Other cash flows

Cash flows from interest and dividends received and paid should each be disclosed separately. Each should be disclosed in a consistent manner from period to period as either operating, investing or financing activities.

Cash flows arising from taxes on income should be separately disclosed and shall be classified as cash flows from operating activities unless they can be appropriately and specifically identified with financing and investing activities.

DOCUMENT III: Promoted Applicants: Guidance on Relaxation of Disclosure Requirements

This Document provides some guidance about dealing with promoted Licence Applicants.

Promoted Licence Applicants are those clubs which, following promotion to the top division, are required by their Licensor to undergo the Club Licensing System for the first time. The submission deadline shall be determined by the Licensor.

If required to undergo the Club Licensing System, all of the criteria F.01 to F.09 shall apply to the promoted applicants, although some of the disclosure requirements may be relaxed. Disclosure requirements may be relaxed because, if a Licence Applicant was previously outside the top division, it may not have been subject to club licensing requirements and may not have prepared Historic Financial Information adequate for Club Licensing purposes.

For promoted Licence Applicants, unless otherwise required by national law/practice, the following disclosure requirements may be relaxed:

- In respect of F.01, no comparatives are required to be disclosed in the Audited Annual Financial Statements;
- In respect of F.02, no comparatives are required to be disclosed for the comparable Interim Period; and
- In respect of criterion F.06, there is no requirement to disclose comparable Financial Year or Interim Period information.

If, at the end of the first season in the top division, the promoted applicant has not been relegated, it is no longer classed as a promoted applicant. After the end of its first season in the top division, the Licence Applicant is then subject to the usual Club Licensing procedures, without any relaxation of disclosure requirements.

DOCUMENT IV: Annual Financial Reporting: Template Player Identification Table

A template “Player Identification Table” is attached.

Refer to section 1.2.4.6 and *Guidance Note 3* for the requirements in relation to the player identification table. The player identification table must be provided to the auditor. However, the player identification table does not need to be disclosed within the Annual Financial Statements, nor does it have to be submitted to the Licensor.

Guidance Note 3 also provides an illustration of a player identification table.

Template 7:

TEMPLATE 7

Player Identification Table

Licence Applicant Name
Year ended [Date] 20XX

Player Details				Direct Costs of Acquiring the Registration			Accumulated Amortisation					Carrying Amount		Other	
Name	Date of Birth	Start Date Of Contract	End Date Of Contract	Brought Forward Previous Period	Additions / (Disposals)	As at End Of Period	Brought Forward Previous Period	Amortisation Current Period	Impairment Current Period	Disposals	As at End Of Period	Brought Forward Previous Period	As at End Of Period	Sale Proceeds	Profit / (Loss) Disposal of Player Registration
				(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f)	(g)	(h) = (d) + (e) + (f) - (g)	(i) = (a) - (d)	(j) = (c) - (h)	(k)	(l)
Acquired Players															
Player 1															
Player 2															
Player 3															
Player 4															
Loaned Players															
Player 5															
Player 6															
Player 7															
Player 8															
Total															
								(e)	(f)				(j)		(l)

(e)	Aggregate figure must agree to Amortisation of players' registrations as disclosed in Profit & Loss Account and/or Balance Sheet in the annual financial statements
(f)	Aggregate figure must agree to Impairment of players' registrations as disclosed in Profit & Loss Account and/or Balance Sheet in the annual financial statements
(j)	Aggregate figure must agree to carrying value of intangible assets (players' registrations) as disclosed in the Balance Sheet in the annual financial statements
(l)	Aggregate figure must agree to profit or loss from disposal of players' registrations as disclosed in the annual financial statements

Confirmed on behalf of Licence Applicant that the information in the table above is accurately compiled and completed

Signature

Date

On behalf of licence applicant

DOCUMENT V: Annual Financial Reporting: Illustrative Form of Agreed-Upon Procedures on Supplementary Information

As described in section 1.2, if the minimum requirements for the content of the annual financial information and accounting principles are not met in the Annual Financial Statements, then the Licence Applicant will be required to prepare Supplementary Information in order to meet the minimum requirements. The content and presentation of the Supplementary Information, if required at all, will vary between Licence Applicants depending on the amount of information already disclosed in the separate Annual Financial Statements.

The Supplementary Information must be prepared on a basis of accounting, and Accounting Policies, consistent with the Annual Financial Statements. Financial information must be extracted from sources consistent with those used for the preparation of the financial statements. Where appropriate, disclosures in the Supplementary Information must agree, or reconcile, to the relevant disclosures in the financial statements.

International Standard on Related Services (ISRS) 4400, 'Engagements to Perform Agreed-upon Procedures Regarding Financial Information' provides further guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Upon Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. The Licensor may wish to develop a standard form of Agreed-Upon Procedures, appropriate for its national legislation and practice, through consultation with the national institute of chartered accountants (or similar body) in the country.

Some guidance is provided in this document about Agreed-Upon Procedures work and an illustrative factual findings report is provided.

Objective of Agreed-Upon Procedures work

The objective of an Agreed-Upon Procedures engagement is for the auditor to carry out procedures of an Audit nature, to which the auditor and the entity and any appropriate third parties have agreed, and to report on factual findings. As the auditor simply provides a report of the factual findings of Agreed-Upon Procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor's work.

The auditor's report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

Procedures

The auditor should carry out the procedures agreed-upon and use the evidence obtained as the basis for the report of factual findings. The procedures applied in an engagement to perform Agreed-Up Upon Procedures may include the following:

- Inquiry and analysis;
- Re-computation, comparison and other clerical accuracy checks;
- Observation;
- Inspection; and
- Obtaining confirmations.

Illustrative contents of a report of factual findings for an Agreed-Up Upon Procedures engagement

The report of factual findings should contain:

- Addressee (the Licence Applicant who engaged the auditor to perform the Agreed-Up Upon Procedures);
- Identification of specific financial or non-financial information to which the Agreed-Up Upon Procedures have been applied (i.e. in this illustration, the Supplementary Information);
- A statement that the procedures performed were those agreed upon with the recipient;
- Identification of the purpose for which the Agreed-Up Upon Procedures were performed;
- A listing of the specific procedures performed;
- A description of the auditor's factual findings including sufficient details of errors and exceptions found;
- Statement that the procedures performed do not constitute either an Audit or a Review and, as such, no assurance is expressed;
- A statement that had the auditor performed additional procedures, an Audit or a Review, other matters might have come to light that would have been reported;
- A statement that the report is restricted to those parties that have agreed to the procedures to be performed;
- A statement (when applicable) that the report relates only to the matters specified and that it does not extend to the entity's financial statements taken as a whole;
- Date of the report; and
- Auditor's address and signature.

Template 8: ILLUSTRATIVE REPORT OF FACTUAL FINDINGS TO [LICENCE APPLICANT] (“THE CLUB”)

Further to the requirements of the Club Licensing Regulations of [Licensor], we have been engaged by the Club, under the terms of our engagement letter dated [date], to perform certain procedures in relation to the attached Supplementary Information dated [date].

The Supplementary Information is the responsibility of, and has been approved by, the directors of the Club. The directors are responsible for preparing the Supplementary Information and must ensure that the Accounting Policies and presentation applied to the Supplementary Information are consistent with those applied in preparing the annual accounts for the year ended [date] 20XX, except where any changes, and the reasons for them, are disclosed.

Our report has been prepared solely for the Club in connection with its application for a Club Licence. It has been released to the Club and, for information purposes only, to [Licensor] on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save for the Club and [Licensor] own internal purposes), without our prior written consent.

Our report was designed to meet the agreed requirements of the Club. Our report should not therefore be regarded as suitable to be used or relied on by any party other than the Club. Any party other than the Club which obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of our report to anyone other than the Club.

Our work consisted of the following procedures:

1. We compared the total(s) in the Supplementary Information to the related names and amounts in the Annual Financial Statements.
2. We checked the arithmetical accuracy of the Supplementary Information and we compared the total(s) to the related descriptions and amounts in the trial balance.
3. We obtained the supporting analysis and information prepared by the directors and compared the information to the Supplementary Information.
4. We obtained representations from the directors of the Club that the information contained in the Supplementary Information was prepared on the basis of Accounting Policies and presentation consistent with those applied in preparing the annual accounts for the year ended [date] 20XX, except where any changes, and the reasons for them, are disclosed.

Based solely on the work described above:

- With respect to item 1, we found the amounts compared to be in agreement.
- With respect to item 2, we found the addition to be correct and the total(s) to be in agreement.
- With respect to item 3, we found the amounts compared to be in agreement or reconciled.
- With respect to item 4, we found the representations to be consistent with the Supplementary Information we have inspected.

[Detail any exceptions]

Our work was restricted to the procedures set out above and was not directed to the discovery of errors or misstatements which we consider to be immaterial. The procedures we performed did not

constitute an Audit or a Review of any kind. Had we performed additional procedures or had we performed an Audit or Review of the Supplementary Information, other matters might have come to our attention that would have been reported to you. This report relates only to the Supplementary Information of the Club and does not extend to any financial statements of the Club, taken as a whole.

We do not accept any responsibility for any reports previously given on any financial information used in the preparation of this report (including any Audit reports on the financial statements or tax advice provided) beyond that owed to those to whom those reports were addressed by us at the date of their issue. This provision shall also apply to any reports (including Audit reports and tax advice) issued in future.

(Signature)
Auditor

[Date of report]

DOCUMENT VI: Annual Financial Reporting: Commentary Regarding Audit Reports – Contents and Different Forms of Opinion

Introduction

These are notes to assist the reader's understanding of the basic elements of the auditor's report and the different types of Audit opinion that can be provided in respect of the Annual Financial Statements.

International Standard on Auditing (ISA) 700 (Revised), 'The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements' and ISA 701, 'Modifications to the Independent Auditor's Report', provide further guidance. However, national legislation and practice may differ.

The auditor should Review and assess the conclusions drawn from the Audit evidence obtained as the basis for the expression of an opinion on the financial statements.

The auditor's report should contain a clear written expression of opinion on the financial statements taken as a whole. The objective of an Audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all Material respects, in accordance with the applicable financial reporting framework.

Basic elements of the auditor's report

The auditor's report includes the following basic elements, ordinarily in the following layout:

- (a) Title;
- (b) Addressee;
- (c) Introductory paragraph, including:
 - (i) Identification of the entity whose financial statements have been Audited;
 - (ii) Identification of the title of each of the financial statements that comprise the complete set of financial statements, reference to the summary of significant Accounting Policies and other explanatory notes and the date and period covered;
- (d) Management's responsibility for the financial statements;
- (e) Auditor's responsibility, including:
 - (i) A reference to the International Standards on Auditing or the relevant national standards/practices;
 - (ii) A description of the work the auditor performed;
- (f) Auditor's opinion;
- (g) Other reporting responsibilities (if applicable);

- (h) Auditor's signature;
- (i) Date of the auditor's report; and
- (j) Auditor's address.

Opinion paragraph

The opinion paragraph of the auditor's report should clearly indicate the financial reporting framework used to prepare the financial statements (including identifying the country of origin of the financial reporting framework when the framework used is not IFRS) and state the auditor's opinion as to whether the financial statements give a true and fair view (or are presented fairly, in all Material respects) in accordance with that financial reporting framework and, where appropriate, whether the financial statements comply with relevant statutory requirements.

The terms used to express the auditor's opinion are "give a true and fair view" or "present fairly, in all Material respects" and are equivalent. Both terms indicate, amongst other things, that the auditor considers only those matters that are Material to the financial statements.

The auditor's report

The diagram in *Guidance Note 5* summarizes the different types of Audit opinion and the implications of each for the Licensor's decision making.

Unqualified opinion

An **unqualified opinion** (or 'clean' opinion) should be expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly in all Material respects) in accordance with the identified financial reporting framework. An unqualified opinion also indicates implicitly that any changes in accounting principles or in the method of their application, and the effects thereof, have been properly determined and disclosed in the financial statements.

The following is an illustration of an expression of an unqualified opinion:

"In our opinion, the financial statements give a true and fair view of (or present fairly, in all Material respects), the financial position of [Reporting Entity] as of [date] 20XX, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards (or [title of financial reporting framework with reference to the country of origin]) (and comply with [relevant statutes of law])."

Modified reports

An auditor's report is considered to be modified in the following situations.

- (a) Matters that do not affect the auditor's opinion (and hence the auditor's opinion is still classed as 'unqualified'):

 - (i) Emphasis of matter

- (b) Matters that do affect the auditor's opinion:

 - (i) Qualified opinion,
 - (ii) Disclaimer of opinion, or
 - (iii) Adverse opinion.

