Abbreviations

CFCB - Club Financial Control Body

CGU – Cash Generating Unit

EU – European Union

FFP - Financial Fair Play

FIFA - Fédération Internationale de Football Association

GAAP – Generally Accepted Accounting Principles

GmbH – Gesellschaft mit beschränkter Haftung

IAS - International Accounting Standards

IASB - International Accounting Standards Board

IFRS - International Financial Reporting Standards

IPO – Initial Public Offering

LTD - Private Limited Company

PLC - Public Limited Company

S.A.D. - Sociedade Anónima Desportiva

S.p.A. - Società per Azioni

UEFA - Union of European Football Associations

Table of Contents

Figures

Tables

1 Introduction

In this chapter, the football industry's transformation into a business oriented environment with rapidly growing revenues will be presented, along with recent year's financial instability in European football. Problem discussion, research questions, purpose and delimitations will be disclosed as it is the foundation characterizing this thesis.

1.1 Background

Younger generations, born somewhere after 1990, understandably associate star athletes with not only wide fame but also incredible wealth. In our contemporary world of fame and role models, athletes in various sports has the same status as Hollywood stars due to the extensive commercialization with broadcasting deals, sponsors and social media. The reason for this is of course connected to the fact that popular sports has turned in to multi-billion euro industries during the last two decades and that the business world has successfully turned a pure entertainment culture into a profit seeking machine (Oprean & Oprisor, 2014).

The most exercised and popular sport in the world, football (UEFA, 2015d), is probably the most present evidence that the sports industry has gone from a hobby to a wealthy business with transfer fees up to £90 million (€114.2 million)[1] (Sale, 2016) and yearly wages of, for instance in the case of Lionel Messi, £26 million (€33 million)[2] (McLeman, 2015). Most would probably argue that these numbers are excessive but from a business perspective it might not be the case since it is investments in valuable assets. How to convert the value of these kinds of players from reality into accounting values is only one issue that derives from the fact that most clubs has gone from non-profit organizations or member associations to profit-seeking public limited companies (Plc) or private limited companies (Ltd).

[1] Converted from £ to € at a rate of £1/€1.269, obtained from www.oanda.com 15-05-16.
[2] Converted from £ to € at a rate of £1/€1.269, obtained from www.oanda.com 15-05-16.

Procházka (2012) offers a view to illustrate the different structure of the football industry in contrast to the conventional perception of business. He argues that economically, professional sport can be considered a joint production where national and international supervising organs regulate schedules of matches, player transfers and salaries. Unlike other industries, an individual football club cannot satisfy the entire market demand on its own; hence an entire league could be conceived as a business group where the clubs works as subsidiaries and decisions are made by the league.

Turning a football club into a private limited company, or even further into a public limited company, may not seem very complex but considering football's nature as a social business, it becomes problematic (Morrow, 2013). Despite the exploding increase in revenue by more than 500 percent (1996-2014) among European clubs (Perry, 2014), with massive sponsor and broadcasting deals, increasing match-ticket prices and merchandize (Boor, Bosshardt, Green, Hanson, Savage, Shaffer & Winn, 2016), the operating profit[3] in the "big five"[4] leagues are, paradoxically, inexistent or very low. Instead the European football clubs have a habit of piling up an alarming amount of debt as short-term solutions (Franck, 2010; Morrow, 2013; Schubert, 2014).

One contributing factor to this is for example when the Russian billionaire Roman Abramovich purchased the controlling party of Chelsea Limited in 2003, the parent company to the PLC and the English football club Chelsea FC. During his first nine years as a controlling owner, Chelsea FC constantly made a loss, which in 2008 alone was accounted to £84.5 million (€107.2 million)[5] before tax (Franck, 2010). On the last of June the same year, the Russian owner issued an interest free loan to an amount of £702 million (€890.9 million)[6] (Franck, 2010) to cover the losses. Wealthy foreign investors taking controlling stake in European clubs is a new trend and with no intentions of getting a return on their investment, both competition and the whole economy become distorted.

---

[3] Earnings before deduction of interest payments and taxes.
[4] The Premier League (England), Bundesliga (Germany), The Serie A (Italy), Ligue 1 (France) and The Primera Division (Spain).
[5] Converted from £ to € at a rate of £1/€1.269, obtained from www.oanda.com 15-05-16.
[6] Converted from £ to € at a rate of £1/€1.269, obtained from www.oanda.com 15-05-16.

Authors, such as Dietl, Franck and Lang (2008), have another problem aspect regarding the negative spiral in the financial stability and solidity of the European football clubs. They argue that overinvestment issues is correlated to the structure of the sporting competitions and their analysis shows that various competitive factors enhance the incentives for clubs to engage in arms race and overspend on talent due to the correlation between talent and results, along with a system of promotion, relegation and qualifications to various competitions that generate large amount of revenue (Franck 2010). For example, the increasing revenues in the UEFA Champions League lead to jackpots for the winners, which create a negative spiral where sportive success is highly rewarded and hence a more segregated national championship emerges. If money buys success, then overinvestment becomes a natural outcome (Franck, 2010) and even though the investments generate some success in the short-run, it puts the clubs' sustainability at risk.

1.2 Problem discussion

1.2.1 A new regulation – Financial Fair Play

To preserve the game's well being and establish a sustainable future, the administrative and governing body for association football in Europe, UEFA, introduced Financial Fair Play (FFP) back in 2010 and it kicked-off in 2011 as a part of their club licensing requirements (UEFA, 2016). The regulation aims to introduce more discipline and rationality in club football finances (UEFA, 2016) by, for instance, focusing on how the clubs disclose and communicate its financial performance and position in accordance with international and national financial reporting rules and guiding principles. The regulation also puts a lot of emphasis on that European football clubs should break-even and therefore operate within their own means. Transparent disclosure of the clubs' revenue is essential to be able assess whether a club breaks even in a financial fair play manner or not and therefore the disclosure of revenue is one of the cornerstones of the new FFP regulation (UEFA, 2015b).

Economists have frequently discussed whether the new regulation will be enough to tackle the subject of financial instability and some are pointing fingers at the lack of institutional ownership (Dimitripoulos & Tsagkanos, 2012). Considering football as a social business, with managers and owners (in some cases) focusing on short term goals as a result of the structure of the competitions (Franck, 2010), the financial results continue to suffer. In many of the largest European football clubs, who supposedly should be working as any corporation, one could argue that the common principal-agent issues work in a different way. In contrast to other corporations, many owners have a short-term mindset, just as the managers, and want to maximize utility (sporting success) rather than profits (Frick, 2007). As a result, sustainability and long-term financial stability suffer and FFP's attempt to discourage this issue is, according to many authors including Dimitripoulos and Tsagkanos (2012) and Morrow (2014), not as effective as it could be considering the poor level of transparency. Dimitripoulos and Tsagkanos (2012) argue that as long as corporate governance structures and transparency are not improved, FFP will not be as effective as it could be. Without transparency there is no accountability (Jay Choi & Sami, 2012) and the careless spending to keep up with the competition will continue.

1.2.2 Transparency

Despite the fact that the new financial restrictions to obtain an UEFA Club License has taken a stand against financial doping (as in the case of Chelsea FC) and has found methods to promote investments in sustainability (youth academy, women football and infrastructure, areas in which unlimited sums still may be invested by wealthy owners), corporate governance structures and transparency in the European football clubs are still insufficient. Considering that improved transparency is one of the cornerstones in the FFP regulation (UEFA, 2015b), it is peculiar that there are no plans to publish the FFP compliance document of each club, which is even stranger since the clubs who does not meet the criteria will presumably be publicized (Morrow, 2014). The transparency that FFP is intended to improve is only disclosed to UEFA and its member associations[7], which is only one of many stakeholders. Football clubs and Football Associations with a low level of transparency generate

[7] E.g. Svenska Fotbollsförbundet and the English Football Association.

an enhanced risk for corruption. The potential for oversight of the financial documents are low and therefore stakeholders' ability to hold the football club accountable for its actions decrease and thus the opportunity for corruption is enlarged (Wheatland, 2015).

In times of financial turmoil in European football clubs, where fair play and sustainability is frequently discussed since the implementation of FFP, one could ask; is it really fair play that not all European football clubs are obligated to be transparent towards all their stakeholders and supporters?

1.3 Research question

How transparent is the financial reporting of European football clubs?

- How transparent is the financial reporting regarding intangible and tangible assets?
- To what extent is clubs' earnings disclosed?
- How does transparency in financial reporting differ between different legal forms of European football clubs?

1.4 Purpose

The purpose of our thesis is, from a supporter perspective, to look at how transparent European football clubs' financial disclosure is. As determining the transparency of a whole annual report would be too extensive for the given time frame, the focus will be on how clubs disclose:

- Assets, as football clubs are very dependent on their intangible assets, namely players, a review on the disclosure of clubs' intangible assets will be conducted and a comparison with the disclosure of tangible assets will be made in order to detect any difference in the disclosure transparency, and
- Earnings, since they face the new mandatory challenge of breaking-even without the help of contributions from wealthy owners.

By answering the research question together with the sub-questions this thesis aims to determine if the information provided in European football clubs' annual reports are transparent.

1.5 Delimitations

This research is limited to football clubs playing in any of the top six leagues in Europe[8] and are publishing annual reports on their official website. The annual reports had to be written in English, due to language barriers, and be based on the fiscal year or 2015 or 2014/15 for clubs with a broken fiscal year.

[8] The Primera Division (Spain), Bundesliga (Germany), The Premier League (England), The Serie A (Italy), Ligue 1 (France) and Primeira Liga (Portugal).

1.6 Disposition of thesis

1. Introduction - *In this chapter, the football industry's transformation into a business oriented environment with rapidly growing revenues will be presented, along with recent year's financial instability in European football. Problem discussion, research questions, purpose and delimitations will be disclosed as it is the foundation characterizing this thesis.*
2. Frame of reference - *This chapter portrays relevant literature connected to the topic of choice. It starts out with an overview of the financial reporting within the industry and continues with specific accounting principles associated with the topic. Further, the regulation of Financial Fair Play is depicted along with relevant theories applicable to the subject.*
3. Methodology & Method - *In this chapter the choices made to form this thesis is depicted, along with motives behind conducting the research. The effects resulting from the decisions made will be disclosed and discussed along with a quality assurance. The purpose of this chapter is for the reader to be able to establish a perception of the credibility of this thesis.*
4. Empirical findings - *In this chapter, the empirical material from the disclosure checklist, collected through a review of annual reports, is outlined. Further findings are then presented to facilitate a greater understanding. The disposition of this section is characterized and structured in light of the sub-questions.*
5. Analysis - *In this chapter, the empirical findings are analyzed in light of the theoretical framework. The section is structured in line with the previous chapter in order to facilitate a coherent second part of the thesis.*
6. Conclusion - *In this chapter, the purpose of the thesis is carried out and the research question and sub-questions are answered. With help from the previous chapters, the authors come to a conclusion structured in a clear but concise manner. Subsequently, the authors own perceptions are discussed, including social & ethical issues, further research topics and potential weaknesses of the research.*

2 Frame of references

This chapter portrays relevant literature connected to the topic of choice. It starts out with an overview of the financial reporting within the industry and continues with specific accounting principles associated with the topic. Further, the regulation of Financial Fair Play is depicted along with relevant theories applicable to the subject.

2.1 Financial reporting within the football industry

To be able to review the level of transparency in various football clubs one must understand the issues and features of financial reporting in the business of football. As suggested by Baboukardos and Rimmel (2016), accounting information should be designed to assist stakeholders to make sound and rational decisions. The public limited companies in the football industry have, due to European Union regulation (European Commission, 2002; European Commission, 2008), strict minimum requirements on their financial reporting through International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), thus ensuring that the information presented is comparable and understandable (European Commission, 2011). The decision to regulate the harmonization of IAS/IFRS is sought to enhance the functioning of the internal market as well as promoting convergence of accounting standards world-wide to improve comparability between the publicly traded companies and strive for the ultimate objective; a single set of global accounting standards (European Commission, 2002).

Private limited companies however have the possibility to apply national accounting standards and principles as long as they are in compliance with the requirements of FFP. This leads to a possibility to prepare two separate financial statements to fulfill FFP's demands but at the same time only disclose the bare minimum, of what the national standards require, to the public (Morrow, 2014). However, considering the fact that UEFA demands that the information provided is audited, their hopes are that the extra expense of dual audit will enhance the incentives for the private limited companies to only deliver one integrated report (Morrow, 2014).

Issues that arise when a social business is turned into a profit-driven business, as any other, are extended to accounting. Two frequently discussed issues are the valuation of the clubs' intangible assets and human resource accounting. Intangible asset are defined as non-monetary assets that are without physical substance but still identifiable (either being separable or through legal rights or contractual agreements) (European Commission, 2010). These assets are separated from tangible assets, which in contrast have physical substance and can hence be separated (Property, machines, equipment etc.).

Dietl, Franck and Lang (2008), as well as Franck (2010), points to the issue that the structure and rewards of sporting competition is distorted and creates financial segregation. As football players are the clubs' most valuable assets (Lozano & Carrasco-Gallego, 2011), the unique situation where organizations' human resources are so closely related to financial success causes issues in accounting.

2.2 Intangible assets

In the accounting framework of IASB (International Accounting Standards Board), the matter of accounting treatment for intangible assets is presented in IAS 38. The framework contains a set of rules and requirements to be able to identify an asset as an intangible and the objective is to offer proper treatment on an accounting basis. The rules and requirements are to be applied on assets that are not specifically dealt with in any other standard (such as tangible assets in IAS 16 Property, Plant & Equipment) (European Commission, 2010). In addition to recognition, the standard also specifies how to measure the *carrying amount* (recorded cost of an asset, net any potential depreciation or impairment loss) of intangible assets and require a specified amount of disclosure regarding the subject (European Commission, 2010).
In order for an asset to be recognized as intangible, an entity is required to demonstrate that the asset is in compliance with:

- The definition of an intangible asset, and
- The recognition criteria.

In order to be distinguished from goodwill, the definition of an intangible asset requires the item to be identifiable (European Commission, 2010). An asset is considered identifiable if the item is either:

- Separable, meaning that the asset needs to be capable of being separated or divided from the entity (sold, transferred, rented or exchanged) (European Commission, 2010), or
- Arises from contractual or other legal rights, regardless if the item is transferable or separable from the entity (European Commission, 2010).

The second criteria from passing as an intangible asset are recognition. To pass this last step, it must be probable that future economic benefit will flow from the asset and that the cost can be measured reliably at initial cost (Article 21 in IAS 38). To determine this, an entity needs to assess this probability using reasonable and supportable assumptions that corresponds to management's best estimate of the financial conditions that will occur during the assets useful life (European Commission, 2010).

When acquiring an asset separately, the price an entity pays is considered a reflection of the expectation about the probability that future economic benefits will flow to the entity through the asset (European Commission, 2010). In a simplistic way, funds paid for the asset shows that the entity expects future economic benefits, even though there is uncertainty about the timeliness and amount of the inflow (European Commission, 2010). Therefore, the probability recognition criterion is always considered to be satisfied for intangible assets that are acquired separately or in a business combination (Article 25 in IAS 38).

Additionally, when an intangible asset is acquired separately, the cost can usually be measured in a reliably manner, especially if the compensation is paid in cash or other monetary funds (European Commission, 2010), which is important when it comes to recognizing football players as intangibles (Oprean & Oprisor, 2014).

When it comes to assessing internally generated intangible assets, the requirements usually become more difficult. This is due to the fact that it is very hard to pass the recognition criteria. Determining whether and when an identifiable asset that will generate expected future economic benefits is present, along with measuring the cost reliably is very complex (European Commission, 2010). This fact is another trigger of controversy when it comes to accounting deficits in football. The complexity of internally generated intangible assets is applicable to “home-grown” players[9] and the lack of reliable measures often causes a distorted balance sheet (Lozano & Carrasco-Gallego, 2011).

An entity can choose between two accounting policies to apply after recognition; the cost[10]- or revaluation[11] model. If the revaluation model is chosen for an intangible asset, the entity needs to apply this policy for all other assets in its class, unless there is no active market for those assets (European Commission, 2010).

Another issue that needs to be assessed after recognition is whether the intangible assets useful life[12] is indefinite or definite. When, after analyzing all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity, the intangible asset should be considered indefinite. Unlike assets with definite useful life, these kinds of intangible assets should not be amortized but instead tested for impairment in accordance with IAS 36 (European Commission, 2010).

Connecting this to football players as intangible assets, IAS 38 (European Commission, 2010) clearly states that the useful life of an intangible asset that arises from contractual or other legal rights shall not exceed the period of the contractual or other legal rights, but may be shorter depending on the period over which the entity is expected to use the asset.

---

[9] Players generated through the clubs own youth academy.

[10] Cost less any accumulated amortization and any accumulated impairment loss (IAS36) (European Commission, 2010).

[11] An intangible asset shall, under a revaluation model, be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortization and any subsequent accumulated impairment losses. Fair value in this case shall be measured by a reference to an active market (European Commission, 2010).

[12] Useful life is the period over which an asset is expected to be available for use by an entity; or the number of production or similar units expected to be obtained from the asset by an entity (European Commission, 2010).

2.3 Accounting for football players

All players, whether acquired on the transfer market or “home-grown”, are registered by their club and are contractually obliged to perform on the behalf of the club holding their registration (Morrow, 1996). In other words, through the registration the clubs obtain economic benefits and can restrict access from others to those benefits. In this sense, you could argue that football players are no different from other groups of employees, such as teachers who are under a fixed term contract (Morrow, 1996). However, Morrow (1996) identifies differences that make the case of football players, along with other sports, unique.

