

# AFC CLUB LICENSING FINANCIAL HANDBOOK

Edition 2021





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## Introduction

This AFC Club Licensing Financial Handbook (hereinafter known as the “Handbook”) is the working document that provides operational and technical guidance in relation to the financial criteria of the AFC Club Licensing Regulations. It is a compilation of explanations and templates to support the Licence Applicant in complying with the financial criteria of the AFC Club Licensing Regulations. The guidelines of the Handbook aims to provide the Licensor and Licence Applicants with a greater understanding to the reasons behind the financial criteria as well as a standard interpretation of the criteria and assessment procedures of the criteria. This Handbook is supplemented by the AFC Club Licensing Financial Handbook Reference Library which contains all relevant documents and templates while providing guidance and tools to help Member Associations develop National Club Licensing Regulations and help clubs comply with the requirements.

The Handbook is divided into the following sections:

- Overview of the AFC Club Licensing Financial Handbook (Section 1.1);
- The different financial criteria in the AFC Club Licensing Regulations (Section 1.2 - 1.10); and
- Guidance Notes for each criteria providing further information and guidance of the minimum disclosure requirements. (Guidance Note Section).

The Overview of the Handbook covers the achievable objectives through the implementation of the club licensing system and the fulfillment of the financial criteria. The two Diagrams (Diagram 1 and Diagram 2) on pages 14 and 15 of the Handbook summarise the link between the objectives, financial criteria, the information requirements and assessment procedures in relation to Historic Financial Information and Future Financial Information and Subsequent Information respectively. Lastly, Confidentiality of Information and Communication of the Licensing Decision is vital in ensuring that information provided to the Licensor is handled appropriately.

Sections 1.2 to 1.10 of this Handbook cover the financial criteria in the AFC Club Licensing Regulations. Each section describes the purpose of the criteria, the reporting period or reporting date, information to be prepared by the Licence Applicant, assessment procedures, Licensor Decision, relevant guidance notes in the handbook, relevant documents available in the Reference Library and relevant templates available in the Reference Library. All guidance notes that are referred to in each section have been hyperlinked to the relevant guidance note which makes it easier to navigate through the Handbook.

## Definitions

<b>ACC</b>	The AFC Cup.
<b>Accounting Policies</b>	The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting its financial statements.
<b>ACL</b>	The AFC Champions League.
<b>AFC Club Licensing Financial Handbook (Handbook)</b>	The handbook issued by the AFC which provides operational and technical guidance in relation to the financial criteria in these Regulations. It is a compilation of explanations and templates to support the Licence Applicant in complying with the financial criteria.
<b>Agreed-Upon Procedures (AUP)</b>	In an engagement to perform agreed-upon procedures, an auditor is engaged to carry out those procedures of an audit nature to which the auditor and the entity and any appropriate third parties have agreed and to report on factual findings. The recipients of the report must form their own conclusions from the report by the auditor. The report is restricted to those parties that have agreed to the procedures to be performed since others, unaware of the reasons for the procedures, may misinterpret the results.
<b>Amortisation</b>	The systematic allocation of the depreciable amount of an intangible asset over its useful life. For example, for the capitalised direct costs of acquiring a player's registration, the useful life is the contract life.
<b>Annual Financial Statements</b>	A complete set of financial statements prepared as at the Statutory Closing Date, normally including a balance sheet, profit and loss account, a statement of cash flows and those notes, other statements and explanatory Material that are an integral part of the financial statements.
<b>Associate</b>	An entity, including an unincorporated entity such as a partnership, over which the investor has Significant Influence and that is neither a Subsidiary nor an interest in a Joint Venture.

<p><b>Audit</b></p>	<p>The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all Material respects, in accordance with an identified financial reporting framework. The phrases used to express the auditor's opinion are "give a true and fair view" or "present fairly, in all Material respects", which are equivalent terms. A similar objective applies to the audit of financial or other information prepared in accordance with appropriate criteria.</p> <p>In an audit engagement, the auditor provides a high but not absolute level of assurance that the information subject to audit is free of Material misstatement. This is expressed positively in the audit report as reasonable assurance.</p> <p>The term "Audited" shall be interpreted accordingly.</p>
<p><b>Budget</b></p>	<p>The schedules containing an entity's Future Financial Information, based on management's assumptions about events that may occur in the future and possible actions by an entity.</p>
<p><b>Cash and Cash Equivalents</b></p>	<p>Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.</p>
<p><b>Consolidated Financial Statement</b></p>	<p>Financial statements of a Group presented as those of a single economic entity.</p>
<p><b>Control</b></p>	<p>The power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control may be gained by share ownership, statutes or agreement.</p>
<p><b>Club Licensing Criteria</b></p>	<p>The requirements applicable to the grant of Licences to Licence Applicants, as set out in these Regulations, which are divided into five categories (sporting, infrastructure, personnel and administrative, legal and financial).</p>
<p><b>Deadline for Submission of the Application to the Licensor</b></p>	<p>The date by which each Licensor requires Licence Applicants to have submitted all relevant information for its application for a licence.</p>

<b>Depreciable Amount</b>	<p>The cost of an asset, or other amount substituted for cost, less its residual value.</p> <p>Residual value is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful economic life.</p>
<b>Direct Costs of Acquiring a Player's Registration</b>	<p>Those payments to third parties for the acquisition of a player's registration, excluding any internal development or other costs. Costs to include:</p> <p>a) Transfer fee payable for securing the registration;</p> <p>b) Transfer fee levy (if applicable); and</p> <p>c) Other direct costs of obtaining the player's registration (e.g. payments to agents for services to the club, legal fees, compensation payments for training and development of young players in accordance with FIFA and/or domestic transfer regulations and other direct costs in connection with the transfer).</p>
<b>Employee Benefits</b>	<p>All forms of consideration given by an entity in exchange for service rendered by employees.</p>
<b>Event or Condition of Major Economic Importance</b>	<p>An event or condition is of major economic importance if it is considered Material to the financial statements of the Reporting Entity and would require a different (adverse) presentation of the results of the operations, financial position and net assets of the Reporting Entity if it had occurred during the preceding Financial Year or Interim Period.</p>
<b>Financial Year</b>	<p>The financial reporting period ending on the Statutory Closing Date, whether this is a year or not, and which is not an Interim Period.</p>
<b>Future Financial Information</b>	<p>Information about the prospective financial effects of future events and possible actions on the entity concerned.</p>
<b>Going Concern</b>	<p>The 'Going Concern' concept, or assumption, is an accountancy term that describes an entity which can continue operating without the significant threat of liquidation, and which can therefore continue in operation for the foreseeable future. A Reporting Entity is normally viewed as a Going Concern. It is assumed that the Reporting Entity has neither the intention nor the necessity of liquidation, ceasing trading nor seeking protection from creditors pursuant to laws or regulations.</p>