(a) Matters that do not affect the auditor's opinion

In certain circumstances, an auditor's report may be modified by adding an **emphasis of matter** paragraph to highlight a matter affecting the financial statements which is included in a note to the financial statements that more extensively discusses the matter. The addition of such an emphasis of matter paragraph does not affect the auditor's opinion. The paragraph would preferably be included after the opinion paragraph and would ordinarily refer to the fact that the auditor's opinion is not qualified in this respect.

The auditor should modify the auditor's report by adding a paragraph to highlight a Material matter regarding a Going Concern problem.

The auditor should consider modifying the auditor's report by adding a paragraph if there is a significant uncertainty (other than a Going Concern problem), the resolution of which is dependent upon future events and which may affect the financial statements. An uncertainty is a matter whose outcome depends on future actions or events not under the direct control of the entity but that may affect the financial statements.

If adequate disclosure is made in the financial statements, the auditor should express an unqualified opinion but modify the auditor's report by adding an emphasis of matter paragraph that highlights the existence of a Material uncertainty relating to the event or condition that may cast significant doubt on the entity's ability to continue as a Going Concern. The following is an example of such a paragraph:

"Without qualifying our opinion, we draw attention to Note X in the financial statements which indicates that the Company incurred a net loss of [amount] during the year ended [date] 20XX and, as of that date, the Company's current liabilities exceeded its total assets by [amount]. These conditions, along with other matters as set forth in Note X, indicate the existence of a Material uncertainty which may cast significant doubt about the Company's ability to continue as a Going Concern."

(b) Matters that do affect the auditor's opinion

An auditor may not be able to express an unqualified opinion when either of the following circumstances exists and, in the auditor's judgement, the effect of the matter is or may be Material to the financial statements:

- (i) There is a limitation on the scope of the auditor's work; or
- (ii) There is a disagreement with Management regarding the acceptability of the Accounting Policies selected, the method of their application or the adequacy of financial statement disclosures.

The circumstances described in (i) could lead to a qualified opinion or a disclaimer of opinion. The circumstances described in (ii) could lead to a qualified opinion or an adverse opinion.

Circumstances that may result in other than an unqualified opinion

- (i) A **limitation on the scope** of the auditor's work may sometimes be imposed by the entity. A scope limitation may be imposed by circumstances (for example, when the timing of the auditor's appointment is such that the auditor is unable to observe the counting of physical inventories). It may also arise when, in the opinion of the auditor, the entity's accounting records are inadequate or when the auditor is unable to carry out an Audit procedure believed to be desirable. In these circumstances, the auditor would attempt to carry out reasonable alternative procedures to obtain sufficient appropriate Audit evidence to support an unqualified opinion.

When there is a limitation on the scope of the auditor's work that requires expression of a qualified opinion or a disclaimer of opinion, the auditor's report should describe the limitation and indicate the possible adjustments to the financial statements that might have been determined to be necessary had the limitation not existed.

- (ii) The auditor may **disagree with** Management about matters such as the acceptability of Accounting Policies selected, the method of their application, or the adequacy of disclosures in the financial statements. If such disagreements are Material to the financial statements, the auditor should express a qualified or an adverse opinion.

Matters affecting auditor's opinion – type of opinion

- (i) A **qualified opinion** should be expressed when the auditor concludes that an unqualified opinion cannot be expressed but that the effect of any disagreement with Management, or limitation on scope is not so Material and pervasive as to require an adverse opinion or a disclaimer of opinion. A qualified opinion should be expressed as being 'except for' the effects of the matter to which the qualification relates.

- (ii) A **disclaimer of opinion** should be expressed when the possible effect of a limitation on scope is so Material and pervasive that the auditor has not been able to obtain sufficient appropriate Audit evidence and accordingly is unable to express an opinion on the financial statements.
- (iii) An **adverse opinion** should be expressed when the effect of a disagreement is so Material and pervasive to the financial statements that the auditor concludes that a qualification of the report is not adequate to disclose the misleading or incomplete nature of the financial statements.

Whenever the auditor expresses an opinion that is other than unqualified, a clear description of all the substantive reasons should be included in the report and, unless impracticable, a quantification of the possible effect(s) on the financial statements. Ordinarily, this information would be set out in a separate paragraph preceding the opinion or disclaimer of opinion and may include a reference to a more extensive discussion, if any, in a note to the financial statements.

DOCUMENT VII: Interim Financial Reporting: Commentary on Recognition and Measurement

Historic Financial Information may continue to be prepared on the basis of National Accounting Practice requirements. Notwithstanding that the financial handbook does not prescribe the basis for the recognition and measurement of transactions and other events in Interim Financial Statements, this document provides some guidance based on International Accounting Standard 34 'Interim Financial Reporting' (IAS 34).

For further information and guidance, refer to relevant National Accounting Practice or the full version of IAS 34.

For football clubs with a summer Financial Year end (for example, 30 June), interim reporting will occur in mid-season, most frequently between November and January. In particular, this presents the issue of how to treat, in Interim Financial Statements, revenues and costs which are:

- Received or paid for the season as a whole; or
- Contingent on performance (and which is not certain at the interim stage).

In deciding how to recognize, measure, classify, or disclose an item for interim financial reporting purposes, Materiality should be assessed in relation to the Interim Period financial data. In making assessments of Materiality, it should be recognized that interim measurements may rely on estimates to a greater extent than measurements of annual financial data at the Statutory Closing Date.

This document has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances.

Revenues

Revenues that are received seasonally, cyclically, or occasionally within a Financial Year should not be either anticipated or deferred as of an interim date if that anticipation of deferral would not be appropriate if the same circumstances existed at the end of the Licence Applicant's full Financial Year.

The illustrative application of this principle to certain key revenue streams for football clubs is summarized below:

Gate receipts / ticketing

Revenue from match day gate receipts and corporate sales should be recognized as it is earned as individual matches are played. Season ticket sales should be recognized with respect to the proportion of games that have been played at the interim financial reporting date.

Sponsorship

Basic receipts should be recognized in line with the club's revenue recognition accounting policy. Where contracted amounts are paid annually, revenue may be recognized with reference to the proportion of the season or year that has been completed.

Media (TV) Rights and other Broadcasting rights

Basic receipts should be recognized with respect to the proportion of the contract fulfilled at the interim financial reporting date (e.g. if there are 34 league matches in a season and 20 have been completed by the interim date, recognize 20/34ths of the amount for the season).

Performance related awards should not be anticipated.

AFC competition revenue should be recognized as an appropriate proportion of the minimum amount that the club is contractually obliged to receive (performance should not be anticipated). If a club has been eliminated from an AFC competition prior to its interim reporting balance sheet date, all revenue that the club is contractually obliged to receive from that competition should be recognized in the interim reporting period. If a club has not been eliminated from an AFC competition by its interim reporting balance sheet date, only an appropriate proportion of the minimum amount that the club is contractually obliged to receive should be recognized.

Commercial

Revenue for specific events or matches should be recognized as the event or match takes place. Revenue receipts relating to the whole season should be recognized on the basis of the proportion of matches completed at the interim date.

Merchandising sales should be recognized on an earned basis.

Costs

Costs that are incurred unevenly during a Licence Applicant's Financial Year should be anticipated (accrued) or deferred (prepaid or carried forward) for interim reporting purposes if, and only if, it would also be appropriate to anticipate or defer that type of cost at the end of the Financial Year.

Players' basic wages, non-contingent bonuses (that effectively accrue over time), match day expenses and other staff salaries should be recognized on the basis of when they are incurred.

Signing on fees to players should be charged evenly to the Profit and Loss statement over the period of the player's contract, not on a 'cash accounting' basis. If these are paid annually in advance there will be a prepayment at the interim date.

Loyalty bonuses should be recognized on a proportional basis if they are not contingent. If the loyalty bonuses are contingent, they should not be anticipated.

Contingent bonuses (e.g. bonuses for Asian / World Club competition qualification) should not be anticipated unless the contingency has already been met. If the contingency has been met, then the entire amount should be expensed.

DOCUMENT VIII: Interim Financial Reporting: Commentary on Specific Explanatory Notes

In addition to the minimum information requirements set out in section 1.3.4, as good practice, a Reporting Entity should include the following information in the notes to its Interim Financial Statements, if Material and if not disclosed elsewhere in the interim financial report.

Events or transactions that are Material to an understanding of the current Interim Period may include:

- Explanatory comments about the seasonality or cyclical nature of interim operations;
- The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;
- The nature and amount of changes in estimates of amounts reported in prior Interim Periods of the current Financial Year or changes in estimates of amounts reported in prior Financial Years, if those changes have a Material effect in the current Interim Period;
- Issuances, repurchases, and repayments of debt and equity securities;
- Dividends paid (aggregate or per share) separately for ordinary shares and other shares;
- Material events subsequent to the end of the Interim Period that have not been reflected in the financial statements for the Interim Period;
- The effect of changes in the composition of the entity during the Interim Period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinued operations; and
- Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

Examples of the kinds of disclosures that are good practice are set out below:

- Recognition of a loss from the impairment of player registrations, property, plant, and equipment, or other assets, and the reversal of such an impairment loss;
- The reversal of any provisions for the costs of restructuring;
- Acquisitions and disposals of items of property, plant, and equipment;
- Commitments for the purchase of property, plant, and equipment;
- The write-down of inventories to net realizable value and the reversal of such a write-down;
- Material litigation settlements;
- Corrections of prior period errors such as fundamental errors in previously reported financial data;

- Any loan debt default or any breach of a loan agreement debt covenant that has not been remedied on or before the balance sheet date; and a note as to whether it has been corrected subsequently; and
- Related Party transactions.

DOCUMENT IX: Interim Financial Reporting: Illustrative Form of Review Report that May be Issued from an Engagement to Review Interim Financial Statements

The procedures required to conduct a Review of the Interim Financial Statements should be determined by the auditor having regard to, either:

- (i) The requirements of International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'; or
- (ii) Relevant national standards or practices for Review of interim financial information where these comply with, as a minimum, the requirements of ISRE 2410.

If an auditor is engaged to perform a Review of interim financial information, and who is not the auditor of the entity, then the Review should be conducted in accordance with ISRE 2400, 'Engagements to Review Financial Statements'.

It is recommended that, in the course of developing the National Club Licensing Regulations, each Licensor should seek to agree, with its national institute of chartered accountants (or similar body), a form of Review report in relation to Interim Financial Statements.

Below is provided an illustrative example of a form of unqualified (or 'clean') Review report that will need to be adjusted for the circumstances in each territory.

Template 9: ILLUSTRATIVE REVIEW REPORT TO [LICENCE APPLICANT]

In accordance with the terms of our engagement letter dated [date], we have Reviewed the accompanying financial information of [Licence Applicant] for the [six] months ended [date] 20XX comprising the profit and loss statement, the balance sheet, the cash flow statement and related notes 1 to [number]. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with [the identified financial reporting framework, identifying the country of origin of the financial reporting framework when the framework used is not IFRS]. Our responsibility is to express a conclusion on this interim financial information based on our Review.

This report has been prepared solely for [Licence Applicant] in connection with the interim financial report. Our work has been undertaken so that we might state to [Licence Applicant name] those matters we are required to state to them in an independent Review report and for no other purpose. Our report has been released to [Licence Applicant] and [Licensor] on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save for the [Licence Applicant] and [Licensor] own internal purposes), without our prior written consent. To the fullest extent permitted by law, we do not accept or assume responsibility or liability to anyone other than [Licence Applicant] for our Review work, for this reports, or for the conclusions we have formed.

Scope of Review

We conducted our Review in accordance with the International Standard on Review Engagements 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ [or refer to relevant national standards or practices]. This Standard requires that we plan and perform the Review to obtain moderate assurance as to whether the financial statements are free of Material misstatement. A Review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other Review procedures. A Review is substantially less in scope than an Audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an Audit. Accordingly, we do not express an Audit opinion.

Conclusion

Based on our Review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Statements do not give a true and fair view of [or ‘does not present fairly, in all Material respects’], the financial position of [Licence Applicant] at [date] 20XX, and of its financial performance and its cash flows for the [six] month period then ended in accordance with [the identified financial reporting framework, identifying the country of origin of the financial reporting framework when the framework used is not IFRS].

(Signature)

Auditor

[Date of report]

[Address]

DOCUMENT X : Declaration in Respect of No Payables Overdue
Towards Football Clubs Arising from Transfer Activities

Template 10:

Club Letterhead

I, _____ (Name) _____ (Aged)

Residing at _____

being the _____ (Job Title)

of the _____ (Club's Name)

_____ (Registration Number)

_____ (Club's Address)

Do hereby on behalf of the club declare that:

- 1) I am the authorized signatory of the above named football club.
- 2) I hereby certify that there are no overdue payables towards football clubs arising from transfer activities as at 31 August 20XX.