Football players cannot resign from their contracts thus making the premises of the contracts different (Morrow, 1996). Practically they can withhold their services but in such cases they cannot play for another club. Additionally, fees are paid between clubs to transfer the registration right, which is a unique form of control (Morrow, 1996). Without players, a football club would not be able to participate in any competitions, nor would it be able to justify its entire existence. Thus, the players generate the assumptions of potential economic benefit for the club (Oprean & Oprisor, 2014). As Mnzava (2013) describes it, players provide future economic benefits through their sporting performance on the pitch, thus enabling the club to generate revenue through gate receipts, merchandising, broadcasting-contracts and sponsorship.

Despite this fact, it is not permitted for a club to account for their players as assets within the books, since one does not have the property rights of another person (Oprean & Oprisor, 2014). However, the right to use the players derives from their contracts and they can therefore be accounted for as an intangible asset by capitalizing on the player’s registration cost (Mnzava, 2013; Oprean & Oprisor, 2014). When the club registers the contract to the governing body, the club acquires the federative right and license to use the player in competitions; enabling the club to capitalize on the cost. This is a very rare case where the human resource management has impact on the assets of an economic entity. Thus, the IFRS do not accurately state the recognition of human resources in the asset category, but rather offers the preconditions for accounting them (Article 21 in

IAS 38)[13]. A major issue that arises from this is that there are three types of player registrations: players registered through transfer, players registered as free agents[14] and lastly players promoted to the first squad from the youth academy ("home-grown") (Oprean & Oprisor, 2014). This causes troubles when it comes to the valuation criteria, as described in IAS 38. In the first case, registered through transfer, a reliable valuation of the asset cost can be carried out because there is a firm payment derived from an active market, which according to Article 25 in IAS 38 can be considered ground for valuation (Oprean & Oprisor, 2014). Thus, the costs can be accounted for as an intangible asset that needs to be gradually depreciated throughout the useful life of the asset; meaning the duration of the contract (Oprean & Oprisor, 2014).

The problem when signing a player as a free agent is that the valuation cannot be carried out in a reliable manner considering the absence of a transfer fee and an active market. The fair value determined by the market parameters cannot be carried out in a reliable way either since free agents have greater negotiation ability in the absence of a transfer fee. Hence, the free agents' contracts cannot be recognized as an intangible asset because of the lack of a source of valuation (Oprean & Oprisor, 2014). Moreover, internally generated players, or "home-grown", can neither be recognized as intangible assets due to not fulfilling the preconditions in IAS 38, which causes an even more distorted view of the balance sheet in football clubs (Lozano & Carrasco-Gallego, 2011). This kind of deficit in accounting causes large gaps between market value and net book value, which adds enormous "hidden values" to the intangible assets. To illustrate this, Lozano and Carrasco-Gallego (2011) takes Lionel Messi, the FIFA Ballon D'or 2015 winner (Fédération Internationale de Football Association's award for the best player in the world), as an example. Despite being crowned the best player in the world, Messi is considered a "home-grown" player and have no contribution to the balance sheet of his club FC Barcelona.

Lozano & Carrasco-Gallego (2011) further argue that accountancy might be losing relevance due to these hidden values and Biancone (2011) stresses the need for homogeneity of accounting rules, with strict application of IFRS, in order to minimize

[13] See the earlier section - Intangible assets.

[14] A free agent is a player who is currently not bound to a club by a contract. Normally due to expiration of previous contract.

the freedom of creating different financial situations. Considering the lack of relevance and the difficulties in obtaining a complete and fair view of the football clubs, Oprean & Oprisor (2014) calls for an improved framework for human resource disclosure.

2.4 Financial Fair Play

2.4.1 Introduction of UEFA Club Licensing and Financial Fair Play Regulation

In September 2009, UEFA's Executive Committee unanimously agreed on a financial fair play concept, which would benefit European club football in the long run by making it more sustainable (UEFA, 2015; UEFA, 2015a). A shared perception that European football clubs were continuing down an ever-deepening financial crisis path, that could threaten the future of European club football, was the reason behind these financial requirements (Franck, 2014). The UEFA Club Licensing and Financial Fair Play Regulation were approved in 2010[15] and were first applied in 2011. From an accounting perspective, financial fair play is used to ensure that European club football is going concern (Morrow, 2013).

Since then, after qualifying to any of UEFA's competitions (UEFA Champions League or UEFA Europa League), each club must have an UEFA Club License. In order to receive an UEFA Club License the club must meet a series of quality standards, which are divided into five categories: *Sporting Criteria, Infrastructure Criteria, Personnel and Administrative Criteria, Legal Criteria* and *Financial Criteria* (UEFA, 2015b). If the club fulfills the quality standards, the club will be granted the license and thus allowed to compete in UEFA's competitions.

2.4.2 Break-even requirement & Revenue disclosure

The corner stone of the FFP regulation is the break-even requirement, which was introduced in 2013 (UEFA, 2015a). UEFA want to restrict clubs from spending more money than they earn and prevent them from accumulating debt. Essentially, UEFA

[15] The regulation has received several updates and the latest update was made in 2015 by UEFA (UEFA, 2015b).

want to restrict European football clubs to operate outside of their own means. However, during each assessment period (three year interval), clubs are allowed to spend €5 million more than what they have earned (UEFA, 2015a).

For the regulation to not backfire on sustainability UEFA have decided that investments in stadiums, training facilities, youth development and women's football[16] are not to be included in the break-even calculation and therefore promote investments in these areas. This means that owners and other related parties can still inject unlimited sums of financial resources into football clubs within these areas but they can no longer inject money to grant the club an UEFA Club License (Franck, 2014).

In order for UEFA and the other licensors to verify that clubs break-even, they have strict requirements for the preparation of the financial statement including minimum disclosure requirements regarding the club's revenue. To facilitate the break-even calculation and improve the transparency, UEFA require the clubs to thoroughly disclose their revenue in different categories (See Table 1).

Gate receipts	Matchday-/season tickets and membership fees.
Sponsorship and Advertising	Revenue derived from sponsors, board advertising and other sponsorship & advertising.
Broadcasting rights	Revenue from broadcasting rights to television, radio, new media and other broadcasting media.
Commercial activities	Merchandising, food & beverage sales, conferencing, lottery and other commercial activities.
UEFA solidarity and prize money	Revenue derived from UEFA in respect of participation in a UEFA club competition and/or solidarity distributions.
Other operating income	Includes all other operating income not otherwise described above.

Table 1 – *Revenue disclosure guidelines from FFP break-even requirement* (UEFA, 2015b).

[16] Included in the FFP regulation as of 2015 (UEFA, 2015a).

2.4.3 Objectives

Regardless of the requirements of the IAS/IFRS or national accounting standards, these regulations require all applicants to disclose and provide the licensor with a specific minimum level of financial information in order for the licensor to assess the financial stability of the club and ensure financial fair play in UEFA's club competitions (UEFA, 2015b).

The Financial Criteria and the FFP regulation overall is about making European club football healthier. UEFA want to increase the transparency and credibility of European football clubs, make sure that the clubs operate on the basis of their own revenues and encourage responsible spending for the long-term benefit of football. Thus improving the financial stability and protect the viability of European club football (UEFA, 2015b).

2.4.4 Consequences for non-compliance

UEFA's Club Financial Control Body (CFCB) is in charge of sanctions against clubs that are not complying with the regulation. The pyramid in Figure 1 shows available sanctions and disciplinary measures that CFCB can impose on non-complying clubs in order to get the clubs in line with the regulation and disclosure requirements that FFP requires:

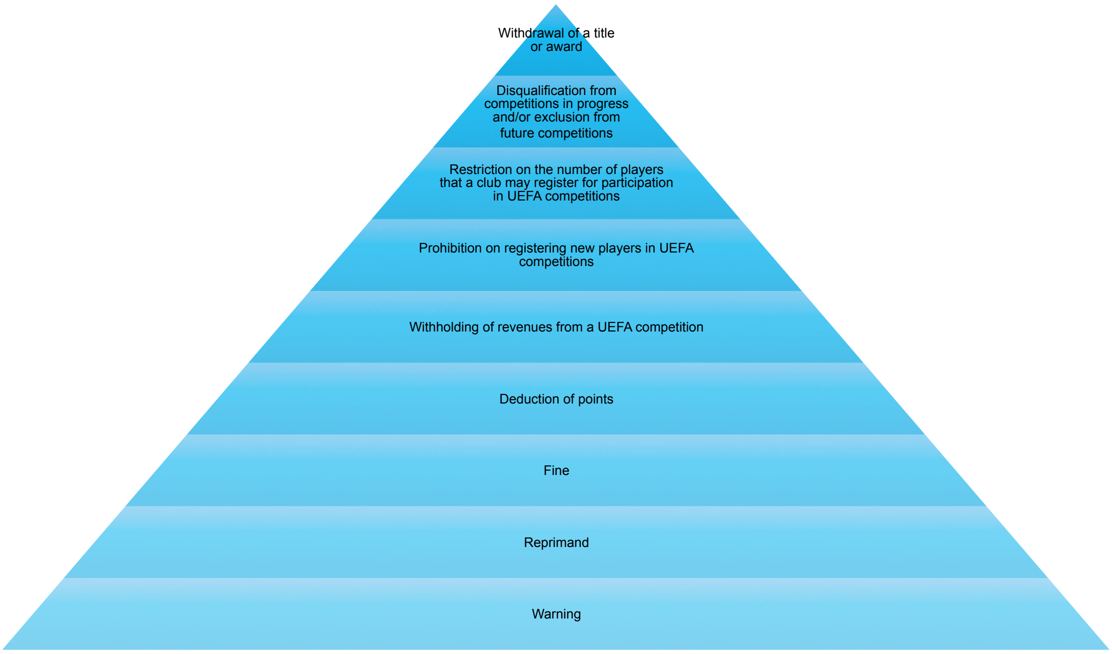

Figure 1 – *Sanctions and disciplinary measures* (UEFA, 2015a).

2.5 Transparency

Transparency is described as a fundamental characteristic of financial documentation (Barth & Schipper, 2008) and is crucial when judging the financial performance and financial stability of corporations (Procházka, 2012). It also helps to improve the reliability, trust, reputation and image of organizations (Lozano & Gallego, 2011), including football clubs. There is no single world-wide agreed-upon definition of transparency but Bushman and Smith (2003, p. 66) defines corporate transparency as the widespread availability of relevant, reliable information about the periodic performance, financial position, investment opportunities, governance, value and risk of publicly traded firms.

Transparency is not only demanded in the corporate sector, the demand stretches to non-profit organizations and football clubs. Higher level of transparency generates efficient allocation of resources and capital through improved governance and promise of accountability (Jay Choi & Sami, 2012).

Transparency International, a non-profit and non-governmental organization fighting corruption in the world, claims that transparency is about knowing why, how, what, and how much. More specifically, it is argued that transparency is about ensuring that rules, plans, processes and actions are disclosed visibly and understandably. This is one of the best ways to counteract against corruption and increase trust in organizations (Transparency International, 2015). Transparency helps the stakeholders, including supporters, to monitor the financial performance and the decisions of the management. This is a valuable characteristic that could have been used to reduce the impact of some financial mismanagement and accounting scandals around the world (Jay Choi & Sami, 2012), including the two European football clubs Rangers FC (Spiers, 2015) and Leeds United (Cathcart, 2004; Hamil & Walters, 2010)[17].

[17] Two successful European football clubs that went into administration due to financial mismanagement.

For an organization to be transparent, the financial reports must contain enough information and details to help stakeholders make well-based financial decisions (Barth & Schipper, 2008). However, if the financial reports contain too much information it can become difficult and problematic for some stakeholders to interpret the information provided by the organization (Barth & Schipper, 2008). Also, providing too much information, more than required by regulations, can lead to competitive disadvantages and be costly to assemble for the organization (DiPiazza Jr & Eccles, 2002). Therefore, according to Barth and Schipper (2008), the information that is disclosed in a financial report must be presented and communicated in a way that is comprehensible for all its users. A financial report that is transparent to an auditor or an accounting student, whom presumably possesses adequate knowledge about accounting, disclosure and how to analyze a financial report, might not be as transparent for someone who does not possess these skills.

Football clubs, regardless of their legal form, often have supporters whom are active and have a high interest in the club (Morrow, 2013), therefore Morrow (2013) argues that football clubs already have willing listeners. Thus, football clubs faces the obstacle of providing financial reports that are transparent and comprehensible for all of their stakeholders, including those who have limited knowledge about interpreting financial reports.

The recent commercial development of football has affected the ownership structure of football clubs and has lead football clubs down a path of private ownership by commercial organizations and private investors. These developments have had a negative effect on transparency, as the transparency of football clubs has decreased (SD Europe, 2012)[18]. Many argue that a solution to this problem would be to involve supporters in the governance of football clubs since this would enhance the link between local communities, supporters and encourage new support (Hamil, Holt, Michie, Oughton & Shailer, 2004). Supporters can thereby ensure a higher level of transparency of football clubs (Hamil et al., 2004; SD Europe, 2012).

[18] Supporters Direct, an initiative which gives advice and support to fans looking to get involved in the running of their clubs.

One of the main objectives of the FFP regulation is to improve the transparency of European football clubs. Procházka (2012) states that this regulation will benefit creditors, football fans, and other stakeholders by providing information and assuring credibility of the football environment. But Morrow (2014) highlights the fact that even though transparency is one of the main objectives of the whole FFP regulation, there are still no plans to disclose the FFP compliance documents that the clubs provide to the UEFA licensors. By not disclosing this information, Morrow (2014) argues that the effect on transparency by the FFP regulation can be questioned.

2.6 Disclosure & Legitimacy Theory

Disclosure is the publication of information (Rimmel, 2016) and is a way in which organizations can communicate with their stakeholders. Disclosure can be required by regulations but can also be done voluntarily and can be used both to increase the value of an organization (Hermalin & Weisbach, 2012) and to achieve legitimacy for an organization's activities (Rimmel, 2016). Recent accounting scandals and corporate failures, such as Enron[19] (Zellner & Andersson, 2001), have emphasized the need for improved disclosure and transparency requirements (Fang & Zhou, 2012; Hermalin & Weisbach, 2012) by both the public and regulators (Fang & Zhou, 2012).

Legitimacy theory is about organizations trying to ensure that their actions are, or appear to be, within the norms and standards of society (Deegan, Rankin & Tobin, 2002). Organizations operate in society under a social contract, also known as the "community license to operate" (Deegan et al, 2002), where the organizations has to show that society requires its services and those who are benefiting from the actions of the organizations have the society's approval (Shocker, 1973).

Suchman (1995) defines legitimacy as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions.

---

[19] An American energy, commodities, and services company that went into bankruptcy due to an extensive accounting fraud.

As organizations are faced with a more critical and questioning environment, organizations need to be able to assert their legitimacy (Slack & Shrives, 2008). According to Rimmel (2016), some organizations chose to communicate their actions through disclosure of corporate reports, such as annual reports and sustainability reports to achieve legitimacy. By disclosing their actions to their stakeholders, the stakeholders are given the opportunity to evaluate the organizations actions and thus decide if the organization is meeting their expectations. Jay Choi and Sami (2012) argue that voluntary disclosure has benefits such as improved legitimacy, visibility and improved reputation, all of which can lead to increased business transactions and an increased number of customers. However, these benefits have to be compared with the costs of increasing and improving the disclosure together with the risk of disclosing valuable information to the organizations competitors and therefore loose a competitive advantage (Jay Choi & Sami, 2012).

There is evidence that football clubs have sought to increase the amount and quality of the information that they disclose to their stakeholders, as the business of football has increased and developed according to Morrow (2013). Other authors, such as Slack and Shrives (2008), claim that football clubs are receiving questions about their legitimacy and that there are reasons for why football clubs may increase their disclosure. By disclosing more information about the overall performance of the club, attention can be diverted from poor financial performance and other financial controversies such as excessive player wages. Even though improved disclosure by football clubs are wanted and broadly welcomed, an issue arise with this wanted improvement. As financial disclosure is more standardized than social disclosure, the management of football clubs can use this to legitimate actions that are of their own interest (Deegan et al, 2002; Morrow, 2013; Slack & Shrives, 2008) and use disclosure to create the picture of the club that they want the society to have (Hines, 1988).

Morrow (2013) discusses that the management of football clubs might seek to control the debate regarding what is considered as appropriate social and community activity by football clubs. Many studies, according to Rimmel (2016), show that voluntary disclosure can be used to increase an organization’s legitimacy and football clubs might use this on the soaring player wages, how they deal with hooliganism and the overall commercialization of football as all of these raise questions about football clubs' legitimacy and their role in society (Slack & Shrives, 2008).

2.7 Stakeholder Theory

Clarkson (1995) defines the term stakeholder as individuals or groups that have, or claim, ownership, rights or interest in a corporation and its activities, past, present or future. To elaborate further, Clarkson (1995) divides the concept into primary and secondary stakeholders. The primary stakeholders being the individuals or groups whose participation is necessary for the corporation to continue its business; without them it cannot survive as a going concern. This group of stakeholders is generally comprised of owners and potential investors, employees, suppliers and customers; participants who have an interdependent relationship with the corporation (Clarkson, 1995).

Finding straight similarities between the social business of football and the conventional corporate world is often difficult and the stakeholder relationship between the club and its supporters is no different. A reasonable conclusion would be that supporters are like regular customers but that is not quite true (Cooper & Johnston, 2012). Unlike customers, football fans cannot move their business to a competitor due to their emotional commitments (Cooper & Johnston, 2012).