<b>Group</b>	A parent and all its subsidiaries.
<b>Historic Financial Information</b>	Information about the financial effects of past events on the entity concerned. Historic Financial Information is in respect of the financial performance and position prior to the licensing decision.
<b>Independent Auditor</b>	An auditor who is independent of the entity, in compliance with the IFAC Code of Ethics for Professional Accountants. For additional information visit <a href="http://www.ifac.org">www.ifac.org</a> . The term ‘auditor’ may also be used when describing related services or assurance engagements other than audits.
<b>Intangible Asset</b>	An identifiable non-monetary asset without physical substance, such as the registration of a player.
<b>Interim Financial Statements</b>	A financial report containing either a complete set of financial statements or a set of condensed financial statements for an Interim Period.
<b>Interim Period</b>	A financial reporting period shorter than a Financial Year. It does not necessarily have to be a six-month period.
<b>International Financial Reporting Standards (“IFRS”)</b>	Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise: <ul style="list-style-type: none"> <li>a) International Financial Reporting Standards;</li> <li>b) International Accounting Standards; and</li> <li>c) Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).</li> </ul>
<b>International Standards on Auditing (“ISA”)</b>	The International Auditing and Assurance Standards Board (“IAASB”) issues International Standards on Auditing as the standards to be applied by auditors in reporting on historical financial information. According to the IAASB, one of its objectives is ‘establishing high quality auditing standards and guidance for financial statement audits that are generally accepted and recognised by investors, auditors, governments, banking regulators, securities regulators and other key stakeholders across the world’.  For additional information about the IAASB and ISA, visit <a href="http://www.ifac.org">www.ifac.org</a>



<b>International Standards on Review Engagements ("ISRE")</b>	The IAASB issues standards applicable to a review of historic financial information. Current ISRE are available from <a href="http://www.ifac.org">www.ifac.org</a>
<b>International Standards on Related Services ("ISRS")</b>	The IAASB issues engagement standards that include the application of agreed-upon procedures to information. Current ISRS are available from <a href="http://www.ifac.org">www.ifac.org</a>
<b>Joint Venture</b>	A contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
<b>Licence</b>	Certificate granted by the Licensor confirming fulfilment of all minimum Club Licensing Criteria by the Licence Applicant as part of the admission procedure for entering AFC club competitions.
<b>Licence Applicant</b>	Legal entity fully and solely responsible for the football team participating in national and international club competitions which applies for a Licence.
<b>Licencee</b>	Licence Applicant that has been granted a Licence by its Licensor.
<b>Licensing Administration</b>	The staff within the Licensor that deals with club licensing matters.
<b>Licence Season</b>	AFC season for which a Licence Applicant has applied for/been granted a Licence. It starts the day following the deadline for submission of the List of Licensing Decisions by the Licensor to the AFC and lasts until the same deadline the following year.
<b>Licensor</b>	The Body that operates the club licensing system and grants the Licences in accordance with these Regulations.
<b>Management (Personnel)</b>	Describes those responsible for the preparation and fair representation of the financial statements and other financial information. Other terms may be appropriate depending on the legal framework in the particular jurisdiction. For example, in some jurisdictions, the appropriate reference may be 'to those charged with governance (for example, the directors).
<b>Material or Materiality</b>	Omissions or misstatements of items or information are Material if they could, individually or collectively, influence the decisions of users taken on the basis of the financial information submitted by the Licence Applicant/Licencee. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances or context. The size or nature of the item or information, or a combination of both, could be the determining factor.

<b>National Accounting Practice</b>	The accounting and reporting practices and disclosures required of entities in a particular country.
<b>National Club Licensing Regulations</b>	Working document which describes the national club licensing system in a particular country. It includes all minimum requirements of the AFC club licensing system as well as any specific national particularities and objectives.
<b>Parent</b>	An entity that has one or more subsidiaries.
<b>Recoverable Amount</b>	The higher of an asset's fair value less costs to sell and its value in use. 'Fair value less costs to sell' is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. 'Value in use' is the present value of future cash flows expected to be derived from the asset.
<b>Registered Member</b>	Any legal entity according to national law and/or Member Association statutes, which is member of the Member Association and/or its affiliated league.
<b>Related Party</b>	<p>A party is related to an entity if:</p> <p>a) Directly, or indirectly through one or more intermediaries, the party:</p> <ul style="list-style-type: none"> <li>i) controls, is controlled by, or is under common control with the entity (this includes parents, subsidiaries and fellow subsidiaries);</li> <li>ii) has an interest in the entity that gives it significant influence over the entity; or</li> <li>iii) has joint control over the entity.</li> </ul> <p>b) the party is an associate of the entity.</p> <p>c) the party is a joint venture in which the entity is a venturer.</p> <p>d) the party is a member of the key management personnel of the entity or its Parent.</p> <p>e) the party is a close member of the family of any individual referred to in (a) or (d);</p> <p>f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or</p> <p>g) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.</p>