I certify that the above statements are true and correct to the best of my knowledge.

(Signature of Declarant)

[Name]

[Date]

[Job Title]

[Name of the Club]

DOCUMENT XI : Transfers Payable Table

A template “Transfers Payable Table” is attached.

Refer to section 1.4.4.2 and *Guidance Note 10* for the requirements in relation to the transfers payable table. The transfers payable table must be provided to the Licensor, unless the information is already disclosed to the Licensor under existing national transfer requirements.

Guidance Note 10 also provides an illustration of a transfers payable table.

Template 11:

Transfer Payables Table

License Applicant Name
As at (Date) 20XX

Player Details				Direct Costs of Acquiring the Registration				Amount Paid	Amount Payable at DATE				Other		
Name	Date of Birth	Date Transfer / Loan Agreement	From (Club)	Unconditional Transfer / Loan fee to former club paid and/or payable	Conditional transfer fees paid and/or payable to former club	Training Compensation	Other Direct Costs	Total Amount Capitalised at DATE	Total Amount Paid By DATE	Total Amount Payable at DATE	To Football Club	Due Dates	To Other Parties	Unrecognised conditional transfer fees at DATE (i.e. contingent liability)	Comments on Overdue Payables at DATE
				(a)	(b)	(c)	(d)	(e) = (a) + (b) + (c) + (d)	(f)	(g) = (f) + (a)	(h)		(i)	(j)	
Acquired Players										(g) = (h) + (i)					
Player 1															
Player 2															
Player 3															
Player 4															
Loaned Players															
Player 5															
Player 6															
Player 7															
Player 8															
Total															
										(g)	(h)			(j)	
(g)	Aggregate figure must agree to relevant Balance Sheet disclosure for "Accounts Payable relating to player transfers"														
(h)	Disclose the amount payable to a club and the associated due date. If the amount is payable in more than one instalment, disclose the amount of each instalment and associated due date. (In effect, this is the amount that criterion F22 is addressing)														
(j)	Under the terms of contracts with other football clubs in respect of player transfers, additional amounts will become payable if certain conditions are met														

Confirmed on behalf of License Applicant that the information in the table above is accurately compiled and completed

Signature Date

On behalf of license applicant

DOCUMENT XII : Transfers Payable Reporting: Illustrative Form of Agreed-Upon Procedures

As described in section 1.4, unless the information is already disclosed to the Licensor under existing national transfer regulations, the Licence Applicant must disclose certain player transfer activities information as at 30 June preceding the Season to be Licensed in a transfers payable table. The Licensor may decide to require Independent Auditors to carry out some of the Assessment Procedures in relation to the transfers payable information.

The transfers payable table must contain a separate entry in respect of each player acquisition (including loans) for which there is outstanding payables at 30 June. The following information – as described in section 1.4.4.2 and *Guidance Note 10* of the financial handbook and in the illustrative example in *Guidance Note 10* – must be given as a minimum:

- i) Player (identification by name or number);
- ii) Date of the transfer/loan agreement;
- iii) The name of the football club that formerly held the registration;
- iv) Transfer (or loan) fee paid and/or payable (including training compensation);
- v) Other direct costs of acquiring the registration paid and/or payable;
- vi) Amount settled/paid; and
- vii) The balance in respect of each player acquisition payable at 30 June, detailed by due date(s) for each unpaid element of the transfers payable.

In addition, the Licence Applicant must reconcile the total liability per the transfers payable table with the figure in the balance sheet (if applicable) for 'Accounts payable relating to player transfers'. The Licence Applicant is required to report in the transfers payable table all overdue payables even if payment has not been requested by the creditor.

For the purpose of criterion F.03, payables are those amounts due only to football clubs arising from the Direct Costs of Acquiring a Player's Registration.

International Standard on Related Services (ISRS) 4400 'Engagements to Perform Agreed-upon Procedures Regarding Financial Information' provides some further guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Upon Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. The Licensor may wish to develop a standard form of Agreed-Upon Procedures, appropriate for its national legislation and practice, through consultation with the national institute of chartered accounts (or similar body) in the relevant country.

Some guidance is provided in this document about Agreed-Upon Procedures work and an illustrative factual findings report is also provided. The illustrative report will need to be adjusted for the circumstances in each territory.

Objective of Agreed-Upon Procedures Work

The objective of an Agreed-Upon Procedures engagement is for the auditor to carry out procedures of an Audit nature, to which the auditor and the entity and any appropriate third parties have agreed, and to report on factual findings. As the auditor simply provides a report of the factual findings of Agreed-Upon Procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor's work.

The auditor's report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

Procedures

The auditor should carry out the procedures agreed upon and use the evidence obtained as the basis for the report of factual findings. The procedures applied in an engagement to perform Agreed-Upon Procedures may include the following : -

- Inquiry and analysis;
- Re-computation, comparison and other clerical accuracy checks;
- Observation;
- Inspection; and
- Obtaining confirmations.

Illustrative contents of a report of factual findings for an Agreed-Upon Procedures engagement

The report of factual findings should contain:

- Addressee (the Licence Applicant who engaged the auditor to perform the Agreed-Upon Procedures);
- Identification of specific financial or non-financial information to which the Agreed-Upon Procedures have been applied (i.e. in this illustration, the transfers payable table);
- A statement that the procedures performed were those agreed upon with the recipient (i.e. the Licence Applicant);
- Identification of the purpose for which the Agreed-Upon Procedures were performed;
- A listing of the specific procedures performed;
- A description of the auditor's factual findings including sufficient details of errors and exceptions found;

- Statement that the procedures performed do not constitute either an Audit or a Review and, as such, no assurance is expressed;
- A statement that had the auditor performed additional procedures, an Audit or a Review, other matters might have come to light that would have been reported;
- A statement that the report is restricted to those parties that have agreed to the procedures to be performed;
- A statement (when applicable) that the report relates only to the matters specified and that it does not extend to the entity's financial statements taken as a whole;
- Date of the report; and
- Auditor's address and signature.

Template 12: ILLUSTRATIVE REPORT OF FACTUAL FINDINGS TO [LICENCE APPLICANT NAME] (“THE CLUB”)

Further to the requirements of the Club Licensing Regulations of [Licensor], we have been engaged by the Club, under the terms of our engagement letter dated [date], to perform certain procedures in relation to the attached transfers payable table as at 30 June 20XX.

The transfers payable table is the responsibility of, and has been approved by, the directors of the Club.

Our report has been prepared solely for the Club in connection with its application for a Club Licence. It has been released to the Club and for information purposes only to [Licensor] on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save for the Club’s and [Licensor’s] own internal purposes), without our prior written consent.

Our report was designed to meet the agreed requirements of the Club. Our report should not therefore be regarded as suitable to be used or relied on by any party other than the Club. Any party other than the Club which obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of our report to anyone other than the Club.

Scope of work

Our work consisted of the following procedures:

1. Agreeing the total in the transfers payable table to the ‘Accounts payable relating to player transfers’ amount in the annual [or interim] financial statements as at 31 December 20XX.
2. Checking the arithmetic accuracy of the transfers payable table.
3. Inspection of a randomly selected sample of [number] player transfer agreements and comparing the information to that contained in the transfers payable table.
4. Obtaining representations from the directors of the Club that either:
 - (i) the balance in respect of each player that was due to have been paid by 31 December 20XX has been fully paid as of the date of our examination [or by 31 March 20YY if date of examination is later]; [or*]
 - (ii) an agreement has been reached for payment on deferred terms in respect of [identify player(s)]; [or*]
 - (iii) a dispute has arisen in respect of [identify player(s)] and is subject to resolution by [name of competent national or international body].
5. Examination of the bank statements, in support of the representations under 4(i) above.
6. Examination of documents, including agreements with the relevant football club(s) and/or correspondence with the competent body, in support of the representations under 4(ii) [and/or*] 4(iii) above.

Conclusion

Based solely on the work described above, in our opinion:

[either*]

All the recorded transfers payable amounts due to football clubs that were due to have been paid by 30 June 20XX have according to the accounting records of the Club since that date been paid in full by 31 August 20YY;

[or*]

All the recorded transfers payable amounts due to football clubs that were due to have been paid by 30 June 20XX have, according to the accounting records of the Club, since that date been paid in full by 31 August 20YY, except for the amount in respect of [identify player(s) by name or number] which is in the course of payment under an agreement with the club concerned (a copy of the agreement letter is attached) [and/or*] which is in the course of a dispute that has been submitted to a competent authority (a copy of the correspondence with the competent authority is attached).

[or*]

[Detail any exceptions]

Our work was restricted to the procedures set out above and was not directed to the discovery of errors or misstatements which we consider to be immaterial. The procedures we performed did not constitute an Audit or a Review of any kind. Had we performed additional procedures or had we performed an Audit or Review of the transfers payable table, other matters might have come to our attention that would have been reported to you. This report relates only to the transfers payable table and does not extend to any financial statements of the Club, taken as a whole.

We do not accept any responsibility for any reports previously given on any financial information used in the preparation of this report (including any Audit reports on the financial statements or tax advice provided) beyond that owed to those to whom those reports were addressed by us at the date of their issue. This provision shall also apply to any reports (including Audit reports and tax advice) issued in future.

(Signature)
Auditor

[Date of report]

*delete as appropriate

DOCUMENT XIII : Transfers Receivable Table

A template “Transfers Receivable Table” is attached.

Refer to section 1.4.4.3 and *Guidance Note 11* for the requirements in relation to the transfers receivable table. The transfers receivable table must be provided to the Licensor, unless the information is already disclosed to the Licensor under existing national transfer requirements.

Guidance Note 11 also provides an illustration of a transfers receivable table.

Template 13:

Transfer Receivables Table

Licence Applicant Name:
As at [Date] 20XX

Player Details				Proceeds from the transfer of a registration			Total Received	Amount Receivable at DATE		Other		
Name	Date of Birth	Date Transfer / Loan Agreement	To (Club)	Unconditional Transfer / Loan fee received or receivable	Conditional transfer fees received and/or receivable	Training Compensation	Total Amount Recognised at DATE	Total Amount Received By DATE	Total Amount Receivable at DATE	Receivable Date	Unrecognised conditional transfer fees at DATE (i.e. contingent asset)	Comments on Overdue Receivables at DATE
				(a)	(b)	(c)	(d) = (a) + (b) + (c)	(e)	(f) = (d) - (e)	(g)	(h)	
Acquired Players												
Player 1												
Player 2												
Player 3												
Player 4												
Loaned Players												
Player 5												
Player 6												
Player 7												
Player 8												
Total												
									(f)			

(f) Aggregate figure must agree to relevant Balance Sheet disclosure for "Amounts Receivable from player transfers"

Confirmed on behalf of Licence Applicant that the information in the table above is accurately compiled and completed

Signature

Date

On behalf of licence applicant

DOCUMENT XIV : Transfers Receivable Reporting: Illustrative Form of Agreed-Upon Procedures

As described in section 1.4, unless the information is already disclosed to the Licensor under existing national transfer regulations, the Licence Applicant must disclose certain player transfer activities information as at 30 June preceding the Season to be Licensed in a transfers receivable table. The Licensor may decide to require Independent Auditors to carry out some of the Assessment Procedures in relation to the transfers receivable information.

The transfers receivable table must contain a separate entry in respect of each player sale (including loans) for which there is an amount outstanding to be received at 30 June. The following information – as described in section 1.4.4.3 and *Guidance Note 11* of the financial handbook and in the illustrative example in *Guidance Note 11* – must be given as a minimum:

Player (identification by name or number);

- i) Date of the transfer/loan agreement;
- ii) The name of the football club that currently holds the registration;
- iii) Transfer (or loan) fee received and/or receivable (including training compensation);
- iv) Amount settled/received; and
- v) The balance in respect of each player sale receivable at 30 June, detailed by due date(s) for each unpaid element of the transfers receivable.

In addition, the Licence Applicant must reconcile the total asset per the transfers receivable table with the figure in the balance sheet (if applicable) for 'Accounts receivable from player transfers'. The Licence Applicant is required to report in the transfers receivable table all overdue receivables even if the income has not been requested by the club.

For the purpose of criterion F.03, receivables are those amounts due only to football clubs arising from the direct costs of sale of a player's registration.

International Standard on Related Services (ISRS) 4400 'Engagements to Perform Agreed-Upon Procedures Regarding Financial Information' provides some further guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Upon Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. The Licensor may wish to develop a standard form of Agreed-Upon Procedures, appropriate for its national legislation and

practice, through consultation with the national institute of chartered accounts (or similar body) in the relevant country.