The fans also demonstrate a considerable financial commitment towards their club(s), which generates an insatiable demand for information (transparency) about their teams (Cooper & Johnston, 2012). Cooper and Johnston (2012) argues that the field of football presents an interesting case in which to study accountability due to its extremely interested fans that actively search for information on every aspect of their clubs.

During the recent years, research regarding corporate governance within the football industry has focus extensively on the relationship with the fans. This is due to a growing concern that the commercialization of the industry has harmful effects to the sociocultural dimension (Garcia & Welford, 2015). Among other pitfalls in governance of football clubs, the lack of engagement with their supporters is one of them and in broad terms it is argued that improving this relationship and open up, will not only increase the connection to the community, but also enhance accountability and transparency (Garcia & Welford, 2015).

According to Hamil et al. (2004), issues arises from the fact that football is more than just a business and stresses that clubs are cultural and community assets with associated sporting and community objectives. Hence, the relationship between the fans and the club is different from the standard customer-company relationship. The supporters should be considered key stakeholders since they are not just being loyal customers, but also actively participating in match-day support and thereby also contributing financially to keep the corporation afloat (Hamil et al, 2004).

In England, to be perceived as a legitimate stakeholder, fans can form supporter trusts with the purpose to claim partial or full ownership in the club (Garcia & Welford, 2015). Even though stakeholder theory suggests that corporations should take all stakeholders into consideration when creating value, disregarding benefit (Mallin, 2013), by forming a supporter trust, the fans can step into the light of an agency relationship as legitimate stakeholders and owners.

2.8 Agency Theory

In contrast to stakeholder theory, the agency theory takes fewer parties into consideration and focuses on the dynamic, conflict and other consequences in the relationship between the principle and agent (Rimmel & Johäll, 2016). The principle assigns powers to the other party (agent) to act on its behalf and this is where a conflict potentially arises. The assumption in the agency theory is that both parts strives to maximize their own interests which means that the agent is assumed to be acting opportunistic at the principle’s expense (Rimmel & Johäll, 2016). The theory emphasizes these issues on the relationship between managers and shareholders. In these kinds of relationships, agency issues can emerge from two problematic sources. Firstly and mainly from the conflicts of interest and secondly from cases of asymmetric information between the parties regarding each other's actions (Rimmel & Johäll, 2016). The conflicts of interests between shareholders and managers are manifested in the fact that the owners want high dividend and hence high profit, while the managers pursue power, prestige and high monetary remuneration (Rimmel & Johäll, 2016).

Within the football industry, Schubert (2014) argues that post to the introduction of the FFP regulation the relationship between the governing body UEFA and the European football clubs could be considered a principal-agent relationship. In line with the agency theory, UEFA, as owner and organizer of the UEFA Champions League and UEFA Europa League, act as principal by requiring the clubs (agents) to follow FFP in order to participate (Schubert, 2014). According to Schubert (2014) the demands of FFP contradict some of the demands of other stakeholders, making it difficult for the clubs to satisfy and balance the needs of all, as one should according to stakeholder theory (Mallin, 2013). For instance, FFP's requirement to reduce employee expenses is obviously inconsistent with the demands of the players (Schubert, 2014).

3 Methodology & Method

In this chapter the choices made to form this thesis is depicted, along with motives behind conducting the research. The effects resulting from the decisions made will be disclosed and discussed along with a quality assurance. The purpose of this chapter is for the reader to be able to establish a perception of the credibility of this thesis.

3.1 Methodology

3.1.1 Research paradigm

Guba & Lincoln (1994) argues that paradigms are sets of basic beliefs and it is not possible to elevate one over another on the basis of ultimate, foundational criteria. Nonetheless, it is of practical benefit to understand the “taken for granted” assumptions that everybody has about how the world works (Saunders et.al, 2009).

Considering that transparency is subjective in its nature and is a topic that will be perceived differently by various social actors, this thesis could be argued to follow an interpretivist paradigm. The interpretation of transparency is different, even among supporters, but it also has it layers of objectivity since, to a certain extent, observable data could be considered facts. An entity not providing financial information for stakeholders use can never be considered transparent. Additionally, by creating a disclosure checklist, the subjectivity of determining level of transparency can be somewhat neutralized.

3.1.2 Research approach

This thesis is characterized as a study undertaking both an *inductive*- and *deductive* approach. It starts out in a very broad context with formerly known theories and then subsequently narrows down to specific issues with related findings. The two approaches represent two different views of the relationship between theory and research; deductive approach following a very linear process while inductive is being more flexible (Bryman, 2012). The process of a deductive study, or “top down” logic, is configured on the basis that the thesis is rooted in theories and then permeated by hypotheses that is either confirmed or rejected with the findings as support (Bryman, 2012). An inductive study works the other way around, with observations and findings used to create a theory instead of accepting or rejecting an existing one. Opposed to a deductive study, the findings in this thesis are not anchored in a hypothesis and are not entirely rooted in theory. As described by Bryman (2012), a deductive approach is linked to testing of theory while an inductive approach is characterized by generation of theory. It could be argued that this thesis has features of both approaches, since it is rooted in theory of financial turmoil but at the same time is highly dependent on the observation and findings in order to produce a theory regarding transparency in football. Hence, the authors argue that the main research question is constructed on the basis of both approaches.

3.1.3 Research strategy

To distinguish between techniques of data- collection and analysis, the terms *qualitative* and *quantitative* are widely used within business and management research (Saunders et. al, 2009). A quantitative data collection, or analysis, is generally considered to be present when it generates or uses numerical data (Saunders et al., 2009). Accordingly, the techniques of qualitative nature are perceived as synonymous with non-numerical data. Moreover, a qualitative strategy predominately emphasizes an inductive approach to the relationship between theory and research, while a quantitative strategy is more related to the deductive relationship (Bryman, 2012).

Considering this, the strategy of this thesis is considered to be a hybrid of the two. As Bryman (2012) describes it, the status of the distinction is ambiguous since some writers still perceives it as a fundamental contrast, while others regards it as no longer useful or even false. Bryman (2012) further states that, on the surface, there seems to be no other distinction between the two apart from the fact that quantitative researchers employ measurement while qualitative researchers do not. Thus, having features of both strategies, performing a numeric measurement of transparency but preferring words rather than quantification (Bryman, 2012), the perception is that this thesis should be considered a mix.

3.1.4 Time horizon

An important decision to make when forming a research design is to determine time horizons (Saunders et al., 2009). The research can either consist of a “snapshot” at a particular time, alternatively of a series of snapshots over a period of time (Saunders et al., 2009). The two different paths to choose from are in methodological terms referred to as *cross-sectional* and *longitudinal studies*. This research is considered a cross-sectional study due to the fact that the sample contains a snapshot of a specific fiscal year.

3.2 Method

3.2.1 Conducting the study

At an early stage, looking into already existing theory and financial disclosures was very helpful in order to obtain information about the problems and potential future problems that the European football economy is facing. The reasons and purposes of the introduction of the FFP regulation caught the author’s attention early on and worked as a foundation for the understanding of the financial issues in European football. This helped the authors to find a gap in the existing theory, which contributed to the shaping of the research questions.

The scope of already existing theory and scientific articles available was surprisingly large and through searching in the Jönköping University library online database, material could be claimed from one of the most diligent researchers on the subject of football economy, Stephen Morrow. Using the scientific articles on financial reporting (Morrow, 1996, 2013, 2014) as a basis, the data collection could be extended through the sources in the articles obtained. Besides from using the library’s database we also searched for physical literature at the Jönköping University library and got some advice from the assigned tutor on material that might be helpful. The homepage of UEFA[20] was during our initial research stage a very useful source, not only when finding

[20] www.uefa.com

information regarding FFP, but it also provided reports such as The European Club Footballing Landscape (Perry, 2014).

When forming the research question it was a necessity to delimit the area within financial reporting. Looking into the disclosure of intangible assets felt like an obvious choice since it is probably the most frequently discussed topic when it comes to deficits in accounting within the industry. The unique situation where the companies' most valuable assets are human resources has caused a lot of controversy and there has been many opinions regarding how they should be accounted for (Morrow, 1996).

To have an accounting category of similar nature as a comparison and to be able to review a broader picture, also looking into the level of transparency when it comes to tangible assets became another cornerstone in this paper. The importance of intangible assets is potentially reflected in the level of transparency, which could be detected through comparing the two asset categories.

After discussions, the last area of accounting determined to investigate was the disclosure of clubs' earnings. This is due to a new trend in European football where foreign investors individually, or through an organization, claim a controlling stake in a club's parent company or in the club itself (Franck, 2010). Well-known examples among the most successful leagues are Roman Abramovich, who purchased a controlling party of Chelsea Limited in 2003 (Franck, 2010), Mansour Bin Zayed Al Nahyan who through his investment company Abu Dhabi United Group acquired Manchester City (Mole, 2008) and lastly Qatar Sports Investment who acquired Paris Saint-Germain in 2011 (Sayare, 2012). This has caused the controversy of financial doping where rich investors, willing to lose money, find ways to insert monetary funds into the organizations in order to break-even.

Lastly, an effort was made to observe potential differences in transparency between publicly and privately owned companies and member associations. Even though these companies may have different disclosure requirements, looking into if a private limited company or a member association decide to integrate their accounts with the requirements from UEFA or not, could be another proof of lack of transparency.

3.2.2 Sample selection

The purpose of this thesis is to investigate the level of transparency in the financial reporting of European football clubs, therefore all European football clubs was of interest when selecting the research sample. However, since this thesis is from a supporter's perspective, a decision was made that it was of great importance that the clubs published their annual reports on their website no matter of their legal form and the clubs who did not publish an annual report on their website was excluded.

Initially a decision of having a random sample that consisted of clubs that competed in the group stage of either Champions League 2014/15 or Europa League 2014/15 was made. The reason for selecting clubs that participated in either Champions League or Europa League is because they are affected by UEFA's Financial Fair Play regulation and are obligated to disclose transparent financial information to UEFA, either in a separate document or integrated in their annual report. However, after a thorough review of the clubs who participated in the Champions League group stage 2014/15 or the Europa League group stage 2014/15, it was discovered that there was only a few clubs who provided an annual report on their website. Also, some of them had to be excluded due to language barriers as their annual reports were written in their domestic language and not published in English.

Due to the given obstacles, it was decided that a non-probability sampling approach would be more suitable for this thesis than a random sample. A random sample could potentially include several clubs who did not provide an annual report published in English on their website and thus make it difficult to answer the first and second sub-question. The sample was therefore extended to football clubs who participated in either Champions League 2014/15, Europa League 2014/15 or who were playing in any of the top six ranked professional football leagues in Europe[21] during the 2014/15 season.

After a scrutiny of football clubs' websites, ten clubs where identified through a convenience sample (Bryman, 2012), all of which fulfilled the above line of reasoning. When deciding on the sample size, one must bare in mind that the larger the sample size

[21] The Primera Division (Spain), Bundesliga (Germany), The Premier League (England), The Serie A (Italy), Ligue 1 (France) and Primeira Liga (Portugal).

is, the greater the precision will be and thus minimizing sampling errors (Bryman, 2012). However, due to the time limitation of this research, a sample of ten clubs was considered suitable. Also, selecting clubs from several countries adds a cross-national view of how the transparency might differ, considering different norms and regulations.

The clubs selected were:

Club:	**Country:**	**League:**	**Money League Ranking:**[22]
Arsenal FC	England	Premier League	7
FC Barcelona	Spain	Primera Division	2
Borussia Dortmund	Germany	Bundesliga	11
Everton FC	England	Premier League	18
FC Porto	Portugal	Primeira Liga	>30[23]
Juventus FC	Italy	Serie A	10
Manchester City	England	Premier League	6
Manchester United	England	Premier League	3
Olympique Lyonnais	France	Ligue 1	>30[24]
Real Madrid CF	Spain	Primera Division	1

Table 2 – *Sampled clubs.*

3.2.3 Data collection

The used and analyzed annual reports in this thesis have been digitally downloaded from each selected club's official website. Since the data in annual reports are not primarily collected and assembled for research purposes, analyzing the data assessed from these reports will be a secondary data analysis (Saunders, Lewis & Thornhill, 2009; Bryman, 2012).

The standpoint of this thesis is from a supporter's perspective and an assumption that not all supporters may have access to various databases that publishes annual reports was made. However, in our contemporary society, most supporters have access to the

[22] The Deloitte Football Money League ranks the Top 30 highest-earning football clubs in the world based on their revenue generated from match day income, broadcast rights and commercial sources (Boor et al., 2016).
[23] Not among the Top 30 highest-earning football clubs in the world during the 2014/15 season.
[24] Not among the Top 30 highest-earning football clubs in the world during the 2014/15 season.

Internet and therefore this thesis has the standpoint that annual reports published on a club's official website should be considered available to all supporters.

The base year for this research is 2015 and for the football clubs that have a broken financial year, annual reports from 2014/15 have been used. The reason for choosing 2015 as this thesis base year is because these are the most recent annual reports and as UEFA Club Licensing and Financial Fair Play Regulation Edition 2015 and EY's International GAAP disclosure checklist 2015 (based on IFRS in issue at 28 February 2015) have been used as corner stones in this research (further explained in section 3.2.4). Therefore it was natural to match these 2015 editions with annual reports from 2015 or 2014/15.

3.2.4 Disclosure checklist

For an organization to be transparent, the financial reports must contain enough information and details to help stakeholders make well-based financial decisions (Barth & Schipper, 2008). Therefore, in order to have a concrete base of what is considered as transparent from a supporter's perspective, a checklist was created as a measurement platform, rooted in a disclosure checklist created by EY (EY, 2015) combined with requirements from UEFA[25] (UEFA, 2015b). By having this as a basis, the research becomes more objective with higher reliability by having consistency in the measurements. Also, the disclosure checklist opened the possibility to turn the measurement of disclosure transparency into quantitative data, hence facilitating the data analysis. Moreover, this approach makes the method easier to replicate if additional or similar studies were to take place.

In order to avoid ambiguous results, answers to each question from the checklist were established in a binary manner. By receiving either 0 or 1 for each disclosure, the possibility to analyze the data through a statistical approach was created.

[25] In ANNEX VI, Article 47, 48 and 52 of UEFA Club Licensing and Financial Fair Play Regulations Edition 2015, minimum disclosure requirements for the financial statements are outlined.

The checklist contains questions of disclosure regarding the accounting areas included in the first and second sub-question. The areas in the first sub-question, intangible and tangible assets, is represented in the checklist by questions developed by EY, while the disclosure questions associated with revenue (second sub-question) stems from the demands of the FFP regulation. This is due to the break-even requirement being a cornerstone in FFP, along with strict and comprehensible disclosure requirements especially suited for football clubs.

3.3 Data analysis

By turning the disclosures into statistical data, some judgments and assumptions had to be made. Only being able to distribute a no (0) or a yes (1) created a grey area of disclosure that needed to be clearer. Therefore it was decided to assign 1 to clubs disclosing information regarding the application of various accounting methods. An example is the case of changes in carrying amount due to impairment loss. Even though it turned out that impairment losses was not a frequent event in the ten annual reports of 2014/15, disclosing how to account for it and why no impairment was present for the reporting period generated a 1. This was decided due to the fact that the analysis involves transparency in football clubs and not how common it is with impaired assets. To be able to present the empirical findings in a more equitable manner and facilitate the analysis of the data, the findings were categorized. By doing this, the data could be presented in a more visible and comparable fashion; hence avoiding a distorted view of the results due to, for instance, the lack of assets with indefinite useful life. Sustaining a supporter perspective throughout the data analysis was of great importance and having to add things together did not qualify as adequate disclosure.

3.4 Quality assurance

When using secondary data it is important to evaluate the reliability and validity of the secondary data source (Saunders et al, 2009), where reliability refers to the consistency of measurements and validity is whether a measure of a concept really measures that concept (Bryman, 2012). All sources that have been used during the course of this thesis have been critically analyzed and an effort has been made to be as consistent as possible throughout the research in order to improve the trustworthiness. Reliability of this thesis is considered to be high, as all annual reports have been digitally downloaded from each sampled club's official website, and the implementation of the disclosure checklist is described in detail. Therefore the study should yield the same result if it would have been carried out later in time.

Validity of this thesis is ensured by the fact that the FFP regulation has been used as a cornerstone when analyzing if the annual reports are transparent, since the FFP regulation is used to enhance the level of transparency towards UEFA (UEFA, 2015b). The research process has been conducted objectively with absence of personal values and therefore ensuring the conformability of the thesis (Bryman, 2012). A decision to not conduct interviews was made due to the limited timeframe, risk of misinterpretation in the interview process and due to the difficulty to ensure the objectivity of the researchers. Making conclusions based on only a few interviews is not reliable and these factors combined constituted the grounds for this decision.

External validity, mostly known as generalizability, means that the findings from a sample can be generalized for a whole population. The findings from each sub-question cannot be generalized to the whole European football sector as a non-probability convenient sample was used to select the sampled clubs who published an annual report. However, the finding on our research question can be generalized to the whole European football sector as this sample consist of the clubs who played in the Champions League group stage 2014/15. All European football clubs compete, through their leagues and national cups, for a participating spot in this competition and therefore a sample consisting of the clubs who reach this stage through their sporting success can be seen as representatives for the whole European football sector. Thus findings from this sample can be generalized.

As this thesis method is explained in detail with a high level of transparency it should be easy for other researchers to implement the used method and replicate this research.

4 Empirical findings

In this chapter, the empirical material from the disclosure checklist, collected through a review of annual reports, is outlined. Further findings are then presented to facilitate a greater understanding. The disposition of this section is characterized and structured in light of the sub-questions.