<b>Reporting Entity/ Entities</b>	A Registered Member and/or football company or Group of entities or some other combination of entities which is included in the reporting perimeter and which must provide the Licensor with information for club licensing purposes.
<b>Review</b>	<p>The objective of an engagement to review financial information is to enable an auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial information is not prepared, in all Material respects, in accordance with an identified financial reporting framework.</p> <p>A Review, in contrast to an Audit, is not designed to obtain reasonable assurance that the financial information is free from Material misstatement. A Review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A Review may bring significant matters affecting the financial information to the auditor's attention but it does not provide the evidence that would be required for an audit.</p>
<b>Season to be Licensed</b>	The AFC season for which the Licence Applicant has applied for the Licence.
<b>Significant Change</b>	An event that is considered Material to the documentation previously submitted to the Licensor and that would require a different presentation if it had occurred prior to the submission of the licensing documentation.
<b>Significant Influence</b>	Ability to influence but not control financial and operating policy decision-making. Significant Influence may be gained by share ownership, statute or agreement. For the avoidance of doubt, a party or in aggregate parties with the same ultimate controlling party (excluding the AFC, an AFC Member Association and an affiliated league) is deemed to have Significant Influence if it provides within a reporting period an amount equivalent to thirty percent (30%) or more of the Licensee's total revenue.
<b>Statutory Closing Date</b>	The annual accounting reference date of the Reporting Entity.
<b>Subsequent Events</b>	Events or conditions occurring after the licensing decision.
<b>Subsidiary</b>	An entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the parent).

**Supplementary Information**

Financial information to be submitted to the Licensor in addition to the financial statements if the minimum requirements for disclosure and accounting are not met.

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

Note: The contents of this AFC Club Licensing Financial Handbook are purely informative in nature and are provided without any prejudice to any rights of the AFC, or any further actions or decisions made by the AFC. Stakeholders are encouraged to refer to the AFC Club Licensing Regulations for more detailed information. In the event of any discrepancy between this document and the AFC Club Licensing Regulations, the AFC Club Licensing Regulations shall prevail. For the avoidance of doubt, the AFC Club Licensing Regulations shall be authoritative.

## 1.1 OVERVIEW OF THE AFC CLUB LICENSING FINANCIAL HANDBOOK

The financial criteria set out in the Handbook, the associated Guidance Notes, Reference Library Documents and Reference Library Templates, in some context, draw from the content of the *International Financial Reporting Standards (IFRS)* and standards set by *The International Auditing and Assurance Standard Board (IAASB)*.

### 1.1.1 ACHIEVING THE OBJECTIVES

The implementation of the club licensing system and the fulfillment of the criteria are directed to the achievement of the following objectives:

- a) Improve the economics and financial capability of the clubs;
- b) Increase clubs' transparency and credibility;
- c) Place the necessary importance on the protection of creditors and employees;
- d) Safeguard the continuity of international competitions for one season; and
- e) Monitor financial fair play in the AFC Club Competitions.

In respect of each criterion, each Licence Applicant must submit certain financial information. Best practice, or statutory requirements and procedures are likely to mean that the information specified by the criteria is to be prepared by the Licence Applicant in any case in many countries. In turn, some form of assessment procedures must be carried out by an *Independent Auditor and/or the Licensor in respect of the financial information*.

There are three (3) different types of assessment that an Independent Auditor might be required to undertake:

- a) *Audit*;
- b) *Review*; or
- c) *Agreed-Upon Procedures*.

The term auditor is used throughout this Handbook when describing the individual or entity that will be performing the Auditing, review or Agreed-Upon Procedures. In respect of any work performed by an auditor for a Licence Applicant, unless national legislation prescribes otherwise, the auditor's contractual and legal responsibilities will be to the Reporting Entity they have engaged with.

When applicable, the Licensor shall read and consider the content of the auditor's report and make the decision on whether each criterion has been met and what further information, if any, is required. In respect of certain criteria, the Licensor will undertake assessment procedures instead of, or in addition to, the work

performed by an auditor. In making his/her decision, the Licensor is encouraged to apply common sense (“cum grano salis”) especially when considering insignificant differences to the minimum requirements.

The minimum requirements of the financial criteria are set out in the core part of this Handbook. For implementation within the National Club Licensing Regulations, the Licensor may develop additional criteria, information requirements and assessment procedures. The Guidance Notes, Documents and Templates available within the Reference Library provide supporting guidance and tools to help Member Associations develop their National Club Licensing Regulations and to help clubs comply with the requirements.

### **1.1.2 HISTORIC FINANCIAL INFORMATION**

In relation to Historic Financial Information, the link between the objectives, the financial criteria, the information requirements and the assessment procedures is summarised in Diagram I. The criteria relating to the Historic Financial Information about a Licence Applicant’s financial performance and position are addressed individually in 1.2 to 1.6.

### **1.1.3 FUTURE FINANCIAL INFORMATION AND SUBSEQUENT INFORMATION**

In relation to Future Financial Information and subsequent information, the links between the objectives, the financial criteria, the indicators, the information requirements and the assessment procedures are summarised in Diagram II. The criterion in respect of Future Financial Information is addressed in 1.7. The criteria for Licensees in respect of subsequent information (after the licensing decision has been made) are addressed in 1.8 to 1.9.

### **1.1.4 CONFIDENTIALITY OF INFORMATION AND COMMUNICATION OF THE LICENSING DECISION**

The Management of Licence Applicants will want to be satisfied that the information they provide to the Licensor (or other bodies operating within the Club Licensing System) will be handled appropriately.

Where the Licensor handles information in respect of publicly listed entities, it may be necessary for the Licensor to implement some supplementary Management procedures to help reassure the clubs that confidential information is handled appropriately. This will be an obligation for the Licensor.

Regardless of whether financial information in relation to a Licence Applicant is provided to the Licensor, publicly listed entities have continuous obligations to their stock exchanges to protect confidential information and to announce ‘to the financial market’ unpublished price-sensitive information without delay. Therefore, in respect of price-sensitive information matters, the act, itself, of their provision of confidential financial information to the Licensor should not create any additional burden on the Licence Applicants.