Some guidance is provided in this document about Agreed-Upon Procedures work and an illustrative factual findings report is also provided. The illustrative report will need to be adjusted for the circumstances in each territory.

Objective of Agreed-Upon Procedures Work

The objective of an Agreed-Upon Procedures engagement is for the auditor to carry out procedures of an Audit nature, to which the auditor and the entity and any appropriate third parties have agreed, and to report on factual findings. As the auditor simply provides a report of the factual findings of Agreed-Upon Procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the auditor and draw their own conclusions from the auditor's work.

The auditor's report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.

Procedures

The auditor should carry out the procedures agreed upon and use the evidence obtained as the basis for the report of factual findings. The procedures applied in an engagement to perform Agreed-Upon Procedures may include the following : -

- Inquiry and analysis;
- Re-computation, comparison and other clerical accuracy checks;
- Observation;
- Inspection; and
- Obtaining confirmations.

Illustrative contents of a report of factual findings for an Agreed-Upon Procedures engagement

The report of factual findings should contain:

- Addressee (the Licence Applicant who engaged the auditor to perform the Agreed-Upon Procedures);
- Identification of specific financial or non-financial information to which the Agreed-Upon Procedures have been applied (i.e. in this illustration, the transfers receivable table);
- A statement that the procedures performed were those agreed upon with the recipient (i.e. the Licence Applicant);
- Identification of the purpose for which the Agreed-Upon Procedures were performed;

- A listing of the specific procedures performed;
- A description of the auditor's factual findings including sufficient details of errors and exceptions found;
- Statement that the procedures performed do not constitute either an Audit or a Review and, as such, no assurance is expressed;
- A statement that had the auditor performed additional procedures, an Audit or a Review, other matters might have come to light that would have been reported;
- A statement that the report is restricted to those parties that have agreed to the procedures to be performed;
- A statement (when applicable) that the report relates only to the matters specified and that it does not extend to the entity's financial statements taken as a whole;
- Date of the report; and
- Auditor's address and signature.

Template 14: ILLUSTRATIVE REPORT OF FACTUAL FINDINGS TO [LICENCE APPLICANT NAME] (“THE CLUB”)

Further to the requirements of the Club Licensing Regulations of [Licensor], we have been engaged by the Club, under the terms of our engagement letter dated [date], to perform certain procedures in relation to the attached transfers receivable table as at 30 June 20XX.

The transfers receivable table is the responsibility of, and has been approved by, the directors of the Club.

Our report has been prepared solely for the Club in connection with its application for a Club Licence. It has been released to the Club and for information purposes only to [Licensor] on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save for the Club’s and [Licensor’s] own internal purposes), without our prior written consent.

Our report was designed to meet the agreed requirements of the Club. Our report should not therefore be regarded as suitable to be used or relied on by any party other than the Club. Any party other than the Club which obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of our report to anyone other than the Club.

Scope of work

Our work consisted of the following procedures:

1. Agreeing the total in the transfers receivable table to the ‘Accounts receivable from player transfers’ amount in the annual [or interim] financial statements as at 31 December 20XX.
2. Checking the arithmetic accuracy of the transfers receivable table.
3. Inspection of a randomly selected sample of [number] player transfer agreements and comparing the information to that contained in the transfers receivable table.
4. Obtaining representations from the directors of the Club that either:
 - i) the balance in respect of each player that was due to have been received by 31 December 20XX has been fully received as of the date of our examination [or by 31 March 20YY if date of examination is later]; [or*]
 - ii) an agreement has been reached for receipt of income on deferred terms in respect of [identify player(s)]; [or*]
 - iii) a dispute has arisen in respect of [identify player(s)] and is subject to resolution by [name of competent national or international body].
5. Examination of the bank statements, in support of the representations under 4(i) above.
6. Examination of documents, including agreements with the relevant football club(s) and/or correspondence with the competent body, in support of the representations under 4(ii) [and/or*] 4(iii) above.

Conclusion

Based solely on the work described above, in our opinion:

[either*]

All the recorded transfers receivable amounts due to football clubs that were due to have been received by 30 June 20XX have according to the accounting records of the Club since that date been received in full by 31 August 20YY;

[or*]

All the recorded transfers receivable amounts due to football clubs that were due to have been received by 30 June 20XX have, according to the accounting records of the Club, since that date been received in full by 31 August 20YY, except for the amount in respect of [identify player(s) by name or number] which is in the course of receipt under an agreement with the club concerned (a copy of the agreement letter is attached) [and/or*] which is in the course of a dispute that has been submitted to a competent authority (a copy of the correspondence with the competent authority is attached).

[or*]

[Detail any exceptions]

Our work was restricted to the procedures set out above and was not directed to the discovery of errors or misstatements which we consider to be immaterial. The procedures we performed did not constitute an Audit or a Review of any kind. Had we performed additional procedures or had we performed an Audit or Review of the transfers receivable table, other matters might have come to our attention that would have been reported to you. This report relates only to the transfers receivable table and does not extend to any financial statements of the Club, taken as a whole.

We do not accept any responsibility for any reports previously given on any financial information used in the preparation of this report (including any Audit reports on the financial statements or tax advice provided) beyond that owed to those to whom those reports were addressed by us at the date of their issue. This provision shall also apply to any reports (including Audit reports and tax advice) issued in future.

(Signature)
Auditor

[Date of report]

*delete as appropriate

DOCUMENT XV : Declaration in Respect of No Payables
Overdue Towards Employees and Social / Tax Authorities

Template 15:

Club Letterhead

I, _____ (Name) _____ (Aged)

Residing at _____

being the _____ (Job Title)

of the _____ (Club's Name)

_____ (Registration Number)

_____ (Club's Address)

Do hereby on behalf of the club declare that:

- 1) I am the authorized signatory of the above named football club.

- 3) I hereby certify that there are no overdue payables towards employees including all professional players (according to the applicable FIFA Regulations on the Status and Transfer of Players) administrative, technical, medical and security staff specified in the AFC Club Licensing Regulations and social / tax authorities as at 31 August 20XX.

I certify that the above statements are true and correct to the best of my knowledge.

(Signature of Declarant)

[Name]

[Date]

[Job Title]

[Name of the Club]

DOCUMENT XVI : Employees Payables Reporting: Illustrative Form of Agreed-Upon Procedures

As described in section 1.5, the Licence Applicant must disclose certain information about payables due to certain employees and social / tax authorities as at 30 June preceding the Season to be Licensed. The Licensor may decide to require Independent Auditors to carry out some of the Assessment Procedures in relation to payables towards employees and/or the social / tax authorities.

As set out in section 1.5, the Licence Applicant shall prepare a schedule showing all employees who were employed at any time during the year to 30 June preceding the Season to be Licensed; i.e. not just those who remain at year end. The schedule shall be submitted to the Licensor. If the auditor is required to perform Agreed-Upon Procedures, the auditor shall obtain this schedule and supporting evidence.

In section 1.5.4 and *Guidance Note 12*, the Handbook describes the employees which the criterion F.04 covers.

The following information must be given, as in minimum, in respect of each employee:

- i) Name of the employee;
- ii) Position of the employee;
- iii) Start date;
- iv) Termination date (if applicable); and
- v) Any overdue payable as at 31 December, together with explanatory comment.

International Standard on Related Services (ISRS) 4400 'Engagements to Perform Agreed-upon Procedures' provides further guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Upon Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement. The Licensor may wish to develop a standard form of Agreed-Upon Procedures, appropriate for its national legislation and practice, through consultation with the national institute of chartered accountants (or similar body) in the relevant country.

Some guidance is provided in this document about Agreed-Upon Procedures work and an illustrative factual findings report is also provided.

The procedures may include obtaining and inspecting employee confirmation letters. An illustration of a confirmation letter is in [Document XVII](#). The arrangements to obtain such confirmation letters should be made on a timely basis within the Club Licensing timetable.

Template 16: ILLUSTRATIVE REPORT OF FACTUAL FINDINGS TO [LICENCE APPLICANT NAME] (“THE CLUB”)

[Note: Procedures in respect of each of payables towards employees and payables towards social / tax authorities are separately illustrated in this illustrative report.]

Further to the requirements of the Club Licensing Regulations of [Licensor], we have been engaged by the Club, under the terms of our engagement letter dated [date], to perform certain procedures in relation to the attached list of employees [and/or*] amounts payable to social/tax authorities as at 30 June 20XX.

The list of employees [and/or*] amounts payable to social/tax authorities is the responsibility of, and has been approved by, the directors of the Club.

Our report has been prepared solely for the Club in connection with its application for a Club Licence. It has been released to the Club and for information purposes only to [Licensor] on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save for the Club and [Licensor] own internal purposes), without our prior written consent.

Our report was designed to meet the agreed requirements of the Club. Our report should not therefore be regarded as suitable to be used or relied on by any party other than the Club. Any party other than the Club which obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at their own risk. To the fullest extent permitted by law, we do not accept or assume responsibility or liability in respect of our report to anyone other than the Club.

Scope of work [in respect of payables towards employees]

Our work consisted of the following procedures:

1. Obtaining the list of employees prepared by Management.
2. Obtaining and inspecting a randomly selected sample of [number] employee confirmation letters and comparing the information to that contained in the list of employees.
3. Obtaining representations from the directors of the Club that either:
 - i) the balance in respect of each employee that was due to have been paid by 31 December 20XX has been fully paid as of the date of our examination [or by 31 March 20YY if date of examination is later]; [or*]
 - ii) an agreement has been reached for payment on deferred terms in respect of [identify employee(s)]; [or*]
 - iii) a dispute has arisen in respect of [identify employee(s)] and is subject to resolution by [name of competent body].
4. Examination of the bank statements, in support of the representations under 3(i) above.
5. Examination of documents, including agreements with the relevant employee(s) and/or correspondence with the competent body, in support of the representations under 3(ii) [and/or*] 3(iii) above.

Conclusion [in respect of payables towards employees]

Based solely on the work described above, in our opinion:

[either*]

All the recorded payables towards employees outstanding at 30 June 20XX have according to the accounting records of the Club since that date been paid in full by 31 August 20YY;

[or*]

All the recorded payables towards employees outstanding at 30 June 20XX are in the course of payment under an agreement with the employee concerned (a copy of the agreement letter is attached) [and/or*] are in the course of a dispute that has been submitted to a competent authority (a copy of correspondence with the competent authority is attached).

[or*]

[Detail any exceptions]

Scope of work [in respect of payables towards social/tax authorities]

Our work consisted of the following procedures:

1. Agreeing the recorded balance of payroll taxes as at 30 June 20XX to the payroll records of the Club.
2. Obtaining representations from the directors of the Club that either:
 - (i) the balance that was due to have been paid by 30 June 20XX has been fully paid as of the date of our examination [or by 31 August 20YY if the date of examination is later]; [or*]
 - (ii) an agreement has been reached for payment on deferred terms; [or*]
 - (iii) a dispute has arisen and is subject to resolution by [name of competent national or international body].
3. Examination of the bank statements, in support of the representations under 2(i) above.
4. Examination of documents, including agreements with the taxation authorities and/or correspondence with the competent body, in support of the representations under 2(ii) [and/or*] 2(iii) above.

Conclusion [in respect of payables towards social/tax authorities]

Based solely on the work described above, in our opinion:

[either*]

All the recorded payroll taxes outstanding at 30 June 20XX have according to the accounting records of the Club since that date been paid in full by 31 August 20YY;

[or*]

All the recorded payroll taxes outstanding at 30 June 20XX are in the course of payment under an agreement with the social / tax authorities (a copy of the agreement letter is attached) [and/or*] are

in the course of a dispute that has been submitted to a competent authority (a copy of the correspondence with the competent authority is attached).

[or*]

[Detail any exceptions]

Our work was restricted to the procedures set out above and was not directed to the discovery of errors or misstatements which we consider to be immaterial. The procedures we performed did not constitute an Audit or a Review of any kind. Had we performed additional procedures or had we performed an Audit or Review of the payables due towards employees and/or social / tax authorities, other matters might have come to our attention that would have been reported to you. This report relates only to the payables due towards employees and/or social / tax authorities and does not extend to any financial statements of the Club, taken as a whole.

We do not accept any responsibility for any reports previously given on any financial information used in the preparation of this report (including any Audit reports on the financial statements or tax advice provided) beyond that owed to those to whom those reports were addressed by us at the date of their issue. This provision shall also apply to any reports (including Audit reports and tax advice) issued in future.