4.1 Results from the disclosure checklist

On the following pages, the sampled clubs' application of framework is presented, along with the complete result from the disclosure checklist, which has a maximum score 56 points:

Arsenal Holdings plc.	UK GAAP
FC Barcelona	N/A
Borussia Dortmund GmbH[26] & Co.	HGB[27], "AktG"[28], IFRS
Everton FC Company ltd.	UK GAAP
FC Porto Futebol SAD[29].	IFRS
Juventus FC S.p.A.[30]	IFRS, CONSOB[31]
Manchester City ltd.	UK GAAP
Manchester United plc.	IFRS
Olympique Lyonnais Groupe	IFRS
Real Madrid CF	Spanish GAAP

Table 3 – *Application of financial reporting framework.*

[26] GmbH is a German type of legal entity with limited liability.
[27] Handelsgesetzbuch/German Commercial Code
[28] Aktiengesetz/Particular Accounting requirements of the German Stock Corporation Act
[29] A special type of public limited company in Portugal related to sports.
[30] S.p.A. is an Italian type of legal entity, equivalent to public limited company.
[31] Italian Securities and Exchange Commission

Disclosure category	Disclosure questions	Arsenal FC	FC Barcelona	Borussia Dortmund	Everton FC	FC Porto	Juventus FC	Manchester City	Manchester United	Olympique Lyonnais	Real Madrid
Intangible Assets											
Category 1	Is each class of intangible assets disclosed separately? (eg. player registration, goodwill)	1	1	1	1	1	1	1	1	1	1
	Is the following information disclosed for each class of intangible asset?										
	i. Whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rates used?	1	0	1	1	1	1	1	1	1	1
	ii. The amortization methods used for intangible assets with finite useful lives	1	0	1	1	1	1	1	1	1	1
	iii. The gross carrying amount and the accumulated amortization (aggregated with accumulated impairment losses):										
	- At the beginning of the reporting period	1	0	1	1	1	1	1	1	1	1
	- At the end of the reporting period	1	1	1	1	1	1	1	1	1	1
Category 2	iv. A reconciliation of the carrying amount at the beginning and the end of the reporting period, showing:										
	- Additions during the period, indicating separately those from internal development, those acquired separately, and those acquired through business combinations.	1	0	1	1	1	1	1	1	1	1
	- Assets classified as held for sale or included in a disposal group classified as held for sale under IFRS 5 and other disposals.	1	0	1	1	1	1	1	1	1	1
	- Increases or decreases during the reporting period resulting from revaluations under IAS 38.75, IAS 38.85 and IAS 38.86, and from impairment losses recognized or reversed in other comprehensive income under IAS 36, if any.	0	0	0	0	0	0	0	0	0	0
	- Impairment losses recognized in profit or loss during the reporting period under IAS 36, if any.	1	0	1	1	1	1	1	1	1	1
	- Any amortization recognized during the reporting period.	1	0	1	1	1	1	1	1	1	1
	- Net exchange differences arising on the translation of the financial statements into the presentation currency and on the translation of a foreign operation into the presentation currency of the reporting entity.	1	0	1	1	1	1	1	1	0	1
	- Other changes in the carrying amount during the reporting period	0	0	0	0	1	0	0	0	0	0
Category 3	Does the club disclose:										
	i. For an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and reasons supporting the assessment of an indefinite useful life.	0	0	0	0	1	1	0	1	1	0
	ii. In giving the reasons in (i), does the entity disclose the factor (s) that play a significant role in determining that the asset has an indefinite useful life.	0	0	0	0	1	1	0	1	1	0
Category 4	If the club accounts for intangible assets at revalued amounts, does the club disclose?:										
	i. By class of intangible assets:										
	- The effective date of the revaluation	0	0	0	0	0	0	0	0	0	0
	- The carrying amount of revalued intangible assets	0	0	0	0	0	0	0	0	0	0
	- The carrying amount that would have been recognized had the revalued class of intangible assets been measured after recognition using the cost model in IAS 38.	0	0	0	0	0	0	0	0	0	0
	ii. The amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the reporting period and any restrictions on the distribution of the balance to shareholders.	0	0	0	0	0	0	0	0	0	0
	iii. The fair value measurements disclosures required by IFRS 13.	0	0	0	0	0	0	0	0	0	0
Category 5	Other information:										
	i. Any fully amortized intangible asset that is still in use	0	0	1	0	0	0	0	0	0	1
	ii. Significant intangible assets controlled by the entity but not recognized as assets because they do not meet the recognition criteria of IAS 38 or because they were acquired or generated before the version of IAS 38 issued in 1998 were effective.	0	0	0	0	0	1	0	0	0	0
	iii. The amount of contractual commitments for the acquisition of intangible assets.	0	0	1	0	1	1	0	1	1	1
	Summary Intangible assets:	**10**	**2**	**12**	**10**	**14**	**14**	**10**	**13**	**12**	**12**

Figure 2 – *Disclosure checklist – part 1.*

Disclosure category	Disclosure questions	Arsenal FC	FC Barcelona	Borussia Dortmund	Everton FC	FC Porto	Juventus FC	Manchester City	Manchester United	Olympique Lyonnais	Real Madrid
Tangible assets											
Category 1	Is each class of tangible fixed assets disclosed separately (e.g. property, stadium and equipment)?	1	0	1	1	1	1	1	1	1	1
	Is the following information disclosed for each class of tangible fixed asset?										
	i. The measurement bases used for determining the gross carrying amount?	1	0	1	1	1	1	1	1	1	1
	ii. The depreciation methods used	1	0	1	1	1	1	1	1	1	1
	iii. The useful lives or the depreciation rates used	1	0	1	1	1	1	1	1	1	1
	iv. The gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses):										
	- At the beginning of the reporting period	1	0	1	1	1	1	1	1	1	1
	- At the end of the reporting period	1	0	1	1	1	1	1	1	1	1
Category 2	v. A reconciliation of the carrying amount at the beginning and the end of the reporting period, showing:										
	- Additions during the period.	1	0	1	1	1	1	1	1	1	1
	- Assets classified as held for sale or included in a disposal group classified as held for sale under IFRS 5 and other disposals.	1	0	1	1	1	1	1	1	1	1
	- Acquisitions through business combinations.	0	0	0	0	1	0	0	0	0	0
	- Increases or decreases resulting from revaluations and impairment losses recognized or reversed in other comprehensive income under IAS 36 during the reporting period.	0	0	0	0	0	0	1	0	0	0
	- Impairment losses recognized in profit or loss during the reporting period under IAS 36, if any.	0	0	0	0	0	0	0	0	0	1
	- Depreciation (whether recognized in profit or loss or as a part of the cost of other assets)	1	0	1	1	1	1	1	1	1	1
	- Net exchange differences arising on the translation of the financial statements into the presentation currency and on the translation of a foreign operation into the presentation currency of the reporting entity.	1	0	1	1	1	1	1	1	1	1
	- Other changes in the carrying amount during the reporting period	1	0	0	0	1	1	1	1	1	1
Category 3	If the club accounts for tangible fixed assets at revalued amounts under the revaluation model, does the club disclose?:										
	i. The effective date of the revaluation.	0	0	0	1	0	0	1	0	0	1
	ii. Whether an independent valuer was involved.	0	0	0	1	0	0	1	0	0	0
	iii. The fair value measurement disclosures required by IFRS 13	0	0	0	0	0	0	0	0	0	0
	iv. For each revalued class of tangible fixed asset, the carrying amount that would have been carried under the cost model	0	0	0	1	0	0	0	0	0	0
	v. The revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders	0	0	0	1	0	0	0	0	0	0
Category 4	Other information:										
	i. The amount of contractual commitments for the acquisition of property plant and equipment.	1	0	0	0	1	0	1	1	1	1
	i. The gross carrying amount of any fully depreciated property, plant and equipment that is still in use.	0	0	1	0	0	0	0	0	0	1
	ii. The carrying amount of any property, plant and equipment retired from active use and held for disposal	0	0	1	0	0	1	0	0	0	0
	iii. If the cost model is used, the fair value of property, plant and equipment, if this is materially different from the carrying amount.	0	0	0	0	0	0	0	0	0	0
	Summary Tangible Assets:	**12**	**0**	**12**	**14**	**13**	**12**	**15**	**12**	**12**	**15**
Profit/Loss Account and Revenue											
	Does the club disclose the accounting policies for recognizing revenue?	1	0	1	1	1	1	1	1	1	1
	Does the club disclose the amount of revenue arising from:										
	i. Gate receipts	1	1	1	1	1	1	1	1	1	1
	ii. Sponsorship and advertising	1	1	1	1	1	1	0	1	1	1
	iii. Broadcasting rights	1	1	1	1	1	1	1	1	1	1
	iv. Commercial activities	1	1	1	1	1	1	1	1	1	1
	v. UEFA solidarity and prize money	1	0	1	0	1	1	0	1	1	1
	vi. Other operating income	1	0	1	0	1	1	1	0	1	1
	Does the club disclose any profit arising from:										
	i. Disposal of tangible assets	1	0	1	1	1	1	0	0	0	1
	ii. Disposal of intangible assets – players	1	1	1	1	1	1	1	1	1	1
	iii. Other non-operating income (such as dividends and profits from investments)	0	0	1	1	1	1	0	1	1	1
	Does the club present notes to the profit and loss account with explanatory information?	1	0	1	1	1	1	1	1	1	1
	Summary Profit/Loss Account & Revenue:	**10**	**5**	**11**	**9**	**11**	**11**	**7**	**9**	**10**	**11**
	Total disclosure summary:	**32**	**7**	**35**	**33**	**38**	**37**	**32**	**34**	**34**	**38**

Figure 3 – *Disclosure checklist – part 2.*

4.2 Disclosure of Intangible assets

The empirical findings obtained from the created disclosure checklist, when it comes to the section of intangible assets, can be divided into five categories. Explaining this section in categories makes it easier to provide a deeper and more accurate understanding of the results, rather than only interpreting the total score.

Initially there are the fundamental questions including disclosure of useful life, amortization method, the gross carrying amount at the beginning/end of the reporting period and if each class of intangible assets are disclosed separately (Category 1).

Next section contains the questions regarding a reconciliation of changes in the carrying amount during the reporting period (Category 2). The two subsequent categories are highly dependent on earlier observations, such as if any intangible asset with indefinite useful life is present and if any asset has been subject to a revaluation (Category 3 & 4). The fifth and last section is labeled "other information"; containing outstanding information regarding fully amortized intangible assets and "assets" not fulfilling the requirements for recognition (Category 5).

4.2.1 Fundamental questions

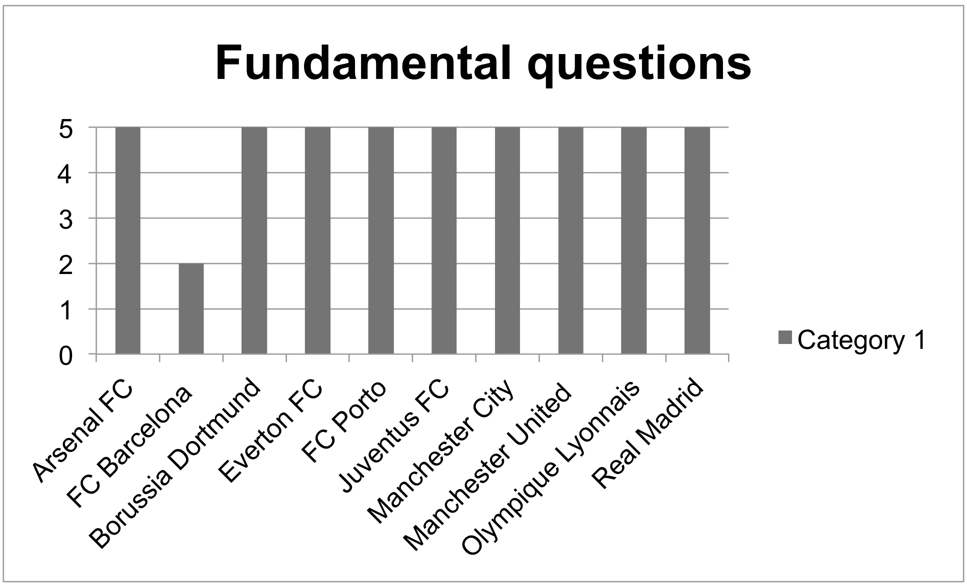

Table 4 - *Category 1 – Intangible Assets.*

As shown in Table 4, nine out of ten clubs scored maximum points in this section with FC Barcelona being the notable anomaly. A pervading approach when examining the questions in this category is carefully answering these questions through notes to the accounts. Even though all clubs except FC Barcelona has received a point for disclosing the useful lives of the intangible assets, the differences in approach is noteworthy. A majority of the researched companies disclose similarly to the example of Olympique Lyonnais Groupe:

> *Player registrations are amortized on a straight-line basis over the term of the initial contract (typically 3 to 5 years). If a contract is extended, the related external costs are included in the value of the registration and the amortization charge is recalculated on the basis of the new residual term* (Olympique Lyonnais Groupe, 2015, p. 117).

However, unlike the other sampled clubs, Juventus FC and FC Porto presented a more detailed overview of their intangible assets when it comes to player registrations.

Amounts in thousands of euro

First Team	Historical cost at 30/06/2015	Accumulated amortisation and depreciation at 30/06/2015	Remaining book value at 30/06/2015	Contract term	End of contract
Asamoah Kwadwo	17,136	7,883	9,253	5 years	30/06/18
Barzagli Andrea	711	662	49	2 years	30/06/16
Bonucci Leonardo	15,232	11,332	3,900	5 years	30/06/17
Buffon Gianluigi	52,884	52,884	-	3 years	30/06/15
Caceres Silva Jose Martin	8,000	6,000	2,000	4 years	30/06/16
Chiellini Giorgio	7,730	7,204	526	4 years	30/06/18
Coman Kingsley Junior	1,909	382	1,527	5 years	30/06/19
De Ceglie Paolo	3,500	3,220	280	5 years	30/06/17
Evra Patrice Latyr	2,451	1,226	1,225	2 years	30/06/16
Lichtsteiner Stephan	9,932	8,277	1,655	3 years	30/06/17
Llorente Torres Fernando J.	3,038	3,038	-	4 years	30/06/17
Marchisio Claudio	175	163	12	5 years	30/06/16
Marrone Luca	4,770	954	3,816	5 years	30/06/19
Moedim Rubens Fernando	-	-	-	1 year	30/06/15
Morata Martin Alvaro Borja	20,734	4,147	16,587	5 years	30/06/19
Ogbonna Obinze Angelo	14,262	5,564	8,698	5 years	30/06/18
Padoin Simone	4,929	3,943	986	5 years	30/06/16
Pepe Simone	7,297	7,297	-	5 years	30/06/15
Pirlo Andrea	1,164	1,164	-	2 years	30/06/16
Pogba Paul	6,165	1,887	4,278	5 years	30/06/19
Storari Marco	4,472	4,472	-	1 year	30/06/15
Sturaro Stefano	7,102	1,420	5,682	5 years	30/06/19
Tevez Carlos Alberto	18,336	12,219	6,117	3 years	30/06/16
Vidal Pardo Arturo Erasmo	13,495	9,146	4,349	4 years	30/06/17
First Team	**225,424**	**154,484**	**70,940**		

Figure 4 - *Juventus FC – Financial details on players* (Juventus FC S.p.A., 2015, p.85).

Additionally to the information stated in Figure 4, Juventus FC provides an equally detailed list of remaining players contracted to the club but not included in the first team. Moreover, lists of all acquisitions and disposals regarding player registrations are disclosed. The table of acquisitions includes disclosure of information concerning price paid, IFRS value of rights and the length of the contract. Information disclosed regarding the disposals of player registrations are price agreed, the present value of the amount received, net book value and thereby the capital gain/loss.

FC Porto also provides a similarly detailed overview of their player registration rights. A list of registrations' percentages of each player, that takes sharing of economic rights into consideration, is disclosed along with the contracts expiration date. The acquisitions of the year is disclosed with extensive information including economic rights percentage, acquisition date, vendor, length of contract, acquisition cost and additional expenses, resulting in a total acquisition cost.

4.2.2 Reconciliation

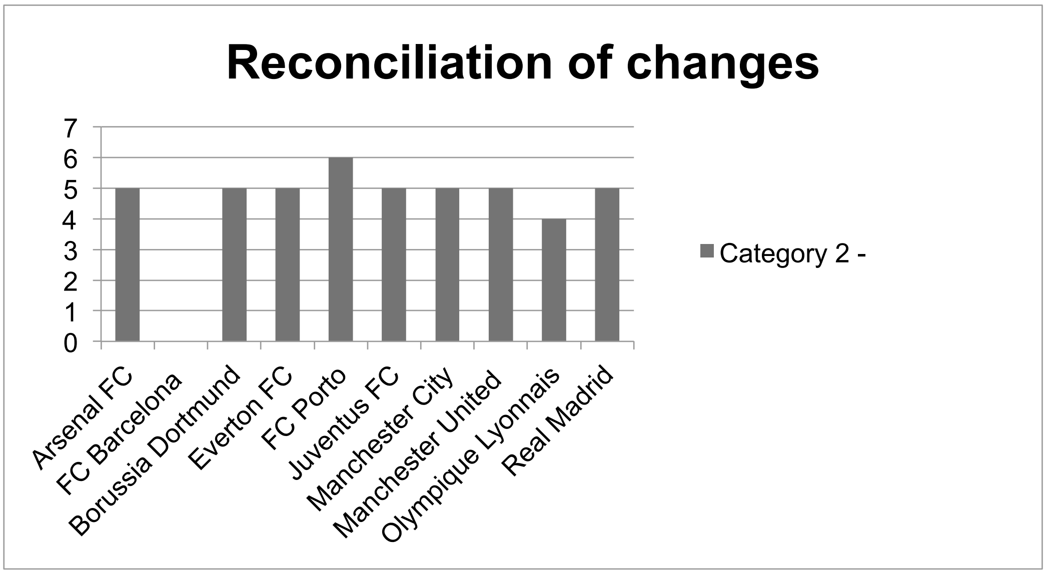

Table 5 – *Category 2 – Intangible Assets.*

This category focuses on the carrying amount at the beginning and end of the reporting period and all changes in between. The columns suggest a rather constant distribution in this category, except for FC Barcelona who once again is the deviation. The very obvious average score with five points out of seven derive from the pattern of no disclosure of changes resulting from a revaluation and other changes. Being the only club disclosing an event falling under the category of other changes, FC Porto ended up with the highest score. Apart from high scores in showing additions, disposals and amortizations for the reporting period, most of the clubs were granted a point for disclosing actions in case of an impairment loss and differences arising from translation of currencies.