The real issue is confidentiality of information, not price sensitivity. That is, the

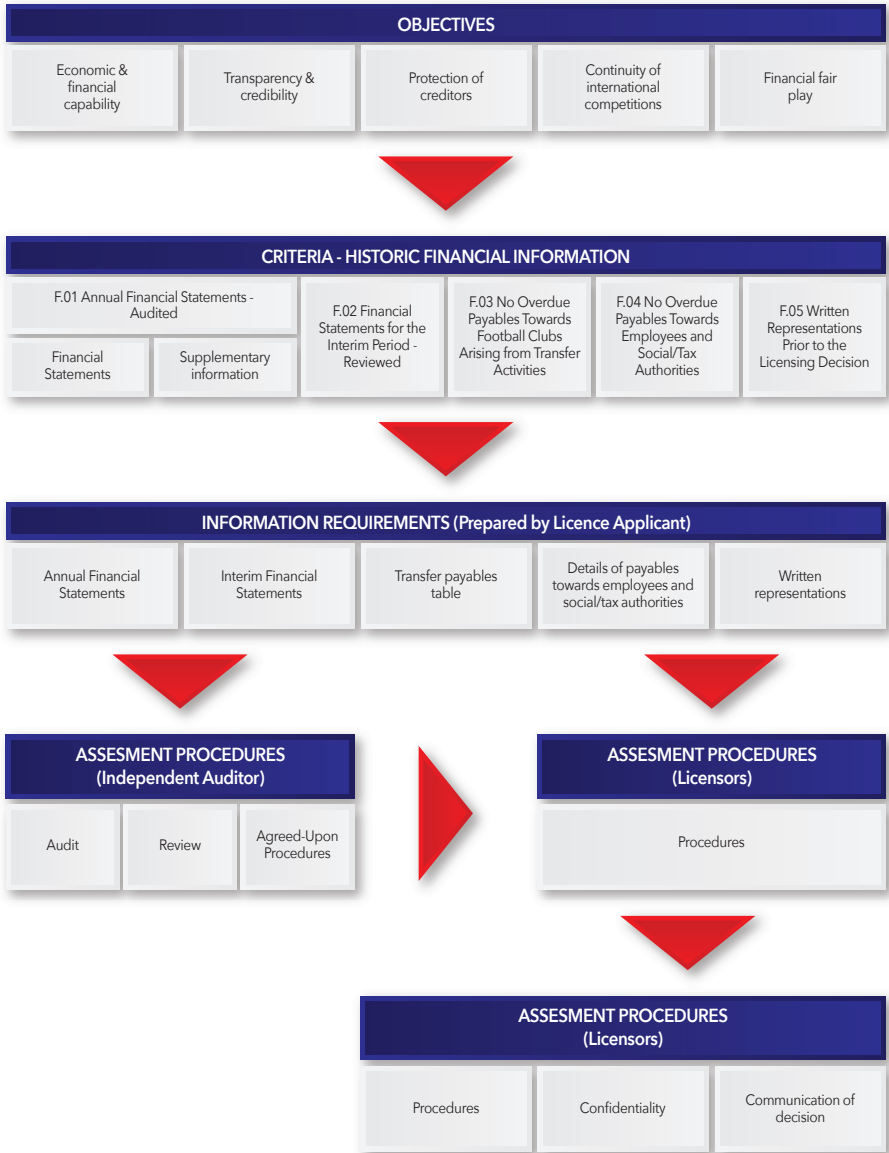
Management of listed entities may want to be satisfied that:

- a) Information they provide to the Licensor (or other bodies operating within the club licensing system) will be handled appropriately; and
- b) The licensing process will be handled confidentially and the decision itself, to grant a Licence or not, will be announced appropriately.

In respect of the latter point, because the licensing decision itself may be price-sensitive, it will be necessary for the Licensor to implement some supplementary Management procedures to help ensure that the announcement of the licensing decision is handled appropriately and in coordination with Licence Applicants which are publicly listed entities.

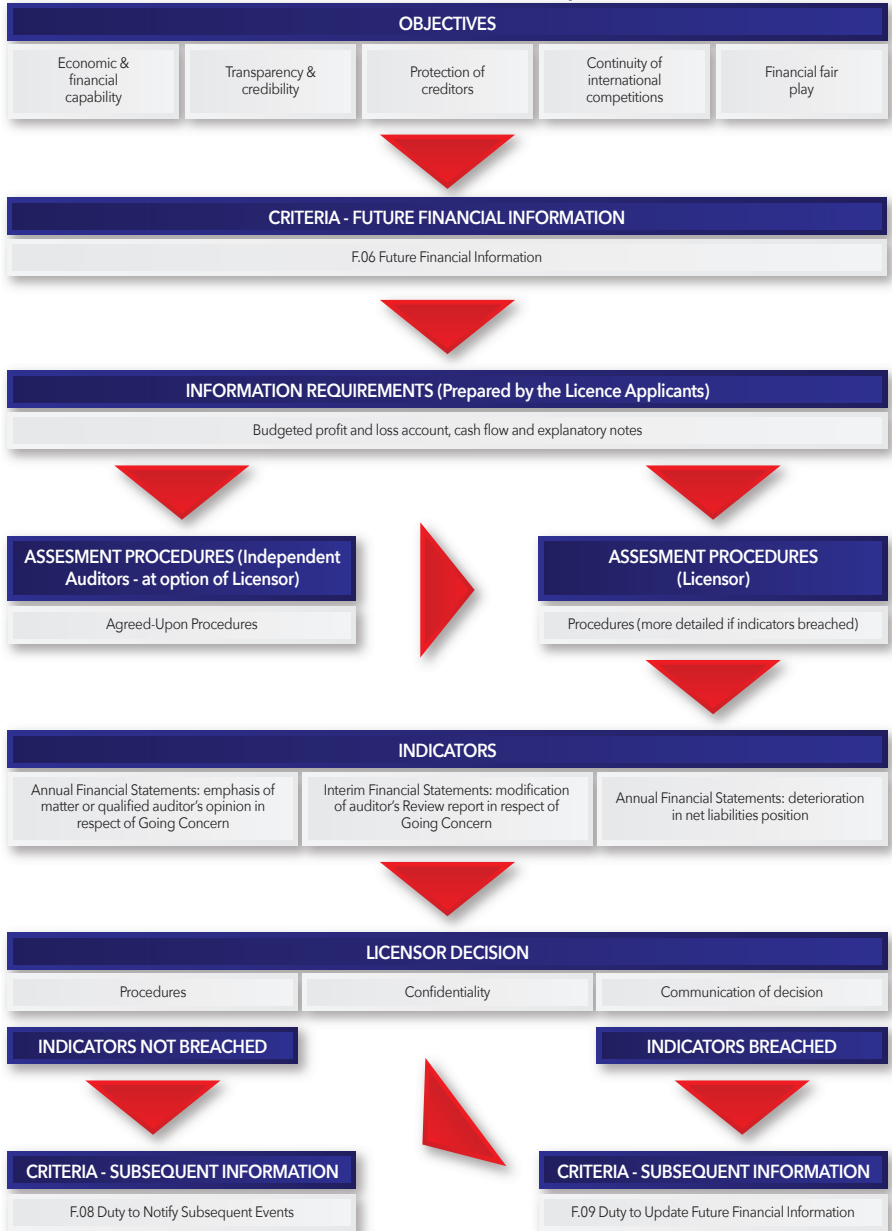
The AFC Club Licensing Quality Standard provides Licensors with a Management framework in order to carry out the Club Licensing System and provides a Core Process defining the specific steps that the Licensor has to follow. This can help satisfy the Management of Licence Applicants that appropriate procedures have been developed for the handling of confidential financial information and the handling of the announcement of the licensing decision by the Licensor (or other bodies operating within the Club Licensing System).