(Signature)

Auditor

[Date of report]

*delete as appropriate

DOCUMENT XVII : Employees Payables Reporting: Illustrative Confirmation Letter from Employees

Template 17:

Club Letterhead

In connection with the granting of a license for the 20XX/YY season, we the undersigned confirm that our employer _____ (*club name*) has paid all contractual obligations due as agreed in our respective contracts as of 30 June 20XX by the date of this letter [or, if date of letter is later than 31 August, by 31 August 20YY] at the latest.

List of players:

S. No.	Name of player	Signature

List of club staff (administrative, technical, medical and security staff):

S. No.	Name of club staff	Signature

I certify that the information provided above is true and correct to the best of my knowledge.

(Signature of authorised signatory of Club)

[Name]

[Date]

[Job Title]

[Name of the Club]

DOCUMENT XVIII : Illustrative Management Representations Letter to Licensor

Section 1.6 of the Financial Handbook sets out the requirement for each Licence Applicant to submit written representations prior to the licensing decision.

Below is an illustration of a Management representation letter in respect of the requirements for criterion F.05.

Template 18:

(To be produced on Licence Applicant letterhead)

(Addressed to Licensor)

(Date)

In connection with our application to be licensed for the 20XX/YY season, we confirm to the best of our knowledge and belief that, since the balance sheet date of the preceding Audited Annual Financial Statements [or Reviewed Interim Financial Statements, if such Interim Financial Statements have been submitted] being [give date of relevant balance sheet]:

[either*]

There have been no Events or Conditions of Major Economic Importance.

[or*]

Other than as described below, there have been no Events or Conditions of Major Economic Importance.

- [Description of the nature of the event or condition and an estimate of its financial effect, or a statement, with reasons why, that such an estimate cannot be made.]

..... (Signature)

..... (Name, Position)

On behalf of [Licence Applicant]

*delete as appropriate

DOCUMENT XIX : Financial Information Extracts: Illustration of Agreement or Reconciliation Between Different Types of Information Supplied by Licence Applicants

Set out below are illustrative extracts from examples of specimen historic, future and updated Future Financial Information, which might be supplied by Licence Applicants, and demonstrating how certain figures should agree from one type of financial information to another.

Where two figures should be equal, they have been allocated the same letter of the alphabet in the illustrative financial information extracts.

For example, the figure for 'Intangible Assets – players' at the balance sheet date (and shown in the illustrative balance sheet extracted from [Document II](#)) has been allocated the letter "A". This figure must equal the total in the relevant column of the player registrations reporting (shown in the Player Identification table extracted from *Guidance Note 3*) which has also been allocated the letter "A" in the illustration.

In relation to Historic Financial Information, there must be consistency between the relevant figures which are reported in the Audited Annual Financial Statements and figures which are reported in the:

- Player identification table, in respect of criterion F.01 (as set out in *Guidance Note 3*);
- Transfers payable table, in respect of criterion F.03 (as set out in *Guidance Note 10*);
- Transfers receivable table, in respect of criterion F.03 (as set out in *Guidance Note 11*); and
- Intangible fixed assets note, in respect of criterion F.01 (as set out in [Document II](#)).

In this document, consistency between figures on the face of the balance sheet, profit and loss statement and cash flow statement and the supporting notes to the financial statements is assumed and is therefore not demonstrated.

In relation to Future Financial Information:

- The comparative figures included in the Budgeted profit and loss statement and cash flow statement must agree to the Audited Annual Financial Statements (as set out in [Document XXI](#)).

For updated Future Financial Information:

- The comparative figures included in the updated Future Financial Information must agree to the original Budgeted Future Financial Information (as set out in [Document XXIV](#)).

Assumptions for this illustration

For the purpose of this illustration, it is assumed that the Licence Applicant has an annual accounting period that ends on 30 June 2019; that the deadline for submission of the List of Licensing Decisions to AFC is 31 October 2019 in respect of the 2019/20 Club Licensing Season; and that the period covered for Future Financial Information is the period from 1 July 2019 to 31 December 2020.

Copy of illustrative balance sheet as at 30 June 2019 from Audited Annual Financial Statements from [Document II](#))

	Notes	As at 30 June 2019 [currency]	As at 30 June 2018 [currency]
Current assets			
Cash and Cash Equivalents			
Accounts receivable from player transfers	←	N*	
Accounts receivable from Group entities and other related parties			
Accounts receivable – other			
Inventories			
Noncurrent assets			
Tangible fixed assets			
Intangible Assets – players	←	A	
Intangible Assets - others			
Investments			
Total assets			
Current liabilities			
Bank overdrafts and loans			
Accounts payable relating to player transfers	←	B*	
Accounts payable to Group entities and other related parties			
Accounts payable – other			
Tax liabilities			
Short term provisions			
Noncurrent liabilities			
Bank and other loans			
Other long term liabilities			
Tax liabilities			
Long term provisions			
Total liabilities			
Net assets/(liabilities)			
Equity			
Treasury shares (own shares)			
Issued capital and reserves			
Total equity			

* For clubs with a Statutory Closing Date of 31 December, the figure for ‘Accounts payable relating to player transfers’ in the balance sheet of the Audited Annual Financial Statements shall equal, or reconcile to, the figure in the Transfers Payable table (from *Guidance Note 10*). The figure for ‘Accounts receivable from player transfers’ in the balance sheet of the Audited Annual Financial Statements shall equal, or reconcile to, the figure in the Transfers Receivable table (from *Guidance Note 11*). For clubs with a Statutory Closing Date other than 31 December, these figures will not agree.

Copy of illustrative profit and loss statement from Audited Annual Financial Statements from [Document II](#))

	Notes	Year ended 30 June 2019 [currency]	Year ended 30 June 2018 [currency]
Revenue			
Media (TV) Rights		F	
Sponsorship			
Merchandising			
Gate receipts / ticketing			
Transfer fee income			
Income from Member Association / League			
Income from Government			
Membership Fees / Season Tickets			
Rental Income from Stadium / Facility			
Other income			
Expenses			
Player's Wages and Salaries			
Player Transfer Expenses			
Coach's Wages and Salaries			
Salaries of Club Staff			
Operational Expenses of Teams			
Advertisement Expenses			
Rental / Maintenance fee of Stadium / Training Centre			
Administrative Costs			
Finance Costs			
Depreciation / Amortization Expense		C**	
Other expenses			
Operating profit/(loss)			
Impairment of fixed assets		D**	
Profit/loss on disposal of fixed assets		E***	
Tax expense			
Profit or loss after taxation			

** Both Amortization and impairment of player registrations must be separately disclosed in the Annual Financial Statements.

*** Profit or loss from disposal of player registrations and profit or loss from disposal of other tangible fixed assets must be separately disclosed in the Annual Financial Statements.

Copy of illustrative cash flow statement from Audited Annual Financial Statements from [Document II](#))

	Notes	Year ended 30 June 2019 [currency]	Year ended 30 June 2018 [currency]
Cash flows from operating activities		G	
Cash receipts from Media (TV) and broadcasting rights			
Cash receipts from sponsorship and advertising			
Cash receipts from merchandising sales			
Cash receipts from gate receipts / ticketing / membership			
Cash receipts from Member Association / League / Government			
Cash receipts from rental income			
Cash receipts from other operating activities			
Cash payments to and on behalf of players / coaches / staff			
Cash payments in relation to operating expenses of teams			
Cash payments in relation to other operating expenses			
Cash inflow/outflow from operating activities			
Taxation			
Cash flows from investing activities			
Cash receipts from sale of property, plant and equipment			
Cash receipts to acquire property, plant and equipment			
Cash receipts from sale of player registrations			
Cash payments to acquire player registrations			
Cash receipts from sale of other long term assets			
Cash payments to acquire other long term assets			
Cash receipts from sale of financial investments			
Cash payments to acquire new financial investments			
Cash receipts in relation to receipts of loans from non-financial institutions			
Cash payments in relation to repayment of loans to non-financial institutions			
Cash inflow/outflow from investing activities			
Cash flows from financing activities			
Cash receipts from issuing short or long-term borrowings			
Cash payments in relation to repayment of amounts borrowed			
Cash receipts from an increase in capital			
Cash payments to acquire or redeem the entity's shares			
Cash inflow/outflow from financing activities			
Net increase/decrease in cash			

Extract from illustrative Annual Financial Statements – Note 8 Intangible Fixed Assets (from [Document II](#))

	Notes	Player Registrations [currency]	Other [currency]	Total [currency]
Cost				
Brought forward from previous Period		H		
Additions		I		
Disposals		I		
Carried forward at end of period		J		
Amortization				
Brought forward from previous period				
Amortization charge for the period		C		
Disposals		K		
Impairment		D		
Carried forward at end of period				
Carrying amount				
At end of period: 30 June 2019		A		
At beginning of period: 1 July 2018				

Copy of Player identification table in respect of criterion F.01 (from *Guidance Note 3*)

[Name] Licence Applicant
Player Identification Table
As at 30 June 2019

Player details			Direct costs of acquiring the registration			Accumulated Amortization					Carrying amount		Other	
Name and Date of Birth	Start date of contract	End date of contract	Brought-forward from previous period	Additions/ (disposals)	As at end of period	Brought-forward from previous period	Amortization in current period	Impairment in current period	Disposals	As at end of period	Brought-forward from previous period	As at end of period	Sales proceeds	Profit/(loss) on disposal of player registration
			(a)	(b)	(c) = (a) + (b)	(d)	(e)	(f)	(g)	(h)=(d)+(e) +(f)=(g)	(i)=(c)-(h)	(k)	(l)	
Acquired players														
Player 1	01.01.2019	30.06.2022	0	200	200	0	33	0	0	33	0	167	n/a	n/a
Player 2	30.08.2018	30.06.2021	0	300	300	0	88	0	0	88	0	212	n/a	n/a
Player 3	02.02.2019	30.06.2022	0	320	320	0	55	0	0	55	0	265	n/a	n/a
Player 4	30.06.2018	30.06.2020	240	0	240	0	120	0	0	120	240	120	n/a	n/a
Loaned players														
[name]														
[name]														
[name]														
Total			H	I	J		(e) C	(f) D	K			(j) A		(i) E

(e) Aggregate figure must agree to Amortization of players' registrations as disclosed in Profit & Loss Statement and/or Balance Sheet in the Annual Financial Statements

(f) Aggregate figure must agree to Impairment of player's registrations as disclosed in Profit & Loss Statement and/or Balance Sheet in the Annual Financial Statements

(j) Aggregate figure must agree to carrying value of Intangible Assets (players' registrations) as disclosed in the Balance Sheet in the Annual Financial Statements

(i) Aggregate figure must agree to profit or loss from disposal of players' registrations as disclosed in the Annual Financial Statements

Confirmed on behalf of Licence Applicant that the information in the table above is accurately compiled and completed

[Signature]

[date]

On behalf of Licence Applicant

Copy of Transfers payable table in respect of criterion F.03 (from *Guidance Note 10*)

[Name] Licence applicant
Transfers payable table
As at 31 December 2019

Player details			Direct costs of acquiring the registration					Amount paid	Amount payable at 31 December 2019					Comments on overdue payables at 31 December 2019
Name or number	Date of transfer/ loan agreement	From (club)	Un-conditional transfer/ loan fee to former club paid and/or payable	Conditional transfer fees paid and/or payable to former club	Training compensation	Other direct costs	Total amount capitalized at 31 December 2019	Total amount paid by 31 December 2019	Total amount payable at 31 December 2019	To football club	Due date(s)	To other parties	Un-recognized conditional transfer fees at 31 December 2019 (i.e. contingent liability)	
			(a)	(b)	(c)	(d)	(e)=(a)+(b) and +(c)+(d)	(f)	(g)=(f)-(e) and (g)=(h)+(i)	(h)		(i)	(l)	
Acquired players														
Player 1	30.01.2019	Club X FC	200	-		-	200	100	100	100	30.01.2020	-	-	Not overdue at 31/12/19
Player 2	30.08.2018	Club Y FC	200	100		-	300	100	200	100	30.08.2019	-	-	Overdue at 31/12/19; but paid in full by 31/03/20
Player 3	30.01.2019	Club Z FC	200	100	10	10	320	210	110	100	30.06.2020	10	50	Not overdue at 31/12/19
Player 4	30.06.2018	Club WFC	240	-		-	240	140	100	100	30.06.2019	-	-	Overdue at 31/12/19. Not paid/settled/deferred in dispute as at 31/03/20. Payable overdue.
Player loans														
[name or number]														
[name or number]														
[name or number]														
Total									(g) B	(h)				

(g) Aggregate figure must agree to relevant balance sheet disclosure for "Accounts payable relating to player transfers"

(h) Disclose the amount payable to a club and the Associated due date. If the amount is payable in more than one instalment, disclose the amount of each instalment and Associated due date. In effect, this is the amount(s) that criterion F.03 is addressing