4.2.3 Indefinite useful life and revaluation of intangible assets

These categories generated very few points; impairing the total score of the section of intangible assets. Due to the fact that no club disclosed any intangible asset being subject to a revaluation during the reporting period, all clubs missed out on five points in this category. Four clubs out of ten did however score full points on the two questions concerning intangible assets with indefinite useful lives (FC Porto, Juventus FC, Manchester United, Olympique Lyonnais). This was no coincidence since the four clubs in this case strictly follows the conceptual framework of IFRS, thus treating goodwill as an asset with indefinite useful life according to IFRS 3 (Olympique Lyonnais Groupe, 2015).

4.2.4 Other information

Of the three questions included, the most frequently disclosed (6/10) were the amount of contractual commitments for the acquisition of intangible assets, often related to players' registrations. Borussia Dortmund and Real Madrid were the only two clubs disclosing fully amortized assets still in use and Juventus FC earned the only point because of their disclosure of significant intangible assets not recognized.

4.2.5 Summary

As Table 6, providing the combined results for the section of intangible assets, shows, Juventus FC and FC Porto collected the highest score in an otherwise relatively average performance where FC Barcelona stood out as the least successful performer.

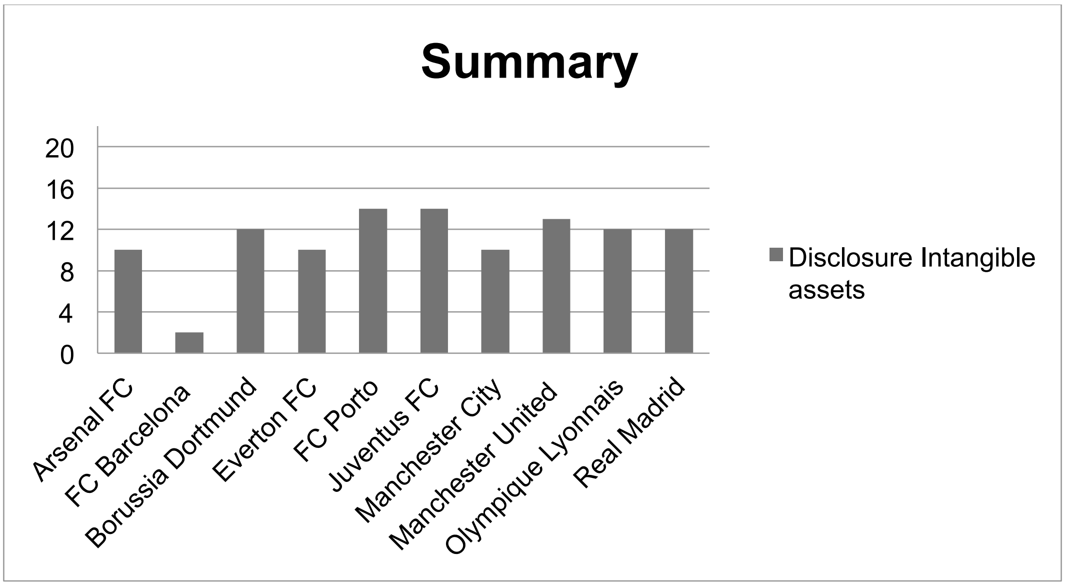

Table 6 - *Summary - Intangible Assets (Maximum score 22 points).*

4.3 Disclosure of Tangible assets

As in the case of Intangible assets, the empirical findings obtained from the created disclosure checklist regarding tangible assets are divided into different categories.

The first category of tangible assets (Category 1) includes fundamental questions about the disclosure of depreciation methods, useful life, the measurement bases, the gross carrying amount at the beginning/end of the reporting period and if each class of tangible assets are separately disclosed in the annual report.

The next category (Category 2) consists of questions regarding a reconciliation of the changes in the carrying amount during the reporting period and the subsequent category (Category 3) solely relates to the disclosure regarding revaluation of tangible assets. The fourth and last category (Category 4) is labeled "other information" and contains questions relating to the disclosure of any fully depreciated tangible assets still in use, tangible assets retired from active use and held for disposal, contractual commitments and disclosure of any material difference between the fair value and the carrying amount if the cost model is used to determine the carrying amount.

4.3.1 Fundamental questions

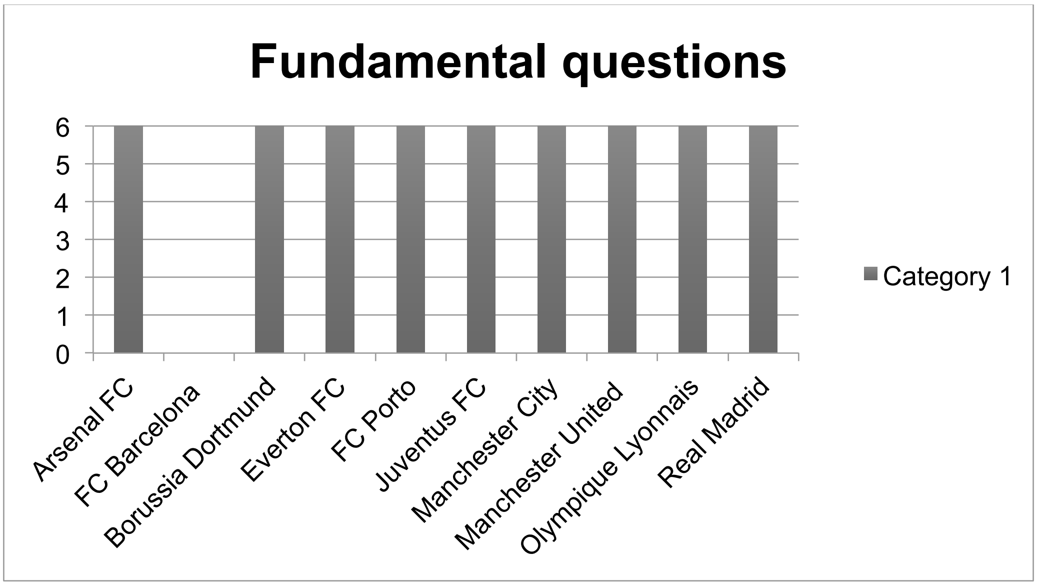

Table 7 - *Category 1 – Tangible Assets.*

Table 7 presents an overview of the points scored in category 1. As can be seen, nine clubs score full points in this category and FC Barcelona scored zero points. The majority of the sampled clubs disclosed most of the information relating to this category in the notes to the accounts but all clubs used different approaches to disclose this information.

4.3.2 Reconciliation

All clubs except for FC Barcelona disclosed changes in the carrying amount during the reporting period arising from additions, disposals, depreciation and net exchange differences due to translation of currencies. The total distribution from this category can be seen in Table 8.

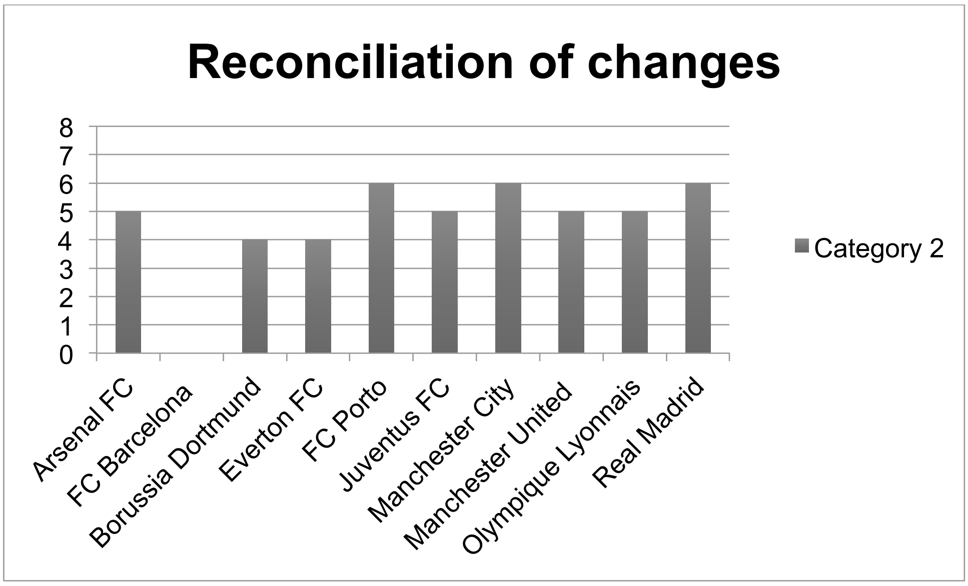

Table 8 – *Category 2 – Tangible Assets.*

4.3.3 Revaluation of tangible assets

This category is about the clubs' disclosure regarding revaluation of tangible assets and only three out of the ten sampled clubs disclose information about revalued tangible assets. As seen in category 2, Manchester City was the only club that did a revaluation on their tangible assets during the 2014/15 season. However, due to disclosure of previously revalued tangible assets, Everton FC and Real Madrid earned points in this category.

4.3.4 Other information

A majority of the clubs disclosed information about contractual commitments relating to the acquisition of tangible assets (Arsenal FC, FC Porto, Manchester City, Manchester United, Olympique Lyonnais and Real Madrid) and this was, same as with intangible assets, the question that most clubs earned points for in this category.

The only two clubs that disclosed information about fully depreciated tangible assets still in use (Borussia Dortmund and Real Madrid) were the same clubs that disclosed information about fully amortized intangible assets still in use. Borussia Dortmund and Juventus FC were the only two clubs that disclosed that they had tangible assets held for disposal and none of the sampled clubs disclosed any information about a materially different fair value of any of their tangible assets' gross carrying amount.

4.3.5 Summary

As Table 9, providing the combined results for the section of tangible assets, shows, the summarized results in this disclosure section also provided a fairly equal distributed result. Unlike the last section, Manchester City and Real Madrid collected the highest scores and FC Barcelona once again stood out as the least successful performer.

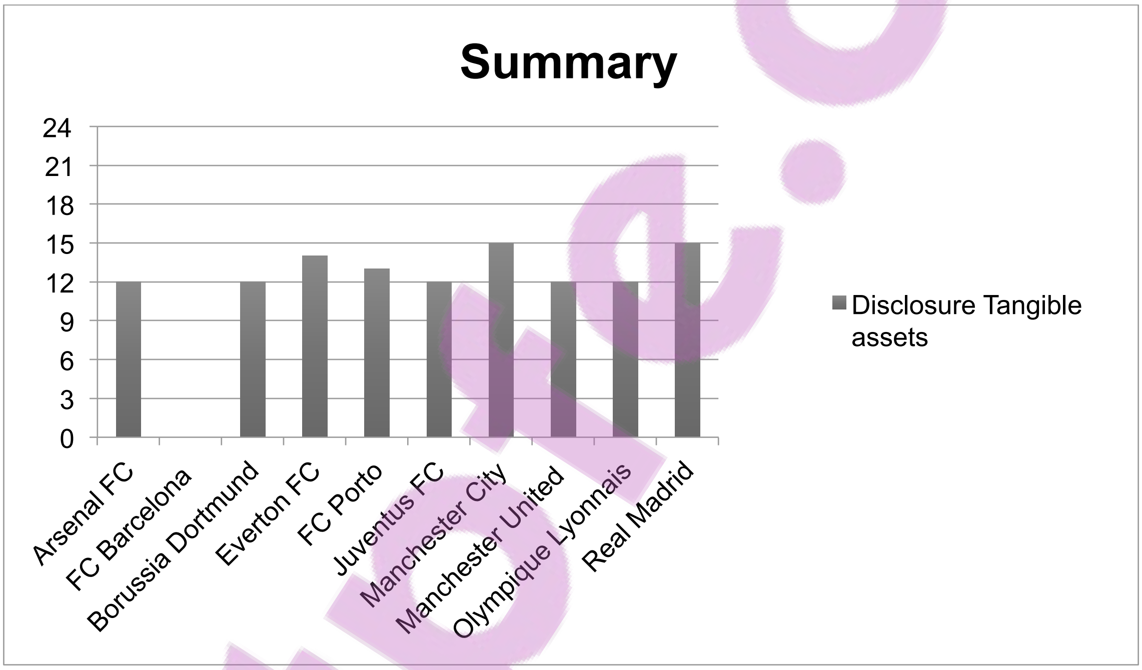

Table 9 - *Summary - Tangible Assets (Maximum score 23 points).*

4.4 Disclosure of Profit/Loss Account & Revenue

4.4.1 Overview

Out of the ten reviewed clubs, as can be seen in Table 10, four clubs (Borussia Dortmund, FC Porto, Juventus FC and Real Madrid) were given full points for their disclosure regarding revenue. All clubs, except for FC Barcelona, explicitly explained in their annual report to the reader the accounting policies that they use to recognize revenue. Notes to the profit/loss account are also presented to the reader by all clubs except for FC Barcelona.

Additional information regarding each club's profit/loss account and revenue is presented in Table 10 to give a better understanding of how each club disclosed information regarding their earnings.

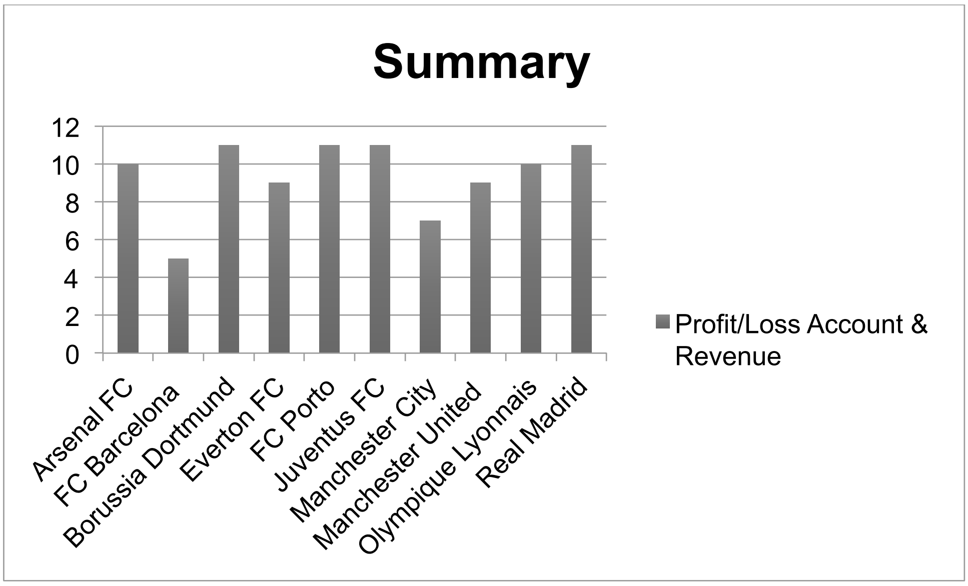

Table 10 - *Summary - Profit/Loss Account & Revenue (Maximum score 11 points).*

4.4.2 Arsenal FC

Score 10 / 11

In Arsenal FC's annual report 2014/15 the reader is presented with all relevant information regarding the financial performance under the section *Financial Review.* Comparisons with previous financial years performance are made and explanations are provided to the reader regarding any increases or decreases compared to the previous year's revenue. In Arsenal FC's *Profit/Loss Account* the turnover is bundled up into one sum, excluding player trading which is disclosed separately. In the *Notes to the Accounts*, a table of the turnover is provided where the reader is given a detailed overview of the different revenue sources. Here, the revenue is divided into groups according to the guidelines of the FFP break-even calculation. No information regarding any non-operating income where given in the annual report.

4.4.3 FC Barcelona

Score 5 / 11

FC Barcelona's annual report 2014/15 devotes half a page out of 185 pages to explain the club's revenue. A table of the *Revenue Trend* from season 2009/10 up until 2014/15 is provided to the reader (see Figure 5) where the revenue from season 2014/15 is divided into five categories, not consistent with the guidelines from the FFP break-even calculation. Noteworthy is that no information what so ever is given about revenue streams from UEFA (UEFA solidarity and prize money) considering the fact that FC Barcelona won the UEFA Champions League 2014/15. As mentioned earlier, FC Barcelona is the only club out of the ten reviewed clubs that do not disclose any notes to the profit/loss account or any information regarding accounting policies for recognizing revenue.