## Diagram I: Overview of the Club Licensing System in respect of Historic Financial Information





**Diagram II: Overview of the Club Licensing System in respect of Future Financial Information and subsequent information**



## 1.2 CRITERION F.01: ANNUAL FINANCIAL STATEMENTS - AUDITED

Unless mentioned specifically, the requirements in 1.2.3 to 1.2.6 are mandatory and constitute the minimum requirements for the Licence Applicant in order to fulfill criterion F.01.

### 1.2.1 THE CRITERION

F.01	ACL Criteria	ACC Criteria
<b>ANNUAL FINANCIAL STATEMENTS - AUDITED</b>	A	A
<p>Regardless of the legal structure of the Licence Applicant, Annual Financial Statements based on the local legislation for incorporated companies shall be prepared and Audited by an independent auditor.</p> <p>The Audited Annual Financial Statement shall be in respect of the Statutory Closing Date immediately prior to the deadline for submission of the List of Licensing Decisions to the AFC and must consist of:</p> <ul style="list-style-type: none"> <li>a) a balance sheet;</li> <li>b) a profit and loss account;</li> <li>c) a cash flow statement;</li> <li>d) notes, comprising a summary of significant Accounting Policies and other explanatory notes; and</li> <li>e) a financial Review by Management.</li> </ul> <p>The Audited Annual Financial Statements shall meet the minimum disclosure requirements and accounting principles set out in the AFC Club Licensing Financial Handbook.</p> <p>If the Audited Annual Financial Statements do not meet the minimum disclosure requirements and accounting principles set out in the AFC Club Licensing Financial Handbook, then Supplementary Information must be prepared by the Licence Applicant and assessed by the auditor.</p>		

### 1.2.2 PURPOSE OF THE CRITERION

Financial statements are a structured representation of the financial position and financial performance of an entity. The discipline of preparing Annual Financial Statements can help improve the economic and financial capability of clubs. The disclosures in the financial statements provide a level of transparency with regard to a club's financial transactions.

Since the Going Concern assumption is a fundamental principle in the preparation of the financial statements, Management has a responsibility to assess the Licence Applicant's ability to continue as a Going Concern. In turn, the auditor's responsibility is to consider the appropriateness of Management's use of the Going Concern assumption in the preparation of the financial statements.

Whilst the absence of any reference to Going Concern uncertainty cannot be viewed as a guarantee as to the Licence Applicant's ability to continue as a Going Concern, this assessment can help safeguard the financial situation of clubs and, hence, the continuity of competitions.

Clubs are encouraged, but not required, to make their Annual Financial Statements publicly available. This increases the clubs' transparency and credibility and provides information that is useful to a wide range of users to assist in making economic decisions - including current and future creditors and / or employees of the club.

To facilitate the implementation of the financial criteria, Historic Financial Information may continue to be prepared on the basis of National Accounting Practice requirements, or can be prepared on the basis of IFRS. Notwithstanding the requirements of National Accounting Practice or IFRS, the financial criteria do require Licence Applicants to disclose a specific minimum level of Historic Financial Information to the Licensor.

### **1.2.3 REPORTING PERIOD**

The Licence Applicant must submit Audited Annual Financial Statements (and, if required to meet the criterion, Supplementary Information) in respect of the Statutory Closing Date prior to the Deadline for Submission of the Application to the Licensor and prior to the deadline for submission of the List of Licensed Clubs to the AFC.

## **1.2.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT**

### **1.2.4.1 INTRODUCTION**

It is the responsibility of the Licensor to define the Licence Applicant/Licensee according to the statutes and regulations of the Member Association and in accordance with the national law. It is the responsibility of the Licence Applicant to determine the Reporting Entity (or combination of entities) in respect of which financial information is required to be provided (Article 20 of the AFC Club Licensing Regulations). In turn, the Licensor must assess whether, in respect of each Licence Applicant, the selected Reporting Entity is appropriate for Club Licensing purposes.

Licence Applicant must prepare Annual Financial Statements based on the accounting standards required by local legislation for incorporated companies - either the financial reporting framework of a particular country or IFRS.

For the purpose of Club Licensing requirements, the Audited Annual Financial Statements must consist of:

- a) A balance sheet;
- b) A profit and loss statement;

- c) A cash flow statement;
- d) Notes, comprising a summary of significant Accounting Policies and other explanatory notes; and
- e) A financial review by Management.