(l) Under the terms of contracts with other football clubs in respect of player transfers, additional amounts will become payable if certain conditions are met

Confirmed on behalf of Licence Applicant that the information in the table above is accurately compiled and completed

Copy of Transfers receivable table in respect of criterion F.03 (from *Guidance Note 11*)

[Name] Licence applicant
 [Name] Licence Applicant
 Transfers receivable
 As at 31 December 2019

Player details			Proceeds from the transfer of a registration				Total received	Amount receivable at 31 December 2019		
Name or number	Date of transfer/ loan agreement	To (club)	Un-conditional transfer/ loan fee received or receivable	Conditional transfer fees received and/or receivable	Training compensation	Total amount recognized at 31 December 2019	Total amount received by 31 December 2019	Total amount receivable at 31 December 2019	Receivable date(s)	Un-recognized conditional transfer fees at 31 December 2019 (i.e. contingent assets)
			(a)	(b)	(c)	(d)=(a)+(b)+(c)	(e)	(f)=(d)-(e)	(g)	(h)
Transferred players										
Player 5	30.08.2019	Club A FC	200	0	10	210	100	110	30.08.2020	0
Player 6	30.08.2019		200	100	0	300	100	100	30.11.2019	0
Player loans										
[name or number]										
[name or number]										
[name or number]										
[name or number]										
Total								(f) N		

- (f) Aggregate figure must agree to relevant balance sheet disclosure for “Accounts receivable from player transfers”
- (g) Disclose the amount receivable from the football club and the Associated due date. If the amount is receivable in more than one instalment, disclose the amount of each instalment and Associated due date
- (h) Under the terms of contracts with other football clubs in respect of player transfers, additional amounts will become receivable if certain conditions are met

Confirmed on behalf of Licence Applicant that the information in the table above is accurately compiled and completed

[Signature] [date]

On behalf of Licence Applicant

**Copy of illustrative Budgeted profit and loss statement in respect of criterion F.06
(from [Document XXI](#))**

[Illustrative] Budgeted profit and loss statement - For the 18 months ended 31 Dec 2020

	Actual 12m 01/07/18 to 30/06/19	Budget 6m 01/07/19 to 31/12/19			Budget 6m 01/01/20 to 30/06/20			Budget 6m 01/07/20 to 31/12/20		
		Budget 3m 01/07/19 to 30/09/19	Budget 3m 01/10/19 to 31/12/19	Total 6m 01/07/19 to 31/12/19	Budget 3m 01/01/20 to 31/03/20	Budget 3m 01/04/20 to 30/06/20	Total 6m 01/01/20 to 30/06/20	Budget 3m 01/07/20 to 30/09/20	Budget 3m 01/10/20 to 31/12/20	Total 6m 01/07/20 to 31/12/20
Revenue										
Media (TV) Rights										
Sponsorship										
Merchandising										
Gate receipts / ticketing										
Transfer Fee Income										
Income from Member Association / League										
Income from Government										
Membership Fees / Season Tickets										
Rental Income from Stadium / Facility										
Other Income										
Expenses										
Player's Wages and Salaries										
Player Transfer Expenses										
Coach's Wages and Salaries										
Salaries of Club Staff										
Operational Expenses of Teams										
Advertisement Expenses										
Rental / Maintenance fee of Stadium / Training Centre										
Administrative Costs										
Finance Costs										
Depreciation / Amortization Expense										
Other expenses										
Operating profit/(loss)										
Impairment of Fixed Assets										
Profit/loss on disposal of fixed assets										
Tax expense										
Profit or loss after taxation										
Total equity brought forward										
Total equity carried forward										

Copy of illustrative Budgeted cash flow statement in respect of criterion F.06 (from [Document XXI](#))

[Illustrative] Budgeted cash flow statement- For the 18 months ended 31 Dec 2020

	Actual 12m 01/07/18 to 30/06/19	Budget 6m 01/07/19 to 30/12/19			Budget 6m 01/01/20 to 30/06/20			Budget 6m 01/07/20 to 31/12/20		
		Budget 3m 01/07/19 to 30/09/19	Budget 3m 01/10/19 to 31/12/19	Total 6m 01/07/19 to 31/12/19	Budget 3m 01/01/20 to 31/03/20	Budget 3m 01/04/20 to 30/06/20	Total 6m 01/01/20 to 30/06/20	Budget 3m 01/07/20 to 30/09/20	Budget 3m 01/10/20 to 31/12/20	Total 6m 01/07/20 to 31/12/20
Cash flows from operating activities										
Cash receipts										
Cash receipts from Media (TV) and broadcasting rights										
Cash receipts from sponsorship and advertising										
Cash receipts from merchandising sales										
Cash receipts from gate receipts / ticketing / membership										
Cash receipts from Member Association / League / Government										
Cash receipts from rental income										
Cash receipts in relation to other operating activities										
Cash payments to and on behalf of players / coaches staff										
Cash payments in relation to operating expenses of teams										
Cash payments in relation to other operating expenses										
Cash inflow/outflow from operating activities										
Taxation										
Cash flows from investing activities										
Cash receipts from sale of property, plant and equipment										
Cash payments to acquire property, plant and equipment										
Cash receipts from sale of player registrations										
Cash payments to acquire player registrations										
Cash receipts from sale of other long term assets										
Cash payments to acquire other long term assets										
Cash receipts from sale of financial investments										
Cash payments to acquire new financial investments										

Cash receipts in relation to receipts of loans from non-financial institutions									
Cash payments in relation to repayment of loans to non-financial institutions									
Cash inflow/outflow from investing activities									
Cash flows from financing activities									
Cash receipts from issuing short or long-term borrowings									
Cash payments in relation to repayment of amounts borrowed									
Cash receipts from an increase in capital									
Cash payments to acquire or redeem the entity's shares									
Cash inflow/outflow from financing activities									
Net increase/decrease in cash									

Copy of updated Future Financial Information in respect of criterion F.09 (from [Document XXIV](#))

For the purpose of this illustration, the individual line items in the Budgeted profit and loss statement and cash flow statement are not listed.

As at 30/06/19

	Summary of differences			
	Actual	Original Budget	Difference	Explanation of significant differences
	6m 01/01/19 to 30/06/19	6m 01/01/19 to 30/06/19		
Profit and Loss Statement (list detail)				
Cash Flow Statement (list detail)				

Updated Budget 18m 01/07/19 to 31/12/20			
Updated Budget	Updated Budget	Updated Budget	Updated Budget Total
6m 01/07/19 to 31/12/19	6m 01/01/20 to 30/06/20	6m 01/07/20 to 31/12/20	18m 01/07/19 to 31/12/20

DOCUMENT XX : Future Financial Information: Commentary on Preparation

This document provides additional commentary about the underlying principles for the preparation and presentation of Future Financial Information (“FFI”).

In general, the Management of clubs (and businesses in general) are less familiar with the preparation and presentation of FFI compared to Historic Financial Information. There is relatively little guidance available to preparers of Future Financial Information, compared to the preparation of Historic Financial Information.

By its very nature, FFI is forward-looking and is based on judgement and assumptions.

Purpose of FFI

Future Financial Information can be broadly categorized as serving two main purposes: internal and external. Internally, Future Financial Information assists Management to translate plans and aspirations into information that supports decision making, that can be readily understood by people within the business and that services as a Management tool against which subsequent results are measured. Externally, Future Financial Information also provides a means of assisting the Licensor to understand the financial consequences of the entity’s plans.

Principles of useful FFI

In order to be useful, FFI should be:

- Understandable;
- Relevant;
- Reliable; and
- Comparable.

For FFI to be **understandable**, the user will need sufficient information to be able to make judgements about the uncertainties attached to it. Thus, disclosure will need to deal with:

- Sources of uncertainty;
- Assumptions made relating to future events and other uncertainties;
- Determining factors that will affect whether assumptions will be borne out in practice;
- Alternative outcomes, being the consequences of assumptions not being borne out.

For FFI to be **relevant**, it should:

- Have the ability to influence the decisions of the Licensor; and

- Have predictive value or, by helping to confirm or correct past evaluations or assessments, it should have confirmatory value.

For FFI to be **reliable** it should faithfully represent factually-based strategies, plans and risk analysis. Information is reliable if it:

- Can be relied upon by the Licensor as a faithful representation of what it is either supposed to represent or could reasonably be expected to represent;
- Is neutral, because it is free from deliberate or systematic bias intended to influence a decision or judgement to achieve a predetermined result;
- Is free from Material error;
- Is complete in all Material aspects (e.g. significant plans, risks and strategies); and
- Is prudent in that a degree of caution is applied in making assumptions and judgements under conditions of uncertainty.

It is not a necessary quality of FFI, in order to meet the above principles, that only one outcome can be envisaged. Alternatives are acceptable as a basis for a faithful representation of FFI relating to a Licence Applicant. Reflecting the business analysis in a way that is free from Material error means that it reflects the analysis (and risks and uncertainties) accurately, not that the actual outcome will be Materially the same as the business analysis contained in the FFI. More specifically, to say that a forecast is free from Material error does not mean that it will be achieved.

For FFI to be **comparable**, it should be capable of subsequent validation by comparison with outcomes in the form of historical financial information after the actual experiences of the Budgeted period. Financial information is comparable if it:

- Can be compared with similar information for other periods so that similarities and differences can be identified;
- Reflects consistency of preparation and presentation (albeit improvements in practice should be reflected); and
- Is supported by disclosure of the Accounting Policies used in its preparation.

Principles for the preparation of FFI

It is the responsibility of the Licence Applicant's Management to prepare and approve FFI. Management should establish a formal process for preparing the FFI, including a plan, timetable and schedule of responsibilities. The formal process should address the specific scope and content of the proposed FFI and be designed to ensure that the appropriate information is drawn together for inclusion in the FFI. Those involved should understand the requirements of the proposed FFI and understand the principles applicable to its preparation and issue.

Minimum contents of FFI

The minimum contents of FFI for the purpose of Club Licensing are set out in section 1.7.4 and *Guidance Note 14* and are consistent with the line items required under the minimum information requirements for the historic part of the chapter, as set out in section 1.2.4.

FFI shall be prepared using the same Accounting Policies as used for annual Audited Annual Financial Statements, unless there has been a change in Accounting Policies since the annual Audited Annual Financial Statements were published. Any such changes shall be reported by exception as part of the submission of FFI to the Licensor. Explanatory notes and a list of all assumptions and risks shall be provided where these are necessary to understand the FFI.

DOCUMENT XXI : Illustrative Future Financial Information

Introduction

This illustration of Future Financial Information sets out typical disclosures that each Licence Applicant must meet to comply with criterion F.06. This is an illustration only.

For the purpose of this illustration, it is assumed that the Licence Applicant has an annual accounting period that ends on 30 June 2019; that the deadline for submission of the List of Licensing Decisions to AFC is 31 October 2019 in respect of the 2019/20 Club Licensing Season; and that the period covered for Future Financial Information is the period from 1 July 2019 to 31 December 2020. In this illustration, no figures have been included in the financial schedules.

Accounting Policies

The same Accounting Policies shall be applied for the Future Financial Information as are applied in the Annual Financial Statements, except for accounting policy changes which have been made after the date of the most recent Annual Financial Statements and which are to be reflected in the next Annual Financial Statements. In such a case, details of the changes shall be disclosed.

Cash flow

The cash flow statement illustrates typical disclosures – using the direct method – for a Licence Applicant. The cash flow statement may also be presented using the indirect method.

Additional line items, headings and subtotals shall be presented on the face of the cash flow statement when such presentation is relevant to an understanding of the Licence Applicant's performance. When cash inflows and outflows are Material, their nature and amount shall be disclosed separately.

Assumptions

A list of the key assumptions made by Management in preparing the Future Financial Information shall be included. The illustrative Future Financial Information includes some examples. The list is not exhaustive and additional assumptions made by Management shall be provided if they provide clarification or if their omission would make the Future Financial Information misleading.

Template 19:

[Name of Licence Applicant]

Future Financial Information covering the 12-month period ending 30 June 2020 for [name of Licence Applicant], [prepared on a consolidated basis to include Subsidiary entities]

Representations by Management

The directors acknowledge their responsibility for the Future Financial Information.

The Future Financial Information included in this document has been prepared on a basis consistent with the Audited Annual Financial Statements of [Licence Applicant] for the year ended 30 June 20XX.

The directors confirm that the Budgeted profit and loss statement and cash flow statement have been prepared in accordance with the assumptions outline in this document and after due and careful consideration.