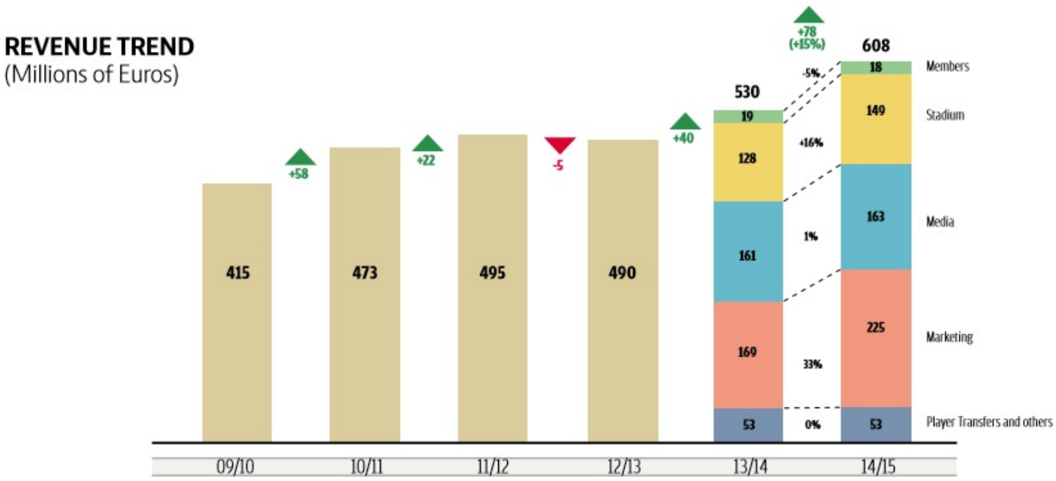

Figure 5 - *FC Barcelona – Revenue Trend* (FC Barcelona, 2015, p.173).

4.4.4 Borussia Dortmund

Score 11 / 11

Borussia Dortmund's annual report 2014/15 discloses information about all of the aspects included in the checklist regarding revenue. Borussia Dortmund's income statement is clearly presented to the reader and is easy to follow and understand. The income statement includes some bundle up sums, which are later explained in detail to the reader and divided in to different revenue groups in the notes to the income statement. The revenue groups are presented accordingly to the guidelines of the FFP break-even calculation. Additionally, a revenue trend, which gives the reader the opportunity to compare the total revenue and the revenue categories between the 2014/15 and the 2013/14 season, is disclosed together with a chart that highlights the main revenue drivers.

4.4.5 Everton FC

Score 9 / 11

Everton FC's annual report 2014/15 clearly states to the reader what accounting policies the club has implemented for recognizing revenue. Everton FC's profit/loss account includes a bundled turnover sum, excluding profits on disposal of players and profits on disposal of tangible fixed assets as these are disclosed separately. In the notes to the accounts the turnover is unbundled and presented in a table where the revenue is disclosed in separate categories, according to the guidelines of the FFP break-even calculation. However, no information is disclosed to the reader about any revenues from their participation in UEFA Europa League (UEFA solidarity and prize money). It is only disclosed that the club has benefitted from its participation, with increased revenues from gate receipts and commercial activities, but no amounts are disclosed.

4.4.6 FC Porto

Score 11 / 11

In FC Porto's annual report 2014/15 a profit/loss account is presented to the reader, which is further explained in the notes to the accounts and here the revenue is presented in accordance with the guidelines from the FFP break-even calculation (Figure 6). In the notes, FC Porto discloses a list of all the players that has been sold during the reporting period. Each sale is disclosed individually in a clear and detailed manner, combined with a description of the amount the player registration right was sold for and the generated capital gains from the sale. Thus the reader is given a full and detailed overview of revenues generated from player transfers.

	30.06.2015	30.06.2014
Sporting income		
European competitions participating bonus	36,169,711	9,551,956
Ticketing income	4,269,628	2,493,309
Season tickets	2,690,530	2,835,578
Membership contributions	918,144	899,123
Other sporting income	1,176,611	2,400,405
	45,224,624	18,180,371
Advertising	13,564,684	13,594,159
Broadcasting rights	17,251,214	15,928,072
Corporate Hospitality	8,200,550	14,352,830
Others	4,269,462	4,922,761
	88,510,534	66,978,193

Figure 6 - *FC Porto – Breakdown of the Revenue* (FC Porto Futebol SAD., 2015, p.82).

4.4.7 Juventus FC

Score 11 / 11

In Juventus FC's annual report 2014/15 the reader is presented with the club's revenues under the section *Review of the results for the 2014/15 financial statements* and the revenues are divided into different categories that are in line with the FFP break-even calculation. In the notes, each revenue category is explained in detail and the reader is also provided with a list of the revenues associated with players' registration rights. In this list, each individual player's registration right that has generated any revenue for the club during the reporting period is disclosed in different categories together with the generated amount. The categories that the players' registration rights are divided into are *revenues from disposal, termination of sharing agreements, temporary disposals* or *performance bonuse*s. A breakdown of *Other Revenues* is disclosed (Figure 7) which, together with the other information in the notes, gives the reader a detailed overview of the club's revenues.

Amounts in thousands of euro	2014/2015 Financial Year	2013/2014 Financial Year	Change
Contingent assets	4,559	2,799	1,760
Income from commercial initiatives (Accendi una Stella, Membership, Stadium Tour, Museum, Club Doc, etc.)	6,140	5,885	255
Income from Lega Nazionale Professionisti Serie A	4,075	3,863	212
Income from no match day activities and other stadium income	3,336	3,793	(457)
Income from own TV productions	2,006	2,364	(358)
Compensation and other insurance-related income	883	928	(45)
Sale of away match tickets	759	397	362
Contributions from FIFA/UEFA for National side appearances of players	255	738	(483)
Others	2,819	6,324	(3,505)
Other revenues	**24,832**	**27,091**	**(2,259)**

Figure 7 - *Juventus FC – Breakdown of Other Revenues* (Juventus FC S.p.A., 2015, p.104).

4.4.8 Manchester City

Score 7 / 11

Manchester City's annual report 2014/15 includes a profit/loss account where the club's turnover is disclosed, excluding player trading, which is disclosed separately. In the notes to the financial statement the turnover is divided into four categories: *Matchday, Boradcasting UEFA, Broadcasting All Other* and *Other commercial activities*. However, no additional information or further explanation is presented to the reader about the different revenue categories. Worth to mention is the absence of information regarding sponsorship, advertising and UEFA solidarity and prize money, as there is no information disclosed about these topics in the annual report of 2014/15.

4.4.9 Manchester United

Score 9 / 11

In Manchester United's annual report 2014/15, the revenue in the income statement is divided into *Commercial revenue, Broadcasting revenue* and *Matchday revenue*, while profits on disposal of players' registrations are disclosed separately. Revenues from the four previous seasons are also disclosed and therefore give the reader an overview of the revenue development (Figure 8).

	Year ended 30 June				
	2015	2014	2013	2012	2011
	(£'000, unless otherwise indicated)				
Income Statement Data:					
Revenue	395,178	433,164	363,189	320,320	331,441
Analyzed as:					
Commercial revenue	196,931	189,315	152,441	117,611	103,369
Broadcasting revenue	107,664	135,746	101,625	103,991	117,249
Matchday revenue	90,583	108,103	109,123	98,718	110,823

Figure 8 - *Manchester United – Part of the Income Statement* (Manchester United plc., 2015, p.2).

A breakdown of the commercial revenue into *Sponsorship revenue, Mobile & Content revenue* and *Retail, merchandising, apparel & products licensing revenue* is disclosed and an opportunity to compare these revenue developments with the previous four seasons are given here as well. Worth to mention is that in their annual report, Manchester United includes a section relating to European competitions. This section includes information about revenues distributed by UEFA during the 2014/15 season relating to Manchester United's Champions League performance 2013/14. Also, as Manchester United did not qualify for any European competition this season, it is explained to the reader that their revenue suffered a material reduction due to the failure of not qualifying to UEFA Champions League or Europa League.

4.4.10 Olympique Lyonnais

Score 10 / 11

In Olympique Lyonnais annual report 2014/15 a review of business activities are presented to the reader. Here, an overview together with a short explanation of the five principal revenue sources (*Ticketing, Sponsoring and Advertising, Media and Marketing rights, Brand-related revenue* and *Player trading*) is outlined and in the next section a comparison between the revenues of 2014/15 and 2013/14 are presented. Notes to these categories and income statement, with detailed information, including details about each player registration sale, are disclosed. Olympique Lyonnais includes a section in the annual report where information about other top European football clubs' sources of revenue is disclosed. In this section information about French football clubs' principal sources of revenue from the 2013/14 season is disclosed together with Olympique Lyonnais' financial position compared to the top five French football clubs. Detailed information about the revenues generated through Olympique Lyonnais participation in UEFA Europa League is included in this section.

4.4.11 Real Madrid

Score 11 / 11

In Real Madrid's annual report 2014/15, an overview of the club's operating income from the 1999/00 season up until the 2014/15 season is presented (Figure 9).

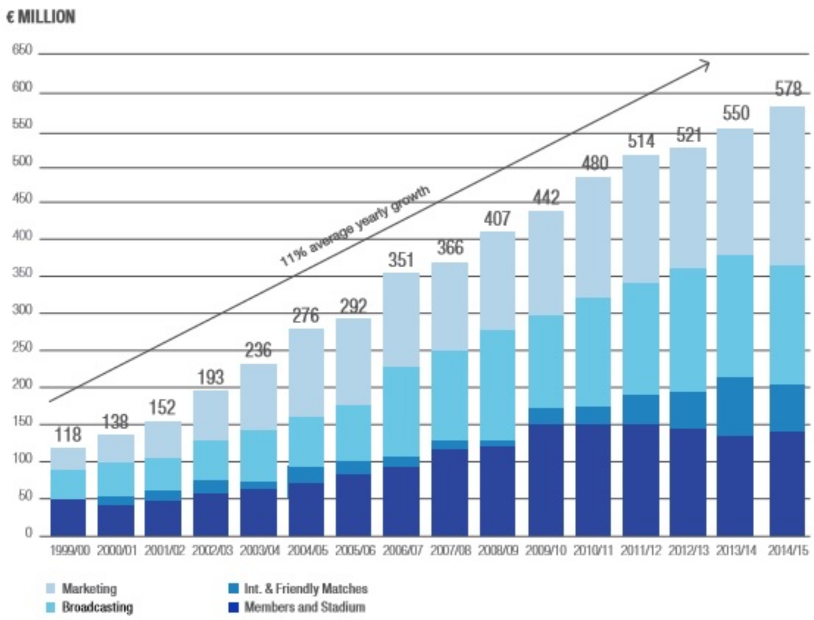

Figure 9 - *Real Madrid – Operating Income* (Real Madrid CF, 2015, p.8).

A breakdown of the operating income is disclosed, dividing the revenue into four categories: *Marketing, International and friendly matches, Broadcasting* and *Membership fees, ticket sales and other stadium revenue.* Revenue from player transfers is disclosed separately in the income statement under *Gains on disposal and others*. An even more explained overview of the development of the operating income categories from the 1999/00 season to the 2014/15 season is also presented (Figure 10) and in the notes to the accounts the actual amounts generated within these categories are outlined.

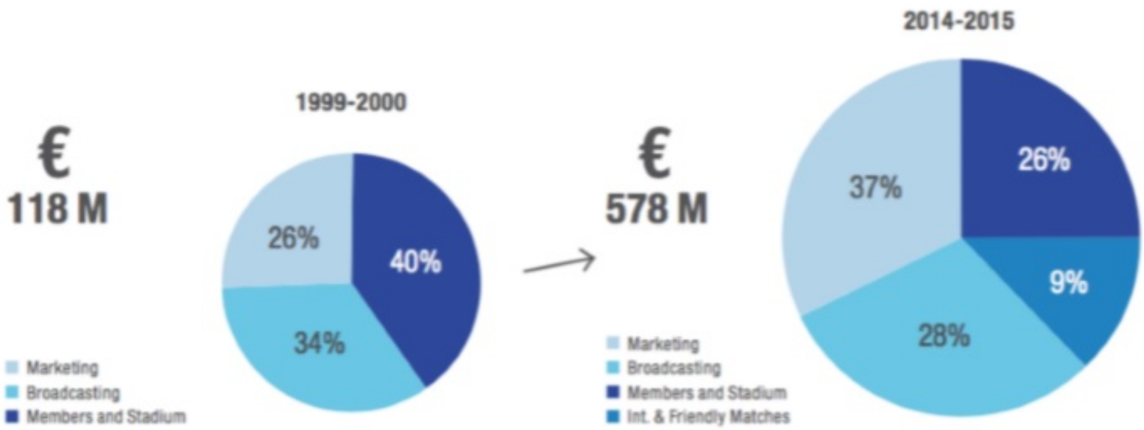

Figure 10 - *Real Madrid – Breakdown of Operating Income* (Real Madrid CF, 2015, p.9).

Real Madrid have also disclosed the amounts earned from each competition that the club has participated in together with revenues from store sales, advertising and sponsorships and licenses in the notes to the accounts. At the end of the annual report a budget out-turn of the 2014/15 season is presented, where the budgeted revenues can be compared to the actual revenues from the 2014/15 season and the deviation is clearly disclosed to the reader.

4.5 Further findings

The scores from the disclosure checklist is only a portion of the findings since it turns out that many European football clubs does not publish an annual report for all stakeholders to read. This is demonstrated by Table 11, which is an example of clubs participating in the Champions League groupe stage 2014/15.

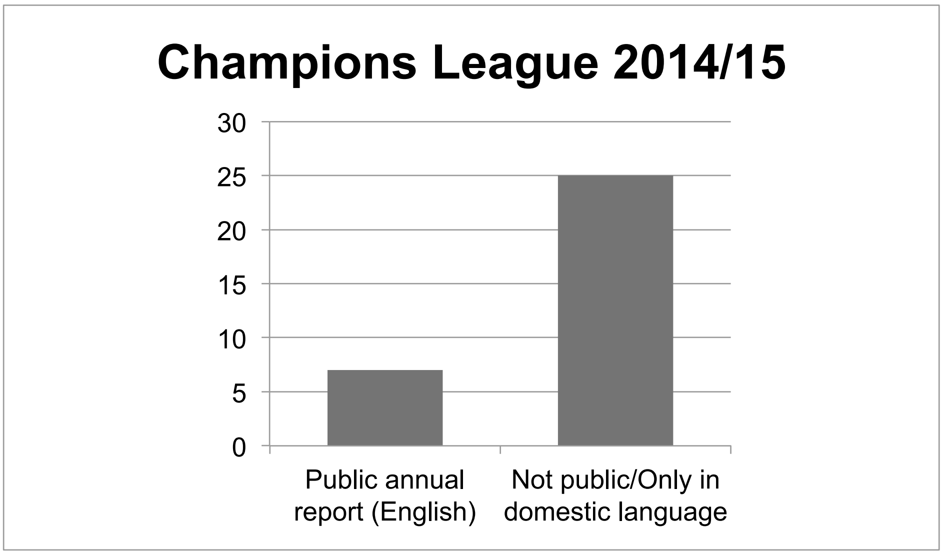

Table 11 – *Annual Reports – Champions League 2014/15.*

Of 32 clubs competing in this competition, only seven[32] (all of those seven are included in our sample) published an annual report in English on their website. Even though financial information can be found through financial services such as Bloomberg[33], and

[32] Arsenal FC, FC Barcelona, Borussia Dortmund, FC Porto, Juventus FC, Manchester City, Real Madrid.
[33] www.bloomberg.com A financial information website where financial information and financial data can be obtained.

MarketWatch[34], considering the eyes of a supporter, this is included in the not public category of the data.

A trend discovered is the tendency to only publish annual reports in the clubs' domestic language. An example is the Portuguese football club Sporting CP, who is listed on the European stock exchange Euronext (Euronext, 2016). They have a well-structured website, with English as an optional language, but still only publish their annual report in Portuguese. Further examples are Sporting CP's Primeira Liga colleagues SL Benfica, also traded on Euronext (SL Benfica, 2016), and the Italian team AS Roma whose shares are publicly traded on Italy's largest stock exchange Borsa Italiana (Borsa Italiana, 2016).

Another very common issue affecting transparency is the group structure of many clubs. Creating holding companies and similar structures between the actual club and the investment company with full ownership is a phenomenon that can be observed in several cases.

Example 1: Chelsea Football Club
The London-based club, which was taken over by Russian billionaire Roman Abramovich in 2003 (Franck, 2010), has a holding company called Fordstam Limited (previously Chelsea Limited). Chelsea Football Club Limited (the actual club) is a subsidiary of Chelsea FC PLC whose ultimate parent company is Fordstam Limited where the ultimate controlling party is Roman Abramovich (Chelsea FC, 2016). Chelsea FC PLC is a public limited company that is not traded on any stock exchange, hence not under compliance requirement of IFRS. Neither Fordstam Limited nor Chelsea Football Club Limited presents any public accounts on the website and the only information available is a news statement saying that the club is in compliance with UEFA Financial Fair Play for the broken fiscal year of 2014/15 (Chelsea FC, 2015).

Example 2: Bayer 04 Leverkusen Fußball GmbH
The German team, who also competed in the UEFA Champions League during the 2014/15 season, is a limited liability company fully owned by the pharmaceutical

[34] www.marketwatch.com A financial information website that provides business news, analysis and stock market data.

company Bayer AG. The club is one of over 100 subsidiaries, which understandably makes it very difficult to obtain any disclosed information specifically related to the football club (Bayer Group, 2015).