For further information and guidance of the minimum disclosure requirements, refer to **Guidance Note 1 – Minimum Disclosure Requirements for the Financial Statements**. National Accounting Practice, suitable as a basis for preparation of financial statements, shall contain certain underlying principles, including:

- Fair presentation and compliance with National Accounting Practice;
- Consistency of presentation;
- Going Concern assumption, unless circumstances dictate otherwise;
- Accrual basis for accounting;
- Each Material class of items shall be presented separately in the financial statements; and
- Assets and liabilities, and income and expenses, shall not be offset unless required or permitted by National Accounting Practice.

Document I provides further information about underlying financial reporting principles and can be sourced from the Reference Library.

Each component of the Annual Financial Statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated where necessary within the financial statements, for a proper understanding of the information presented:

- a) The name (and legal form), domicile and business address of the Reporting Entity and any change in that information from the preceding Statutory Closing Date;
- b) Whether the financial information covers the individual Licence Applicant or a Group of entities or some other combination of entities and to describe the structure and composition of any such Group or combination;
- c) The Statutory Closing Date and the period covered by the financial information (for both current and comparative information); and
- d) The presentation currency.

The Annual Financial Statements must be approved by Management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the Reporting Entity.

#### **1.2.4.2 MINIMUM REQUIREMENTS FOR THE CONTENT OF ANNUAL FINANCIAL STATEMENTS**

Notwithstanding the requirements of National Accounting Practice or IFRS, the financial criteria do require Licence Applicants to present a specific minimum level of Historic Financial Information to the Licensor. This Handbook sets out the minimum requirements for the content of annual financial information. Other than in respect of player accounting matters, this Handbook does not prescribe the basis for recognition and measurement of transactions and other events; as such matters are addressed by National Accounting Practice and/or IFRS.

The Audited Annual Financial Statements should aim to meet the minimum requirements for content and accounting as set out in [Guidance Note 1 - Minimum Disclosure Requirements for the Financial Statements](#).

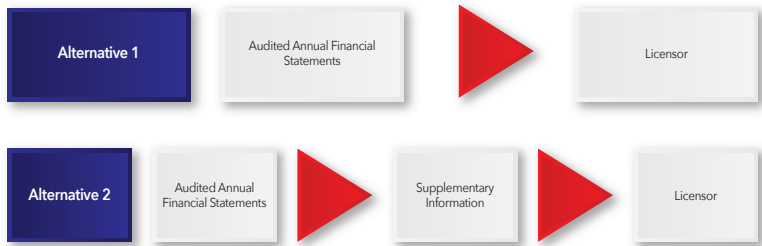
Document II sets out model Annual Financial Statements (and commentary) that illustrate typical disclosures to meet these minimum requirements. Document II can be sourced from the Reference Library.

If the Audited Annual Financial Statements meet the minimum disclosure requirements and accounting principles defined by this Handbook, then no further Supplementary Information has to be provided to the Licensor (i.e. alternative 1 in Diagram III below), unless the Licensor requests otherwise.

#### **1.2.4.3 SUPPLEMENTARY INFORMATION**

If the minimum requirements for the content and accounting are not met in the Audited Annual Financial Statements, then the Licence Applicant must prepare Supplementary Information in order to meet the minimum information requirements (i.e. alternative 2 in the diagram below). Together, the Audited Annual Financial Statements and the Supplementary Information comprise the annual financial information that is submitted to the Licensor.

**Diagram III: The acceptable alternatives for annual financial information submitted to the Licensor**



The content and presentation of the Supplementary Information, if required at all, will vary between Licence Applicants depending on the amount of information already disclosed in the separate Audited Annual Financial Statements. For example, the Supplementary Information document might simply include a certain disclosure note, or notes, not otherwise included in the Audited Annual Financial Statements. For some Licence Applicants, the Supplementary Information document might be more extensive and might have to include a full balance sheet, profit and loss account, cash flow statement and associated notes if these are not required by the relevant national law for incorporated companies or if, for example, there is a requirement for the Licence Applicant to restate figures as set out in [Guidance Note 2 - Minimum Accounting Requirements for Player Registration Costs](#).

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

#### **1.2.4.4 PROMOTED APPLICANTS - RELAXATION OF DISCLOSURE REQUIREMENTS**

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

If required to undergo the Club Licensing System, all of criteria F.01 to F.09 shall apply to the promoted applicants, although some of the disclosure requirements may be relaxed.

Document III provides further guidance on relaxation of disclosure requirements and can be sourced from the Reference Library.

#### **1.2.4.5 ACCOUNTING REQUIREMENTS FOR PLAYER REGISTRATION COSTS**

Notwithstanding that each Licence Applicant has to prepare Audited Annual Financial Statements under its own National Accounting Practice for incorporated companies or IFRS, the Handbook does include a specific accounting requirement in relation to player registration costs carried as intangible fixed assets.

Player transfers are a particular feature of the football industry. The accounting treatment adopted by Licence Applicants in respect of player registration costs can have a significant impact on the reported financial results and financial position.

Therefore, the AFC considers that certain minimum accounting requirements must be applied by Licence Applicants for the purpose of club licensing and to have a common approach within the Asian football family.

The Licence Applicants that have to apply these minimum accounting requirements are those entities that capitalise costs relating to the acquisition of a player. For greater detail, refer to [Guidance Note 2 - Minimum Accounting Requirements for Player Registration Costs](#)

<For the avoidance of doubt, if a Licence Applicant has an accounting policy to expense player registration costs rather than capitalise them, and this is permitted under their National Accounting Practice, there is no requirement for such entities to have to apply the minimum accounting requirements in [Guidance Note 2](#) and they do not have to prepare restated figures.>

It is recommended that each Licensor requires each of its Licence Applicants to apply consistent Accounting Policies in respect of players' registration costs. The Licence Applicant must prepare Supplementary Information (to be submitted to the Licensor) if the accounting requirements described in this sub-section are not met by the disclosures and accounting treatment in the Audited Annual Financial Statements. The Supplementary Information must include a restated balance sheet, profit and loss account and any associated notes to meet the requirements set out above.