In respect of the Future Financial Information, the directors confirm that they are not aware of any relevant factor which has not been taken into account therein and that, in their opinion, the assumptions are not unreasonable.

The directors believe the Budgeted profit and loss result and cash flow are achievable, although their achievement may be favorably or unfavorably affected by unforeseeable and uncontrollable events.

The directors are not aware of any Material unrecognized contingencies which should be taken into account or disclosed in the Future Financial Information.

..... (Executive Officer)

..... (Date)

On behalf of [Licence Applicant]

Template 20: [Illustrative] Budgeted profit and loss statement
For the 18 months ended 31 Dec 2020

	Actual 12m 01/07/18 to 30/06/19	Budget 6m 01/07/19 to 31/12/19			Budget 6m 01/01/20 to 30/06/20			Budget 6m 01/07/20 to 31/12/20		
		Budget 3m 01/07/19 to 30/09/19	Budget 3m 01/10/19 to 31/12/19	Total 6m 01/07/19 to 31/12/19	Budget 3m 01/01/20 to 31/03/20	Budget 3m 01/04/20 to 30/06/20	Total 6m 01/01/20 to 30/06/20	Budget 3m 01/07/20 to 30/09/20	Budget 3m 01/10/20 to 31/12/20	Total 6m 01/07/20 to 31/12/20
Revenue										
Media (TV) Rights										
Sponsorship										
Merchandising										
Gate receipts / ticketing										
Transfer Fee Income										
Income from Member Association / League										
Income from Government										
Membership Fees / Season Tickets										
Rental Income from Stadium / Facility										
Other Income										
Expenses										
Player's Wages and Salaries										
Player Transfer Expenses										
Coach's Wages and Salaries										
Salaries of Club Staff										
Operational Expenses of Teams										
Advertisement Expenses										
Rental / Maintenance fee of Stadium / Training Centre										
Administrative Costs										
Finance Costs										
Depreciation / Amortization Expense										
Other expenses										
Operating profit/(loss)										
Impairment of Fixed Assets										
Profit/loss on disposal of fixed assets										
Tax expense										
Profit or loss after taxation										
Total equity brought forward										
Total equity carried forward										

Template 21: [Illustrative] Budgeted cash flow statement
For the 18 months ended 31 Dec 2020

	Actual 12m 01/07/18 to 30/06/19	Budget 6m 01/07/19 to 30/12/19			Budget 6m 01/01/20 to 30/06/20			Budget 6m 01/07/20 to 31/12/20		
		Budget 3m 01/07/19 to 30/09/19	Budget 3m 01/10/19 to 31/12/19	Total 6m 01/07/19 to 31/12/19	Budget 3m 01/01/20 to 31/03/20	Budget 3m 01/04/20 to 30/06/20	Total 6m 01/01/20 to 30/06/20	Budget 3m 01/07/20 to 30/09/20	Budget 3m 01/10/20 to 31/12/20	Total 6m 01/07/20 to 31/12/20
Cash flows from operating activities										
Cash receipts										
Cash receipts from Media (TV) and broadcasting rights										
Cash receipts from sponsorship and advertising										
Cash receipts from merchandising sales										
Cash receipts from gate receipts / ticketing / membership										
Cash receipts from Member Association / League / Government										
Cash receipts from rental income										
Cash receipts in relation to other operating activities										
Cash payments to and on behalf of players / coaches staff										
Cash payments in relation to operating expenses of teams										
Cash payments in relation to other operating expenses										
Cash inflow/outflow from operating activities										
Taxation										
Cash flows from investing activities										
Cash receipts from sale of property, plant and equipment										
Cash payments to acquire property, plant and equipment										
Cash receipts from sale of player registrations										
Cash payments to acquire player registrations										
Cash receipts from sale of other long term assets										
Cash payments to acquire other long term assets										
Cash receipts from sale of financial investments										
Cash payments to acquire new financial investments										
Cash receipts in relation to receipts of loans from non-financial institutions										

Cash payments in relation to repayment of loans to non-financial institutions											
Cash inflow/outflow from investing activities											
Cash flows from financing activities											
Cash receipts from issuing short or long-term borrowings											
Cash payments in relation to repayment of amounts borrowed											
Cash receipts from an increase in capital											
Cash payments to acquire or redeem the entity's shares											
Cash inflow/outflow from financing activities											
Net increase/decrease in cash											

Illustrative assumptions in relation to the Budget for the period to 30 June 2021

Note: The table below provides a selection of typical assumptions that the Licence Applicant may provide to the Licensor, as prescribed by criterion F.06. A sample of the assumptions has been further illustrated, by narrative and numerical description, in the list below.

The table below is not intended to be a comprehensive checklist. Illustrations are not given below for all typical assumptions, nor does a Licence Applicant need to disclose all the assumptions listed below. A Licence Applicant should disclose all assumptions which are relevant to a proper understanding of the Future Financial Information which it submits, whether listed below or shown as examples in this document or not.

	Actual 12m 01/07/18 to 30/06/19	Budget 12m 01/07/19 to 30/06/20	Budget 12m 01/07/20 to 30/06/21
On-pitch performance			
League finishing position	5 th	8 th	8 th
Progress in domestic Cup 1 (number of home/ away matches)	Progress to semi-final – 2 home matches and 2 away matches	Progress to quarter final – 1 home match and 2 away matches	Progress to quarter final – 1 home match and 2 away matches
Progress in domestic Cup 2 (number of home/ away matches)			
Progress in AFC Competition (number of home/away matches)			
Revenue			

Season tickets (volume and average yield)	5,000 season tickets sold at an average price of USD\$250	5,500 season tickets sold at an average price of USD\$260	6,000 season tickets sold at an average price of USD\$275
Match day tickets/walk-ups – average yield	2,500 attendees/ match-day tickets at an average price of USD\$10	3,000 attendees/ match-day tickets at an average price of USD\$11	3,000 attendees/ match-day tickets at an average price of USD\$12
Home match attendances – League			
Home match attendances – Cup 1 and 2			
Home match attendance – AFC Competition			
Corporate hospitality sales – amount per match			
Broadcasting income – number of televised League matches and rate per match			
Broadcasting income – number of televised Cup matches and rate per match			
Merchandise sales – number of replica shirts sold			

Illustrative assumptions in relation to the Budget for the period to 30 June 2021
(continued)

	Actual 12m 01/07/18 to 30/06/19	Budget 12m 01/07/19 to 30/06/20	Budget 12m 01/07/20 to 30/06/21
Revenue (continued)			
Commercial revenue – sponsorship and other			
Receipts from football bodies – amounts and timing			
Other revenue streams			
Expenses			
Employee benefits expense – players, other employees, Associated tax/social costs	Total wages & salaries for the year of USD\$10 million	Total wages & salaries for the year of USD\$12 million	Total wages & salaries for the year of USD\$14 million
Inflationary increase – wages and other expenses	Wages & salaries costs increased by 5% compared to prior year; other expenses increased by 3%	Wages & salaries costs to increase by 3% compared to prior year; other expenses to increase by 30%	Wages & salaries costs to increase by 3% compared to prior year; other expenses to increase by 2%
Depreciation rates			
Amortization of intangible fixed assets			
Interest expenses			
Player trading			
New player acquisitions – amount and timing of payments	3 players acquired for total fees of USD\$2 million (50% paid by 30/06/17; balance payable by 31/01/18)	2 players acquired for total fees of USD\$1 million (50% payable by 30/06/18; balance payable by 31/01/19)	No player acquisitions
Player sales – amount and timing of receipts			
Transfers payable – amount and timing			
Working capital			
Creditors – timing of payments	Average creditors days of 45	Average creditors days of 45	Average creditors days of 45
Debtors – timing of receipts			
Capital expenditure			
Property, plant and equipment expenditure – amount and timing	Total capital expenditure in the year of USD\$1 million	Total capital expenditure in the year of USD\$1 million	No Budgeted capital expenditure
Financing			
Loan repayments – amount and timing			
New funding – source, amount and timing			

DOCUMENT XXII : Indicators: Guidance on Interpretation of IND.03 In Respect of Net Assets/Liabilities

This document sets out some examples to help demonstrate when indicator IND.03 has or has not been breached. For the purpose of this illustration, it is assumed that the Licence Applicant has a Statutory Closing Date of 31 December 2017.

Example 1

The illustrative balance sheet (below – example 1) sets out an applicant's balance sheet extracted from the Audited Annual Financial Statements.

The balance sheet demonstrates a situation where the Licence Applicant had net assets at the preceding Statutory Closing Date (i.e. 31 December 2017), but net liabilities at the current Financial Year end (31 December 2018). Therefore, the net liabilities position has deteriorated and IND.03 has been breached.

Illustrative balance sheet at 31 December 2018

	31 December 2018 [currency]	31 December 2017 [currency]
Current assets		
Cash and Cash Equivalents	0	0
Accounts receivable from player transfers	50	70
Accounts receivable from Group entities and other related parties	40	60
Accounts receivable – other	10	20
Inventories		
	100	150
Non current assets		
Tangible fixed assets	90	100
Intangible Assets - players	60	100
Intangible Assets - others	0	0
Investments	0	0
	150	200
Total assets	250	350
Current liabilities		
Bank overdrafts and loans	(20)	(10)
Accounts payable relating to player transfers	(50)	(40)
Accounts payable to Group entities and other related parties	0	0
Accounts payable - other	(110)	(80)
Tax liabilities	(20)	(20)
Short term provisions	0	0
	(200)	(150)
Non current liabilities		
Bank and other loans	(10)	0
Other long term liabilities	(20)	(20)
Tax liabilities	(30)	(20)
Long term provisions	(40)	(10)
	(100)	(50)
Total liabilities	(300)	(200)
Net assets/(liabilities)	(50)	150
Equity		
Treasury shares (own shares)	0	0
Issued capital and reserves	(50)	150
Total equity	(50)	150

Example 2

Extract from balance sheet as at 31 December 2018

	31 December 2018 [currency]	31 December 2017 [currency]
Net assets/(liabilities)	(150)	(100)
Equity		
Treasury shares (own shares)	0	0
Issued capital and reserves	(150)	(100)
Total equity	(150)	(100)

In example 2, the Licence Applicant has net liabilities at both the current and comparative Statutory Closing Date. Given that net liabilities have deteriorated at 31 December 2018 relative to 31 December 2017, the indicator IND.03 has been breached.

Example 3

Extract from balance sheet as at 31 December 2018

	31 December 2018 [currency]	31 December 2017 [currency]
Net assets/(liabilities)	(50)	(100)
Equity		
Treasury shares (own shares)	0	0
Issued capital and reserves	(50)	(100)
Total equity	(50)	(100)

In example 3, the Licence Applicant has net liabilities at both the current and comparative Statutory Closing Date. However, given that net liabilities have improved at 31 December 2018 relative to 31 December 2017, the indicator IND.03 has not been breached.

DOCUMENT XXIII : Future Financial Information: Commentary on Possible Additional Assessment Procedures In Respect of Future Financial Information and Updated Future Financial Information

Possible additional Assessment Procedures in respect of Future Financial Information (criterion F.06)

In section 1.7.5 of the Handbook the minimum Assessment Procedures to be performed by the Licensor or an independent auditor in respect of Future Financial Information are described.

Whilst the Handbook does not prescribe the use of an independent auditor, if an independent auditor is to perform the Assessment Procedures, this scope of work does not require the auditor to consider the completeness or reasonableness of the assumptions or the identified risk factors. Whilst not a minimum requirement, the Licensor may wish the independent auditor to carry out such further procedures, over and above those described in section 1.7.5.

If the Licence Applicant is required to have an independent auditor carry out additional examination procedures, some additional procedures may include:

- Extensive procedures to be able to report that, based on the examination of the evidence supporting the assumptions, nothing has come to the auditor's attention which causes the auditor to believe that the assumptions do not provide a reasonable basis for the Future Financial Information (negative assurance); and
- Confirmation of the bank and other borrowing facilities available to the Licence Applicant.

The Licensor may wish to develop a standard form of procedures, appropriate for its national legislation and practice, through consultation with the national institute of chartered accountants (or similar body) in its territory.

International Standard on Assurance Engagements (ISAE) 3400, 'The Examination of Prospective Financial Information' provides some guidance on engagements to examine and report on Future Financial Information, including Assessment Procedures, and on the form and content of the report that the auditor issues in connection with such and engagement.

The independent auditor will carry out certain Assessment Procedures, such that it may be possible for the auditor to report – by way of negative assurance – that the assumptions on which the Future Financial Information is based are not unreasonable. The work by the independent auditor will not be an Audit, Review or verification of the Future Financial Information.

In these circumstances, the Licence Applicant must submit to the Licensor a copy of the Future Financial Information approved by Management and a copy of the auditor's report.