Because of the potential impact of the results, it is necessary to recognize differences in legal forms between the clubs included in the sample selection. As earlier described, there are certain differences in requirements from external forces depending on the company's legal form. Which accounting principle an organization applies is, for instance, characterized by whether the company is publicly traded on a stock exchange or not. FC Barcelona and Real Madrid are a special case since both clubs are registered associations owned by its members. Consequently, external requirements will not be as present as for a public limited company.

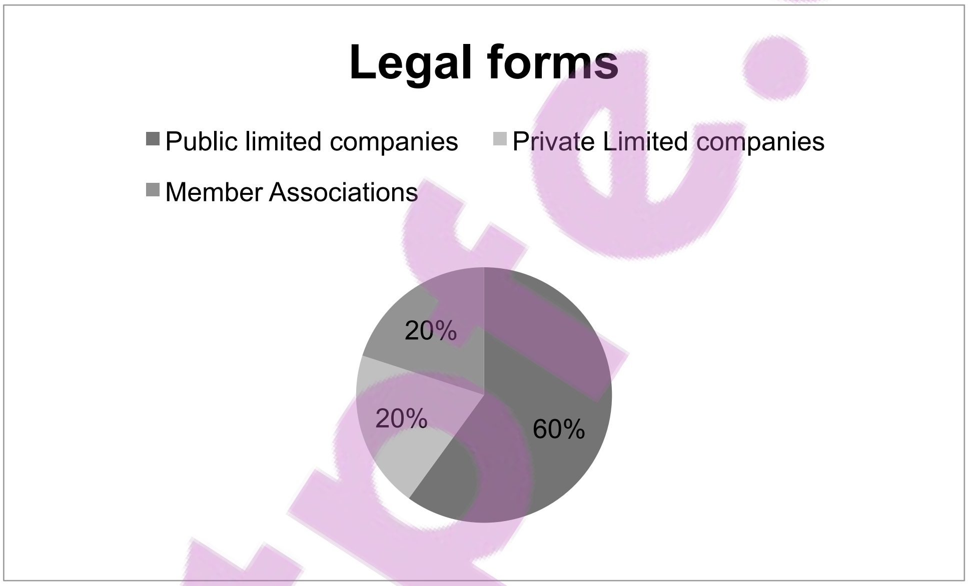

Table 12 – *Legal forms - The distribution of legal forms within the sample selection of ten European football clubs.*

5 Analysis

In this chapter, the empirical findings are analyzed in light of the theoretical framework. The section is structured in line with the previous chapter in order to facilitate a coherent second part of the thesis.

5.1 Disclosure of intangible assets

Biancone (2011) argues that the intangible asset players' registrations are representing the main item of a clubs balance sheet. When evaluating the results from the disclosure checklist it is evident that this has been realized by at least a majority of the sample. All clubs, except FC Barcelona, disclose financial information reflecting the values of their intangible assets. Considering that it is widely acknowledged that transparency generates reliability and confidence, which channels an improvement of image and reputation, Lozano and Carrasco-Gallego (2011) argue that especially the big clubs are more and more voluntarily disclosing information on intellectual capital and intangible assets. This is supported in the results, considering that six of the sampled clubs earned a top ten spot in the Deloitte Football Money League (Boor et al., 2016) together with good results in the disclosure checklist. Particularly diligent in voluntary disclosure was Juventus FC and FC Porto. Both clubs, following the framework of IFRS, disclosed information for each player registration to potentially improve the legitimacy of the business (Jay Choi & Sami, 2012).

Moreover, choosing to not disclose the net book value for each player, as in the case of eight of the sampled clubs, causes ambiguity over the actual financial situation of the club. Lozano and Carrasco-Gallego (2011) argue that a big percentage of the squads consist of internally generated players, who does not meet the preconditions of IAS 38 (European Commission, 2010) and therefore cannot be recognized in the club's balance sheet (Oprean & Oprisor, 2014). By only disclosing the carrying amount of the entire CGU, there is no way of knowing how many registrations are recognized, causing a weaker sense of transparency as it is not disclosed how many player registrations that constitutes this sum. The hidden values that occur due to non-recognized assets can somewhat be limited if a list of all registrations, together with their net book value, are disclosed (Lozano & Carrasco-Gallego, 2011). This would show how many player registrations that affect the net book value and how many player registrations that the club possesses which lacks accounting value. The results from the checklist showed that only Juventus FC disclosed such information as their annual report included the section "significant intangible assets controlled by an entity but not recognized…"

Notable in the findings is the dispersion in application of financial reporting frameworks. The teams earning the highest scores were also most prone to voluntary disclosure of information and, as stated above, they have the application of IAS/IFRS in common. In line with this finding, Biancone (2011) stresses the need for homogeneity of accounting rules to apply by football clubs and suggests a strict application of IAS/IFRS. Use of different accounting rules, as in goodwill, generates a larger freedom for the clubs to generate different financial situations (Biancone, 2011); thus affecting comprehension and comparability. Excessive freedom, especially when it comes to players' registrations considering the hidden values (Lozano & Carrasco-Gallego, 2011), leads to a possibility to construct a reality (Hines, 1988), hence damaging the transparency.

5.2 Disclosure of revenue

UEFA is trying to improve the transparency of financial reporting in European Football clubs (Morrow, 2013; Procházka, 2012; UEFA, 2015) to prevent financial mismanagement as in the case of Leeds United (Hamil & Walters, 2010) and Rangers FC (Spiers, 2015). The effectiveness of the FFP regulation regarding transparency has been criticized by Morrow (2014) as he argues that as long as the compliance document is not mandatory to disclose publicly, the transparency improvement can be questioned. However, the findings show that 80 percent of the sampled clubs disclose their revenue in accordance with the minimum requirements of UEFA's FFP regulation, or in somewhat similar categories and to the same extent. 40 percent of the sampled clubs even earned full points for their revenue disclosure, indicating a transparent disclosure regarding revenue among the sampled clubs. The remaining 20 percent of the sampled clubs (FC Barcelona and Manchester City) did not disclose their revenue in line with the minimum requirements of FFP regulation and this finding indicates that these clubs produce dual reports, as argued by Morrow (2014).

UEFA is trying to incentivize clubs to not produce dual reports but to integrate the FFP requirements in the clubs' annual reports (Morrow, 2014; UEFA, 2015) and thus improve the level of transparency by making the compliance document public information. But some clubs choose to produce dual reports and this is corroborated by the findings as 20 percent of the sampled clubs, as mentioned above, did not disclose their revenue in accordance with FFP's minimum requirements. Neither FC Barcelona nor Manchester City disclosed any information about revenues arising from their participation in UEFA Champions League (UEFA solidarity and prize money). According to UEFA, FC Barcelona, who won the competition 2014/15, received €61 million (UEFA, 2015c) and Manchester City received €45.9 million for their participation in the 2014/15 tournament. This finding shows that some clubs deliberately omits certain information, as this needs to be disclosed to UEFA to receive a club license. This supports Morrow's (2014) criticism about whether UEFA and FFP really improve financial disclosure transparency, as this information only needs to be disclosed to UEFA.

5.3 Different legal forms in football corporations

During the research and after reviews of annual reports both patterns and anomalies have been discovered when connecting transparent disclosure to a certain legal form of football clubs. As mentioned earlier there is a pattern in the disclosure checklist between the public limited companies applying IFRS and high scores. This is of course partly due to the fact that the disclosure checklist is characterized by IFRS but at the same time it mirrors a good level of transparency. Juventus FC and FC Porto, both public limited companies, distinguished themselves from the rest, not just by scoring top results in the checklist but also disclosing more transparent information. Players' registrations were for instance much more detailed since they voluntary disclosed a list of all players and their separate book values.

Manchester United, listed on New York Stock Exchange, published an extensive report that however contained too much information (742 pages), which could be problematic to interpret for some stakeholder, thus damaging the overall transparency (Barth & Shipper, 2008).

The surprise in the results was the very well constructed annual report published by Real Madrid, who scored the highest point (together with FC Porto) from the checklist, considering being a member association with no legal obligation to disclose information (Barros, Corral & Garcia-del-Barrio, 2008). It becomes even more peculiar considering the very weak transparency provided in the annual report of their fellow Spanish member association FC Barcelona.

Judging by the findings, further harmonization of IFRS would definitely favor the transparency of financial reporting in European football. The framework is currently generally only applied by the clubs listed on stock exchanges, but as argued by Biancone (2011), homogeneity of accounting rules should benefit transparency. More clubs going public would definitely speed up the harmonization and could potentially open possibilities for supporters to become owners and even more acknowledged stakeholders (Garcia & Welford, 2015). However, arguing that more initial public offerings would benefit the football industry is difficult to say. Even though the findings suggest it would bring more transparency to football, it would also corporatize the industry even further, making the social entertainment of football even more embossed by high profits and dividends (Morrow, 2013).

Schubert (2014) argues that an agency relationship between UEFA and the football clubs has occurred post to the implementation of the FFP regulation. As for now, the findings indicates that UEFA strives for a more transparent industry while the clubs and the owners are trying to counteract by finding ways to comply with the FFP regulation but at the same time disclose as little as possible to the public.

5.4 The European football industry’s effect on transparency

The difficulties in obtaining published annual reports from European football clubs proved that there is a lot more to wish for when it comes to transparency within the industry. It is truly peculiar that large corporations do not strive for improved legitimacy and higher trust through accountability. Lozano and Carrasco-Gallego (2011) argue that accountancy within the industry might be losing relevance due to inflexibility at recognizing intangible assets in general, referring to the large hidden values. These values make it difficult to obtain a true and fair view of the balance sheet, leading to less incentive to be transparent. Why aiming to be transparent when the balance sheet will be distorted anyway? Lozano and Carrasco-Gallego (2011) further describe, as an example, the paradox of finding football clubs on the verge of bankruptcy, only to be saved by the hidden values. To reconnect to an earlier example, if FC Barcelona would be under financial distress, selling Lionel Messi (no accounting value) could generate a monetary amount of around €114.2 million, as in the case of Gareth Bale (Sale, 2016).

Oprean and Oprisor (2014) have a similar theory on the financial reporting's lack of importance. Even though investment in football clubs should be grounded in accounting data disclosed, they argue that investors and sponsors is attracted through sporting success and participation in international competitions (Oprean & Oprisor, 2014). The lack of interest in the financial reporting could be reason behind clubs only publishing financial documents in their domestic language. Investors and sponsors not making decisions based on the financial reporting is anchored in the uncertainty if the data provided to the stakeholders is credible and relevant (Oprean & Oprisor, 2014). They further argue that is it hard to obtain a complete and fair view if there are no firm regulation from the governing bodies and calls for an improved framework for human resource disclosure (Oprean & Oprisor, 2014).

The lack of disclosure could also be due to the relationship between investors and corporations within the industry, according to Morrow (2013). Among the publicly traded football clubs there is little evidence of an active market of shares (Morrow, 2013). Due to emotional commitments and hence non-financial motives, a "buy & hold" strategy emerges and the financial statements become irrelevant (Morrow, 2013). Associated with the lack of transparency discovered in the findings, Morrow (2013) argues that the low amount of published annual reports is connected to the fact that supporters are not seen as primary recipients.

6 Conclusion

In this chapter, the purpose of the thesis is carried out and the research question and sub-questions are answered. With help from the previous chapters, the authors come to a conclusion structured in a clear but concise manner. Subsequently, the authors own perceptions are discussed, including social & ethical issues, further research topics and potential weaknesses of the research.

The purpose of the research was to examine if the financial information disclosed by European football clubs were transparent towards their supporters. The uncertainty if the social business of football had transformed into a full scale corporate industry, even on a reporting level, raised the question of transparency; considering the poor financial performance in an otherwise thriving business (Franck, 2010; Morrow, 2013; Schubert, 2014). In the end it is because of the supporters, as in the case of all sports, which allows the industry to generate high revenue (Hamil et al., 2004); hence they should be considered key stakeholders and their demand for accountability and comprehension should be met. Thereby, the level of transparency was decided to be determined from a supporter perspective.

To delimit the search for transparency, three logical reporting categories were reviewed but the answer to the main research questions was discovered earlier than expected. Difficulties in collecting a random sample due to the small amount of annual reports published, mirrored an industry with a poor amount of financial transparency. However, the research and empirical findings generated both hope and disappointment.

Sub-question 1: How transparent is the financial reporting regarding intangible and tangible assets?

The disclosure of intangible- and tangible assets partly proved that transparency is present within the industry, considering the small amount of deviation between the categories along with good results in the disclosure checklist. However, considering that the players' registrations are vital for the existence of football clubs, in contrast to tangible assets, there is a need for even more transparent disclosures. Only two clubs (Juventus FC, FC Porto) presented a complete disclosure of all registrations including carrying amount, amortization and other changes during the reporting period along with length of the contracts. This disclosure should be a benchmark for all other clubs to follow in order to achieve a more transparent reporting for all to comprehend.

It is understandable that this information is sensitive considering the competition and the unique case where registrations are transferred between competitors. If not all clubs are required to release transparent financial reports then it is only logical that clubs are reluctant to do so.

To conclude, the clubs who actually disclose their accounts has to be considered transparent despite some exceptions. However, to increase reliability and relevance, the governing bodies need to emphasize voluntary disclosure since the accounting of intangible assets is even more complex in football than in established business. Lastly, given the low percentage of clubs actually disclosing financial information on intangible- and tangible assets, it cannot be considered transparent within the industry.

Sub-question 2: To what extent is clubs' earnings disclosed?

As European football clubs are facing the new challenge of breaking-even, without contribution from wealthy owners, the demand for disclosure regarding revenue has increased. 80 percent of the sampled clubs disclosed their revenue to an extent that is considered to be transparent, as they follow the guidelines and minimum disclosure requirements of UEFA's FFP regulation. However, 20 percent of the sampled clubs did not disclose their revenues in a transparent manner, as their disclosure consisted of a few unexplained sums. In those clubs it was difficult to perceive which the main revenue drivers of the clubs were. Although one could demand more from these clubs, one must highlight that they still published an annual report on their website in which information was disclosed about their revenue, compared to many other European football clubs where information for supporters is a scarcity.

Sub-question 3: How does transparency in financial reporting differ between different legal forms of European football clubs?

Our study shows that there are differences in the level of transparency in financial reporting of the sampled clubs. The main cause for this seems to be that, depending on the legal form, the club might have external requirements to follow, for example, publicly traded clubs’ have to apply IAS/IFRS which clearly improves the level of transparency. It is only logical that the clubs with publicly traded stocks have an incentive to be transparent since it will generate increased investment. Having to release information that might generate a competitive disadvantage is perhaps the price to pay for the financial benefits of an IPO. It is however peculiar that some clubs traded on the European market still only publishes annual reports in their domestic language, making it less comprehensible for foreign investors.

Some clubs’ apply voluntary disclosure (as Juventus FC and FC Porto did with intangible assets), which increase their level of financial transparency. Another noteworthy finding is that the club who earn the highest score (together with FC Porto) was Real Madrid and the club that earned the least points was FC Barcelona, both member associations with no external requirements, indicating that Real Madrid also applied voluntary disclosure. These findings suggest that financial transparency is different between legal forms but it also differs within the same legal forms.

Research question: How transparent is the financial reporting of European football clubs?

The general perception of financial reporting in European football is that if a club is not bound to be transparent by external requirements, they will avoid it. This statement has of course exceptions like Real Madrid, as our research showed. Most clubs are bound by UEFA and FFP in order to compete, but since they are offering the loophole of dual reports, most clubs take it. Therefore, even though some clubs publish transparent financial reports, due to the low amount of available annual reports, the conclusion is that the financial reporting of European football clubs cannot be deemed as transparent.

6.1 Discussion

Morrow (2013) argues that supporters are not seen as primary recipients of annual reports, which probably is a fair reasoning considering the low amount of annual reports made public. Making efforts to improve transparency of financial reporting may not be the optimal approach to satisfy the supporters' demand for information as it is questionable to what extent they care about different accounting rules and comparability. In line with Morrow (2013), it could be argued that the supporters are actually more concerned with accountability than being able to understand an entire annual report. They want to be able to hold people responsible for performance and even though the break-even calculation of the FFP regulation has enhanced the conceptualization of organizational behavior and performance, it has not actually improved accountability as such disclosures are still largely hidden from most stakeholders.

It is however generally argued that transparency enhances accountability and considering that there potentially are recipients within supporter organizations that, as representatives of larger groups, can hold the management responsible through annual reports, transparency of financial reporting still needs to be improved. This is why it is peculiar that UEFA does not seem to have any plans of publishing the FFP compliance documents. By doing this, UEFA would close the loophole of dual reports, thus enhance transparency and force all clubs to play by the same rules, which is a generally accepted view of how the world of sports should work.

6.1.1 Relation of thesis findings to broader ethical and social issues

Considering the recent corruption scandal of FIFA, another governing body within the football sector, the call for transparency is apparent. In the case of FIFA, the former President (Joseph S. Blatter) and former Vice-President (Michel Platini), who also happened to be President of UEFA at the time, was banned by FIFA's independent Ethics Committee for eight years from all football-related activities because of bribery and corruption (FIFA, 2015). As corruption obviously is present within the European football industry, there is an evident social issue that calls for more open disclosure and transparency due to the low ethics by executives of governing bodies. As UEFA's efforts to improve transparency with the FFP regulation can be questioned and with the corruption charges against their former President, we argue that there is still an obvious need to further improve transparency.

It is important that transparency is improved in an ethical and non-deceiving manner to supporters, as they are the ones that keep the football industry alive through their financial commitment and interest. Without supporters, there would be no sponsors, no gate receipts and no lucrative broadcasting deals, as nobody would watch the games. Hence we argue that it is only ethical towards supporters to improve the financial transparency and it would also be beneficial towards other external parties, as this would facilitate rational financial decisions and reduce information asymmetry. This definitely supports the broader relevance of this research as it can be strongly linked to both social and ethical issues.