There must also be included a note (or notes) reconciling the results and financial position shown in the Supplementary Information document to those shown in the Audited Annual Financial Statements (that were prepared under the National Accounting Practice). As set out in 1.2.5 and [Guidance Note 4](#), the restated financial information must be assessed by the auditor by way of Agreed-Upon Procedures.

#### **1.2.4.6 REQUIREMENT FOR PREPARATION OF A PLAYER IDENTIFICATION TABLE**

Due to the specificity and, for many clubs, significance of player acquisition costs, Licence Applicants must prepare a player identification table. The player identification table is also a tool that can be used by Management (and auditors)

to reconcile the balance sheet and profit and loss account figures relating to player registrations to the underlying detail, and for annual impairment considerations.

The Licence Applicants that must prepare a player identification table are all those entities that capitalise costs relating to the acquisitions of players.

<For the avoidance of doubt, if a Licence Applicant, under National Accounting Practice, has an accounting policy to expense player registration costs rather than capitalise, or has no player registration costs arising in the period or brought forward, there is no requirement for such entities to have to prepare the player identification table.>

The player identification table must be provided to the auditor. However, the player identification table does not need to be disclosed within the Annual Financial Statements, nor does it have to be submitted to the Licensor.

The required content and an illustrative example of a player identification table are provided in [Guidance Note 3 - Minimum Information for the Content of the Player Identification Table](#).

*Document IV* provides a template Player Identification Table and can be sourced from the Reference Library.

The following aggregate figures in the player identification table must be reconciled to the relevant figures in the balance sheet and profit and loss account in the Audited Annual Financial Statements.

- a) The aggregate of the Amortisation of player registrations in the current period as shown in the player identification table must agree/reconcile to 'Amortisation of player registrations' (disclosed on the face of, or in a note to, the profit and loss statement for the period);
- b) The aggregate of impairment provisions made in the current period as shown in the player identification table must agree/reconcile to 'Impairment of player registrations' (disclosed on the face of, or in a note to, the profit and loss statement for the period);
- c) The aggregate of profit/(loss) on disposal of player registrations in the player identification table must agree/reconcile to 'Profit/(loss) from disposal of player registrations' (disclosed on the face of, or in a note to, the profit and loss statement for the period); and
- d) The aggregate of the net book value of players' registrations in the player identification table must agree/reconcile to the figure for 'Intangible Assets – players' in the balance sheet (on the face or in the notes thereto) for the period end.

Note: For Licence Applicants who have restated player accounting figures to



meet the accounting requirements of the Handbook, these aggregate figures from the player identification table must agree/reconcile to the restated figures in the annual financial information.

## 1.2.5 ASSESSMENT OF THE ANNUAL FINANCIAL STATEMENTS

Annual Financial Statements must be Audited by an Independent Auditor in accordance with either International Standards on Auditing or relevant national Auditing standards or practices where these comply with, as a minimum, the requirements of International Standards on Auditing.

The Licence Applicant selects the Independent Auditor.

The auditor shall Review and assess the conclusions drawn from the Audit evidence obtained, as the basis for the expression of an opinion on the financial statements. The auditor's report shall contain a clear written expression of opinion on the financial statements taken as a whole.

For greater detail, refer to [Guidance Note 4 - Determination of Auditor and Assessment Procedures - Annual Financial Statements](#).

### 1.2.5.1 THE AUDITOR'S REPORT

The type of Audit opinion provided will have implications for the Licensor's own assessment of the Licence Applicant's Audited Annual Financial Statements.

An unqualified opinion shall be expressed when the auditor concludes that the financial statements give a true and fair view (or are presented fairly, in all Material respects) in accordance with the identified financial reporting framework (identifying the country of origin of the financial reporting framework when the framework used is not IFRS).

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

- a) Emphasis of matter;
- b) Qualified opinion;
- c) Disclaimer of opinion; or
- d) Adverse opinion.

*Document VI* provides further guidance in relation to the basic elements of the auditor's report and the meaning of different types of opinion. Document VI can be sourced from the Reference Library.

Since the Going Concern assumption is a fundamental principle in the preparation of the financial statements, Management of the Licence Applicant has a responsibility to assess the Reporting Entity's ability to continue as a Going Concern. In turn, the auditor's responsibility is to consider the appropriateness of Management's use of the Going Concern assumption in the preparation of the financial statements, and consider whether there are Material uncertainties about the Reporting Entity's ability to continue as a Going Concern that need to be disclosed in the financial statements. Matters relating to Going Concern can give

rise to modifications to the Audit report (any of the items from [a to d] as stated above) and will have implications for the Licensor's own assessment procedures (as set out in 1.2.6 below).

### 1.2.6 LICENSOR DECISION

It is the responsibility of the Licensor to assess the Annual Financial Statements (that may also include Supplementary Information) to form the basis for his/her licensing decision. As part of his/her assessment, the Licensor shall read and consider the Annual Financial Statements and the auditor's report thereon.

The Licence must be refused:

- a) If the Annual Financial Statements (that may also include Supplementary Information) are not submitted to the Licensor within the defined deadline.
- b) If the Licence Applicant submits Annual Financial Statements (that may also include Supplementary Information) that do not meet the minimum requirements for the content and accounting.

Having read the auditor's report on the Annual Financial Statements, the Licensor must assess it according to the points below:

- c) If the auditor's report has an unqualified opinion, without any modification, this provides a satisfactory basis for granting the Licence in respect of criterion F.01.
- d) If the auditor's report has a disclaimer of opinion or an adverse opinion, the Licence must be refused, unless a subsequent Audit opinion without disclaimer of opinion or an adverse opinion is provided (in relation to another set of financial statements for the same Financial Year, that meet the minimum requirements) and the Licensor is satisfied with the subsequent Audit opinion.
- e) If the auditor's report has, in respect of Going Concern, either an emphasis of matter or a qualified 'except for' opinion, the Licence must be refused, unless either:
  - i. A subsequent Audit opinion without Going Concern emphasis of matter or qualification is provided, in relation to the same Financial Year; or
  - ii. Additional documentary evidence demonstrating the Licence Applicant's ability to continue as a Going Concern until at least the end of the Season to be Licensed has been provided to, and assessed by, the Licensor to his satisfaction. The additional documentary evidence includes, but is not necessarily limited to, the information described in 1.7 (Future Financial Information).