Assessment Procedures in respect of Updated Future Financial Information (criterion F.09)

The Licensor may carry out the Assessment Procedures itself in respect of criterion F.09. Alternatively, the Licensor may request the Licensee to have Independent Auditors carry out some of the Assessment Procedures.

If the Licensee is required to have an independent auditor carry out certain Assessment Procedures, the independent auditor selected should be the same as the auditor selected to carry out the Audit of the Annual Financial Statements and/or Review of the Interim Financial Statements and the Agreed-Upon Procedures work in respect of the previous version of the Future Financial Information (in accordance with criterion F.06).

The updated Future Financial Information shall be assessed by the Licensor or independent auditor in the Club Licensing Cycle following that for which the Licence Applicant became obligated to meet the requirements of F.06, i.e. during the season for which the Licence has been already granted.

If some of the Assessment Procedures are performed by an independent auditor, he will provide a report of factual findings. The work by the independent auditor will not be an Audit, Review or verification of the Future Financial Information. The work by the independent auditor may include the following procedures:

- Make enquiries of Management regarding the compilation of the updated Future Financial Information and the six-month Historic Financial Information;
- Obtain a list of the risks identified by Management and the assumptions made by Management in compiling the Future Financial Information;
- Confirm whether the Future Financial Information is arithmetically accurate;
- Through discussion with Management and Review of the Future Financial Information, determine whether the Future Financial Information has been prepared using the disclosed assumptions;
- Confirm that the opening balances contained within the Future Financial Information are consistent with the balance sheet shown in the last Audited Annual Financial Statements or underlying accounting records (as appropriate); and
- Check that the Future Financial Information has been formally approved by the executive body of the entity.

DOCUMENT XXIV: Updated Future Financial Information: Summary of Information to be Provided as Part of the Updated Future Financial Information

In section 1.10.4 and *Guidance Note 15* the information to be prepared by the Licence Applicant in accordance with criterion F.09 is described.

Set out below is an illustrative summary of information to be provided as part of the updated Future Financial Information.

For the purpose of this illustration, it is assumed that the Licence Applicant has an annual accounting period that ends on 30 June 2019; that the deadline for submission of the List of Licensing Decisions to AFC is 31 October 2019 in respect of the 2019/20 Club Licensing Season; and that the period covered for Future Financial Information is the period from 1 July 2019 to 31 December 2020.

Template 22:

As at 30/06/19 – updated Budgeted profit and loss statement to Dec 2020

	Summary of differences				Updated Budget 18m 01/07/19 to 31/12/20			
	Actual 6m 01/01/19 to 30/06/19	Original Budget 6m 01/01/19 to 30/06/19	Difference	Explanation of significant differences	Updated Budget 6m 01/07/19 to 31/12/19	Updated Budget 6m 01/01/20 to 30/06/20	Updated Budget 6m 01/07/20 to 31/12/20	Updated Budget Total 01/07/19 to 31/12/20
Revenue								
Media (TV) Rights								
Sponsorship								
Merchandising								
Gate receipts / ticketing								
Transfer Fee Income								
Income from Member Association / League								
Income from Government								
Membership Fees / Season Tickets								
Rental Income from Stadium / Facility								
Other Income								
Expenses								
Player's Wages and Salaries								
Player Transfer Expenses								
Coach's Wages and Salaries								
Salaries of Club Staff								
Operational Expenses of Teams								
Advertisement Expenses								
Rental / Maintenance fee of Stadium / Training Centre								
Administrative Costs								
Finance Costs								
Depreciation and Amortization								
Other expenses								
Operating profit/(loss)								
Impairment of Fixed Assets								
Profit/(loss) on disposal of fixed assets								
Tax expense								
Profit or loss after taxation								

As at 31/12/19 – updated Budgeted profit and loss statement to Dec 2020

	Summary of differences				Updated Budget 18m 01/07/19 to 31/12/20			
	Actual 6m 01/01/19 to 30/06/19	Original Budget 6m 01/01/19 to 30/06/19	Difference	Explanation of significant differences	Updated Budget 6m 01/07/19 to 31/12/19	Updated Budget 6m 01/01/20 to 30/06/20	Updated Budget 6m 01/07/20 to 31/12/20	Updated Budget Total 01/07/19 to 31/12/20
Revenue								
Media (TV) Rights								
Sponsorship								
Merchandising								
Gate receipts / ticketing								
Transfer Fee Income								
Income from Member Association / League								
Income from Government								
Membership Fees / Season Tickets								
Rental Income from Stadium / Facility								
Other Income								
Expenses								
Player's Wages and Salaries								
Player Transfer Expenses								
Coach's Wages and Salaries								
Salaries of Club Staff								
Operational Expenses of Teams								
Advertisement Expenses								
Rental / Maintenance fee of Stadium / Training Centre								
Administrative Costs								
Finance Costs								
Depreciation and Amortization								
Other expenses								
Operating profit/(loss)								
Impairment of Fixed Assets								
Profit/(loss) on disposal of fixed assets								
Tax expense								
Profit or loss after taxation								

Template 23:

As at 30/06/19 – updated Budget cash flow statement to 31 Dec 2020

	Summary of differences				Updated Budget 18m 01/07/19 to 31/12/20			
	Actual 6m 01/01/19 to 30/06/19	Original Budget 6m 01/01/19 to 30/06/19	Difference	Explanation of significant differences	Updated Budget 6m 01/07/19 to 31/12/19	Updated Budget 6m 01/01/20 to 30/06/20	Updated Budget 6m 01/07/20 to 31/12/20	Updated Budget Total 01/07/19 to 31/12/20
Cash flows from operating activities								
Cash receipts from Media (TV) and broadcasting rights								
Cash receipts from sponsorship and advertising								
Cash receipts from merchandising sales								
Cash receipts from gate receipts / ticketing / membership								
Cash receipts from Member Association / League / Government								
Cash receipts from rental income								
Cash receipts in relation to other operating activities								
Cash payments to and on behalf of players / coaches staff								
Cash payments in relation to operating expenses of teams								
Cash payments in relation to other operating expenses								
Cash inflow/outflow from operating activities								
Taxation								
Cash flows from investing activities								
Cash receipts from sale of property, plant and equipment								
Cash payments to acquire property, plant and equipment								
Cash receipts from sale of player registrations								
Cash payments to acquire player registrations								
Cash receipts from sale of other long term assets								
Cash payments to acquire other long term assets								
Cash receipts from sale of financial investments								
Cash payments to acquire new financial investments								
Cash receipts in relation to receipts of loans from non-financial institutions								
Cash payments in relation to repayment of loans to non-financial institutions								
Cash inflow/outflow from investing activities								
Cash flow from financing activities								
Cash receipts from issuing short or long term borrowings								

Cash payments in relation to repayment of
amounts borrowed
Cash receipts from an increase in capital
Cash payments to acquire or redeem the
entity's shares

**Cash inflow/outflow from financing
activities**

Net increase/decrease in cash

As at 31/12/19 – updated Budget cash flow statement to 31 Dec 2020

	Summary of differences				Updated Budget 18m 01/07/19 to 31/12/20			
	Actual 6m 01/01/19 to 30/06/19	Original Budget 6m 01/01/19 to 30/06/19	Difference	Explanation of significant differences	Updated Budget 6m 01/07/19 to 31/12/19	Updated Budget 6m 01/01/20 to 30/06/20	Updated Budget 6m 01/07/20 to 31/12/20	Updated Budget Total 01/07/19 to 31/12/20
Cash flows from operating activities								
Cash receipts from Media (TV) and broadcasting rights								
Cash receipts from sponsorship and advertising								
Cash receipts from merchandising sales								
Cash receipts from gate receipts / ticketing / membership								
Cash receipts from Member Association / League / Government								
Cash receipts from rental income								
Cash receipts in relation to other operating activities								
Cash payments to and on behalf of players / coaches staff								
Cash payments in relation to operating expenses of teams								
Cash payments in relation to other operating expenses								
Cash inflow/outflow from operating activities								
Taxation								
Cash flows from investing activities								
Cash receipts from sale of property, plant and equipment								
Cash payments to acquire property, plant and equipment								
Cash receipts from sale of player registrations								
Cash payments to acquire player registrations								
Cash receipts from sale of other long term assets								
Cash payments to acquire other long term assets								
Cash receipts from sale of financial investments								
Cash payments to acquire new financial investments								
Cash receipts in relation to receipts of loans from non-financial institutions								
Cash payments in relation to repayment of loans to non-financial institutions								
Cash inflow/outflow from investing activities								
Cash flow from financing activities								
Cash receipts from issuing short or long term borrowings								
Cash payments in relation to repayment of amounts borrowed								
Cash receipts from an increase in capital								

Cash payments to acquire or redeem the
entity's shares

**Cash inflow/outflow from financing
activities**

Net increase/decrease in cash

DOCUMENT XXV: Annual Budget: Commentary on Preparation

In section 1.8.4 and *Guidance Note 16* the information to be prepared by the Licence Applicant in accordance with criterion F.07 is described.

Introduction

License Applicants are required to prepare and submit an annual budget before the start of the season. For the purpose of AFC Club Licensing requirements, the annual budget must contain all items listed in *Guidance Note 16* of the Handbook.

The annual budget Illustrative Example provides an illustration of how the minimum information may be presented – however, the requirements of National Accounting Practice may require presentation in a different form, in certain respects, from the illustrative presentation given in this Document, which is acceptable as long as all the minimum information is contained therein.

Presentation

Additional line items, headings and subtotals shall be presented on the face of the annual budget when such presentation is relevant to an understanding of the entity's expected performance. When items of income and expense are Material, their nature and amount shall be disclosed separately. Circumstances that could give rise to the separate disclosure of specific items of income and expense include, for example, disposals of items of property, plant and equipment, litigation settlements and other reversals of provisions.

Template 24: Illustrative Example Annual Budget

For the year ending [date] 20XX

	Notes	20XX [currency]	20XX %
Revenue			
Media (TV) Rights			
Sponsorship			
Merchandising			
Gate receipts / ticketing			
Transfer Fee Income			
Income from Member Association / League			
Income from Government			
Membership Fees / Season Tickets			
Rental Income from Stadium / Facility			
Other income			
Expenses			
Player's Wages and Salaries			
Player Transfer Expenses			
Coach's Wages and Salaries			
Salaries of Club Staff			
Operational Expenses of Teams			
Advertisement Expenses			
Rental / Maintenance fee of Stadium / Training Centre			
Administrative Costs			
Finance Costs			
Depreciation / Amortization Expense			
Other expenses			
Forecast Operating profit/(loss)			

Annual Budget – Commentary/Guidance

Revenue

Media (TV) Rights includes income from broadcasting, advertisement and other media related income.

Sponsorship includes income from commercial sponsorship agreements.

Merchandising includes income from the sale of club merchandise, such as jerseys, flags and other items.

Gate receipts / ticketing includes income from match day ticket sales and related match day revenue, in relation to both domestic and international matches.

Transfer Fee Income includes income from the sale of players.

Income from Member Association / League includes income from the Member Association / League that is distributed to all clubs.

Income from Government includes income assistance direct from the Government and income from other sources (ie companies) to comply with Government policy.

Membership Fees / Season Tickets includes income from membership fees and season ticket sales.

Rental Income from Stadium / Facilities includes income from stadium and/or facilities rental.

Other Income includes all income not included in the categories above. When items of other operating income are Material, their nature and amount shall be disclosed separately. This may include Prizemoney, Contribution from Owners, Marketing Events and Other Non-Operating Income.

Annual Budget – Commentary/Guidance - continued

Expenses

Player's Wages and Salaries includes cost of players' salaries and any related costs.

Player Transfer Expenses includes cost of player acquisition, including agents' commission and related costs.

Coach's Wages and Salaries includes cost of coaches' salaries and any related costs.

Salaries of Club staff includes costs of non playing club / support staff salaries and any related costs.

Operational Expenses of Teams includes team related expenses including medical, insurance, transportation, hire of facilities / training grounds, travel costs, training camps (hotels / meals).

Advertisement Expenses includes costs incurred for advertisement.

Rental / Maintenance fee of Stadium / Training Centre includes costs incurred for the rental and/or maintenance of stadium and training centre facilities.

Administrative Costs includes costs of running the administrative offices such as utilities, communication and consumables.

Finance Costs includes interest, finance and bank charges.

Depreciation and Amortization includes:

- Depreciation of tangible fixed assets (such as the stadium);
- Amortization of player registration costs; and
- Amortization of other intangible fixed assets.

Other Expenses includes all expenses not included in the categories above. When items of other operating expenses are Material, their nature and amount shall be disclosed separately.