6.1.2 Suggestions for further research

A majority of the European football clubs are not publishing annual reports, or somewhat similar reports, to their stakeholders even though the clubs' have an external requirement from UEFA to provide UEFA with a FFP compliance document. It would therefore be recommended to further investigate why clubs actively choose to not publish these reports or why UEFA is not making each club's FFP compliance document publicly available. A few clubs have chosen to integrate the compliance report in their annual report, but since there are so many clubs whom are not disclosing this information, an interesting research topic would be to investigate if there are any major competitive disadvantages that clubs' may suffer from by implementing a mandatory disclosure requirement of the FFP compliance documents. Interviews with UEFA officials and European football club executives could also potentially provide a broader view and understanding of why these reports are not mandatory to disclose.

As this research has been deeply influenced by the whole FFP regulation and especially the break-even requirement, both of which are fairly new regulations, a future research about the effects of this regulation is suggested as this potentially could illustrate the positive or negative effects that this regulation has had on the sustainability of the European football industry. A future research topic that would be interesting, given the fact that corruption obviously is present within the governing bodies of the football industry, is if UEFA would be willing to sanction any of the biggest European football clubs if they failed to meet the FFP requirements? Up until now, only small clubs like Mallorca and Getafe have been excluded from participation in the European tournaments and it would therefore be interesting to see if the biggest clubs receive the same sanctions as smaller and less influential football clubs if they fail to comply with FFP when the regulation is fully implemented.

Lastly, there is a strong correlation between winning and increasing revenue (FC Barcelona received €61 million for winning the UEFA Champions League). A further suggested research topic is to investigate if there is any correlation between winning and profit making as many European football clubs tend to overspend in order to reach sporting success.

6.1.3 Limitations of the study

Two limitations of our research are our sample size and the fact that we only examined the financial disclosure from one season (2014/15). A bigger sample size and longer time-frame for investigation (i.e. investigating over several seasons) would have provided a better foundation to draw conclusions from. A longitudinal study would have removed any errors that might occur from only investigating one set of annual reports and could have indicated patterns of development regarding transparent financial disclosure. As this research only deals with three aspects of financial reporting, a more extensive research involving aspects such as transparency regarding European football clubs' debt and player salaries would provide a more accurate analysis of the overall transparency.

As there is no worldwide agreed upon definition of transparency, this research faced the obstacle of being subjective as other researchers might not share the same definition of transparency and not share our perception of what is considered to be transparent financial reporting.

References

Arsenal Holdings plc. (2015). *Statement of Accounts and Annual Report 2014/*15 [Annual Report]. Retrieved April 7, 2016, from http://www.arsenal.com/assets/_files/documents/sep_15/gun__1443083163_Arsenal_Holdings_plc_-_Annual_.pdf

Baboukardos, D. & Rimmel, G. (2016). Kapitel 4 - Den positiva redovisningsteorin (Chapter 4 - The positive accounting theory). i G. Rimmel & K. Jonäll, *Redovisningsteorier (Accounting theories)* (p. 63-76). Sweden: Sanomautbildning.

Barros, C. P., Corral, J. & Garcia-del-Barrio, P. (2008). Identification of Segments of Soccer Clubs in the Spanish League First Division with a Latent Class Model. *Journal of Sports Economics*, 9(5), 451-469.

Barth, M. E. & Schipper, K. (2008). Financial Reporting Transparency. *Journal of Accounting, Auditing & Finance, 23*(2), 173-190.

Bayer Group. (2015). *Subsidiary and affiliated companies* [Part of the Bayer Annual Report]. Retrieved April 26, 2016, from http://www.investor.bayer.de/en/bayer-group/ueberblick/subsidiaries/

Benkraiem, R., Le Roy, F. & Louhichi, W. (2011). Sporting Performances and the Volatility of Listed Football Clubs. *International Journal of Sport Finance*, 283-297.

Biancone, P. (2011). Intangible Assets in Sports Industry: the Valutation of Multiannual Rights to Exploit the Performance of Professional Footballers. *International Journal on GSTF Business Review, 1*(1), 57-63.

Boor, S., Bosshardt, A., Green, M., Hanson, C., Savage, J., Shaffer, A. & Winn, C. (2016). *Football Money League*. Sports Business Group. Manchester: Deloitte.

Borsa Italiana. (2016). *Roma*. Retrieved April 25, 2016, from http://www.borsaitaliana.it/borsa/azioni/scheda/IT0001008876.html?lang=en

Borussia Dortmund GmbH & Co. (2015). *Annual Report 2014/2015* [Annual Report]. Retrieved April 7, 2016, from http://aktie.bvb.de/eng/Publications/Annual-Reports/Annual-Report-2014-2015-KGaA-Group

Bryman, A. (2012). *Social Research Methods*. New York: Oxford University Press Inc.

Bushman, R. & Smith, A. (2003). Transparency, financial accounting information, and corporate governance. *Economic Policy Review - Federal Reserve Bank of New York, 9*(1), 65-87.

Cathcart, B. (2004, March 7). Money to burn. *The Guardian.* Retrieved May 10, 2016, from http://www.theguardian.com/football/2004/mar/07/sport.features1

Chelsea FC. (2015, November 23). *Financial results announced with FFP compliance maintained.* Retrieved April 25, 2016, from http://www.chelseafc.com/news/latest-news/2015/11/financial-results-announced-with-ffp-compliance-maintained.html

Chelsea FC. (2016). *Club Personnel*. Retrieved April 25, 2016, from http://www.chelseafc.com/the-club/about-chelsea-football-club/club-personnel.html

Choi, J. & Sami, H. (2012). Corporate Transparency from the Global Perspective: A Conceptual Overview . *International Finance Review, 13*, 3-7.

Clarkson, M. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance . *Academy of Management Review, 20*, 92-117.

Cooper, C. & Johnston, J. (2012). Vulgate accountability: insights from the field of football . *Accounting, Auditing & Accountability Journal , 25*(4), 602-634.

Deegan, C., Rankin, M. & Tobin, J. (2002). An examination of the corporate social and environmental disclosures of BHP from 1983-1997: A test of legitimacy theory . *Accounting, Auditing & Accountability Journal, 15*(3), 312-343.

Dietl, H., Franck, E. & Lang, M. (2008). Overinvestment in team sports leagues: A contest theory model. *Scottish Journal of Political Economy , 55*(3), 353-368.

Dimitropoulos, P. & Tsagkanos, A. (2012). Financial performance and corporate governance in the european football industry. *International Journal of Sport Finance*, 280-308.

DiPiazza, S. J. & Eccles, R. G. (2002). *Building public trust : the future of corporate reporting*. New York: John Wiley & Sons, cop.

Euronext. (2016). *Sporting*. Retrieved April 25, 2016, from https://www.euronext.com/en/products/equities/PTSCP0AM0001-XLIS

European Commission. (2002). Regulation (EC) No 1606/2002 on the application of international accounting standards. *Official Journal of the European Communities, 243*(1-4).

European Commission. (2008). No 1126/2008 - Adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002. *Official Journal of the European Union , 320*(1-481).

European Commission. (2010, March 24). *International Accounting Standard 38 Intangible Assets*. Retrieved February 27, 2016, from http://ec.europa.eu/internal_market/accounting/docs/consolidated/ias38_en.pdf

Everton FC Company ltd. (2015). *Annual Report and Accounts* [Annual Report]. Retrieved April 8, 2016, from http://www.evertonfc.com/content/club/shareholders-association/statement-of-accounts

EY. (2015). *International GAAP Disclosure Checklist*. London: EYGM Limited.

Fang, F. & Zhou, H. (2012). Institutional Ownership, Internal Control, and Disclosure Transparency. *International Finance Review, 13*, 11-37.

FC Barcelona. (2015). *Annual Report 2014/2015* [Annual Report]. Retrieved April 8, 2016, from http://media4.fcbarcelona.com/media/asset_publics/resources/000/199/375/original/MEMORIA_CLUB_14_15_ENGLISH.v1448467342.pdf?_ga=1.91216730.1934911688.1460037551

FC Porto Futebol SAD. (2015). *Management Report & Consolidated Accounts 2014/2015* [Annual Report]. Retrieved April 9, 2016, from http://www.fcporto.pt/en/clube/grupo-fc-porto/Pages/annual-reports.aspx

FIFA (2015, December 21). *Independent Ethics Committee bans Joseph S. Blatter and Michel Platini.* Retrieved May 2, 2016, from http://www.fifa.com/governance/news/y=2015/m=12/news=independent-ethics-committee-bans-joseph-s-blatter-and-michel-platini-2747411.html

Franck, E. (2010). Private Firm, Public Corporation or Member's Association Governance Structures in European Football . *International Journal of Sport Finance*, 108-127.

Franck, E. (2014). Financial Fair Play in European Club Football: What Is It All About?. *International Journal of Sport Finance, 9*(3), 193-217.

Frick, B. (2007). The Football Players' Labor Market: Empirical Evidence From The Major European Leagues. *Scottish Journal of Political Economy, 54*(3), 422-446.

García, B. & Welford, J. (2015). Supporters and football governance, from customers to stakeholders: A literature review and agenda for research . *Sport Management Review, 18*, 517-528.

Guba, E. & Lincoln, Y. (1994). Chapter 6 – Competing Paradigms in Qualitative Research. In N.K. Denzin, & Y. Lincoln (Eds.), *Handbook of qualitative research* (p. 105-117). Thousand Oaks, CA: Sage.

Hamil, S., Holt, M., Michie, J., Oughton, C. & Shailer, L. (2004). The corporate governance of professional football clubs. *Corporate Governance: The international journal of business in society, 4*(2), 44-51.

Hamil, S. & Walters, G. (2010). Financial performance in English professional football: 'an inconvenient truth'. *Soccer & Society, 11(4),* 354-372.

Hermalin, B. & Weisbach, M. (2012). Information Disclosure and Corporate Governance. *The Journal of Finance, 67*(1), 195-233.

Hines, R. (1988). Financial accounting: In communicating reality, we construct reality. *Accounting, Organizations and Society, 13*(3), 251-261.

Juventus FC S.p.A. (2015). *Annual Financial Report* [Annual Report]. Retrieved April 7, 2016, from http://www.juventus.com/media/native/investor-relations-docs/english/bilanci/1415/Relazione%20finaziaria%20al%2030%20giugno%202015%20eng.pdf

Lozano, F. J. & Gallego, A. C. (2011). Deficits of accounting in the valuation of rights to exploit the performance of professional players in football clubs. A case study . *Journal of Management Control, 22*(3), 335-357.

Mallin, C. A. (2013). *Corporate Governance, 4th edition.* Oxford: Oxford University Press.

Manchester City ltd. (2015). *Manchester City Annual Report 2014-15* [Annual Report]. Retrieved April 7, 2016, from http://annualreport.mcfc.co.uk/assets/MCFC_Annual_Report_2014-15_Print_Out.pdf

Manchester United plc. (2015). *Annual report* [Annual Report]. Retrieved April 7, 2016, from http://ir.manutd.com/~/media/Files/M/Manutd-IR/Annual%20Reports/2015-20f.pdf

McLeman, N. (2015, March 25). Lionel Messi earns almost £1m-A-WEEK to make him world's highest paid footballer. *Mirror*. Retrieved February 13, 2016, from http://www.mirror.co.uk/sport/football/news/lionel-messi-earns-1m-a-week-make-5394591

Mnzava, B. (2013). Do Intangible Investments Matter? Evidence from Soccer Corporations. *Sport, Business and Management: An International Journal, 3*(2), 158-168.

Mole, G. (2008, September 21). Abu Dhabi United Group to complete Manchester City takeover on Tuesday. *The Telegraph*. Retrieved March 10, 2016, from http://www.telegraph.co.uk/sport/football/teams/manchester-city/3042179/Abu-Dhabi-United-Group-to-complete-Manchester-City-takeover-on-Tuesday-Football.html

Morrow, S. (1996). Football Players as Human Assets. Measurement as the Critical Factor in Asset Recognition: A Case Study Investigation. *Journal of Human Resource Costing and Accounting , 1*, 75-97.

Morrow, S. (2013). Football club financial reporting: time for a new model? *Sport, Business and Management: An International Journal, 3*(4), 297-311.

Morrow, S. (2014). *Financial Fair Play - Implications For Football Club Financial Reporting*. Edinburgh: The Institute of Chartered Accountants of Scotland.

Olympique Lyonnais Groupe. (2015). *Registration Document 2014/15* [Annual Report]. Retrieved April 9, 2016, from http://www.actusnews.com/documents/ACTUS-0-6571-ol-ddr1415-uk-web.pdf

Oprean, V.B. & Oprisor, T. (2014). Accounting for soccer players: capitalization paradigm vs. expenditure. *Procedia Economics and Finance*, *15*, 1647-1654.

Perry, S. (2014). *The European Club Footballing Landscape*. Geneve: UEFA Club Licensing and Financial Fair Play Unit.

Procházka, D. (2012). Financial Conditions And Transparency Of The Czech Professional Football Clubs. *Prague Economic Papers, 4*, 504-521.

Real Madrid CF. (2015). *Management Report & Financial Statements 2014 – 2015* [Annual Report]. Retrieved April 10, 2016, from http://www.realmadrid.com/en/members/member-card/annual-reports

Rimmel, G. (2016). Kapitel 5 - Disclosureteorier (Chapter 5 – Disclosure theory). i G. Rimmel, & K. Jonäll, *Redovisningsteorier (Accounting theories)* (p. 77-88). Sweden: Sanomautbildning.

Rimmel, G. & Jonäll, K. (2016). Kapitel 1 - Om redovisning och redovisningsteorier (Chapter 1 - Accounting and accounting theories). i G. Rimmel & K. Jonäll, *Redovisningsteorier (Accounting theories)* (p. 15-28). Sweden: Sanomautbildning.

Sale, C. (2016, January 21). Cost of Gareth Bale move to Real Madrid revealed to be £90m after Spaniards wrote off money owed for Rafael van der Vaart. *Daily Mail UK.* Retrieved February 13, 2016, from http://www.dailymail.co.uk/sport/football/article-3410949/Cost-Gareth-Bale-Real-Madrid-revealed-90m.html

Saunders, M., Lewis, P. & Thornhill, A. (2009). *Research methods for business students, 5th edition*. Harlow: Pearson Education Limited.

Sayare, S. (2012, October 26). Qatar Is Becoming a Player in French Sports. *The New York Times*. Retrieved March 10, 2016, from http://www.nytimes.com/2012/10/27/sports/soccer/with-paris-saint-germain-qatar-is-a-player-in-french-sports.html

Schubert, M. (2014). Potential agency problems in European club football? The case of UEFA Financial Fair Play. *Sport, Business and Management: An International Journal , 4*(4), 336-350.

SD EUROPE. (2012). *Position Paper. Supporters Direct*. Retrieved February 4, 2016, from http://www.supporters-direct.org/wp-content/uploads/2012/11/SDE_Position_Paper_2012.pdf

Shocker, A. (1973). An Approach To Incorporating Societal Preferences In Developing Corporate Action Strategies. *California Management Review, 15*, 97-105.

SL Benfica. (2016). *Information.* Retrieved April 25, 2016, from http://www.slbenfica.pt/pt-pt/clubeesad/investidores/investidores/informação.aspx

Slack, R. & Shrives, P. (2008). Social disclosure and legitimacy in Premier League football clubs: the first ten years. *Journal of Applied Accounting Research, 9*(1), 17-28.

Spiers, G. (2015, January 18). How the mighty Glasgow Rangers have fallen. *The Guardian*. Retrieved May 10, 2016, from http://www.theguardian.com/football/2015/jan/18/how-the-mighty-glasgow-rangers-have-fallen

Suchman, M. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy Of Management Review, 20*(3), 571-610.

Transparency International. (2015). *What is transparency*. Retrieved February 6, 2016, from http://www.transparency.org/what-is-corruption/#what-is-transparency

UEFA. (2015, July 1). *Financial Fair Play*. Retrieved February 6, 2016, from http://www.uefa.org/protecting-the-game/club-licensing-and-financial-fair-play/

UEFA. (2015a, June 30). *Financial fair play: all you need to know.* Retrieved February 6, 2016, from http://www.uefa.com/community/news/newsid=2064391.html

UEFA. (2015b). *UEFA Club Licensing and Financial Fair Play Regulations*. Genève: UEFA.

UEFA. (2015c) *UEFA Champions League - Distributions to participating clubs*. Retrieved April 20, 2016, from http://www.uefa.com/MultimediaFiles/Download/competitions/General/02/29/45/25/2294525_DOWNLOAD.pdf

UEFA. (2015d, June 8). *About UEFA – Competitions.* Retrieved May 19, 2016, from http://www.uefa.org/about-uefa/administration/competitions/index.html

UEFA. (2016, March 11). *UEFA rankings for club competitions*. Retrieved March 15, 2016, from http://www.uefa.com/memberassociations/uefarankings/country/

Wheatland, B. (2015, September 18). *Anti-corruption helpdesk. Transparency International.* Retrieved February 2, 2016, from https://www.transparency.org/files/content/corruptionqas/Best_Practice_for_anti-corruption_in_football_associations_Sept_2015_PR.pdf

Zellner, W. & Andersson, S. (2001, December 17). The Fall of Enron. *Bloomberg.* Retrieved May 10, 2016, from http://www.bloomberg.com/news/articles/2001-12-16/the-fall-of-enron