If the auditor's report in respect of the Annual Financial Statements submitted in accordance with F.01 includes an emphasis of matter or a qualified 'except for' opinion in respect of Going Concern, then the Licence Applicant/Licensee shall be in breach of indicator IND.01 (as set out in 1.7.5). As a result, the Licensor must undertake more extensive Assessment Procedures in respect of criterion F.06 (Future Financial Information) and, if granted a Licence, the Licensee must also comply with criterion F.09 (Duty to Update Future Financial Information).

- f) If the auditor's report has, in respect of a matter other than Going Concern, either an emphasis of matter or a qualified 'except for' opinion, then the Licensor must consider the implications of the modification for Club Licensing purposes.

The Licence may be refused, unless additional documentary evidence is provided, and assessed, to the satisfaction of the Licensor. The additional evidence that may be requested by the Licensor will be dependent on the reason for the modification to the Audit report.

If the Licence Applicant provides Supplementary Information (according to alternative 2 in 1.2.1), the Licensor shall additionally assess the auditor's report of the Agreed-Upon Procedures in respect of the Supplementary Information.

- g) If the auditor's report of factual findings from the Agreed-Upon Procedures includes reference to errors and/or exceptions found, the Licence may be refused.

**Guidance Note 5** provides a diagrammatic summary of implications on the licensing decision of different modifications to the Audit report. The Licensor may ask for additional evidence to enable the assessment of the Licence Applicant to his/her satisfaction.

## 1.2.7 RELEVANT GUIDANCE NOTES

- [GUIDANCE NOTE 1 - Minimum Disclosure Requirements for the Financial Statements](#)
- [GUIDANCE NOTE 2 - Minimum Accounting Requirements for Player Registration Costs](#)
- [GUIDANCE NOTE 3 - Minimum Information for the Content of the Player Identification Table](#)
- [GUIDANCE NOTE 4 - Determination of Auditor and Assessment Procedures - Annual Financial Statements](#)
- [GUIDANCE NOTE 5 - Annual Financial Reporting: Diagrammatic Summary of Implications on the Licensing Decision of Different Modifications to the Auditor's Report](#)

## 1.2.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Annual Financial Reporting: Overall Considerations and Underlying Principles (**Document I**)
- Annual Financial Reporting: Model Financial Statements and Commentary (**Document II**)
- Promoted Applicants: Guidance on Relaxation of Disclosure Requirements (**Document III**)
- Annual Financial Reporting: Template Player Identification Table (**Document IV**)
- Annual Financial Reporting: Illustrative Form of Agreed-Upon Procedures on Supplementary Information (**Document V**)
- Annual Financial Reporting: Commentary Regarding Audit Reports – Contents and Different Forms of Opinion (**Document VI**)

## 1.2.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Annual Financial Reporting: Management Review / Directors' Report (**Template 1**)
- Annual Financial Reporting: Model Financial Statements – Balance Sheet (**Template 2**)
- Annual Financial Reporting: Model Financial Statements – Profit & Loss Statement (**Template 3**)
- Annual Financial Reporting: Model Financial Statements – CashFlow Statement Direct Method (**Template 4**)
- Annual Financial Reporting: Model Financial Statements – Cash Flow Statement Indirect Method (**Template 5**)
- Annual Financial Reporting: Notes to Financial Statements (**Template 6**)
- Annual Financial Reporting: Template Player Identification Table (**Template 7**)
- Annual Financial Reporting: Illustrative Report of Factual Findings (**Template 8**)

### 1.3 CRITERION F.02: INTERIM FINANCIAL STATEMENTS - REVIEWED

If the Statutory Closing Date of the Licence Applicant is more than six (6) months before the Deadline for Submission of the List of Licensed Clubs to the AFC, then additional financial statements covering the Interim Period must be prepared and submitted.

Whenever the Licence Applicant submits an interim financial statement, requirements in 1.3.3 to 1.3.6 are mandatory and constitute the minimum requirements for the Licence Applicant in order to fulfill criterion F.02.

#### 1.3.1 THE CRITERION

F.02	ACL Criteria	ACC Criteria
<b>FINANCIAL STATEMENTS FOR THE INTERIM PERIOD - REVIEWED</b>	A	C
<p>If the Statutory Closing Date of the Licence Applicant is more than six (6) months before the deadline for submission of the List of Licensing Decisions to the AFC, then the Licence Applicant shall prepare and submit additional financial statements covering the Interim Period.</p> <p>If the Financial Statements for the Interim Period are prepared and submitted, they should cover the Interim Period up to a date within six (6) months preceding the deadline for submission of the List of Licensing Decisions to AFC and must be Reviewed or Audited by an independent auditor.</p> <p>The Interim Financial Statements shall meet the minimum disclosure requirements and accounting principles as set out in the AFC Club Licensing Financial Handbook.</p>		

#### 1.3.2 PURPOSE OF THE CRITERION

Interim Financial Statements shall contain either a complete or condensed set of financial statements for a period shorter than a Licence Applicant's full Financial Year and are intended to provide an update on the latest complete set of Annual Financial Statements. Accordingly, a set of Interim Financial Statements focuses on new activities, events and circumstances and does not duplicate information previously reported. It helps to ensure that the Licensor's decision is based on more timely and up-to-date financial information, which helps provide a more consistent approach amongst the Member Associations.

In addition, the preparation of Interim Financial Statements can help improve the economic and financial capability of clubs and provides greater transparency to Licensors. As part of the processes for the preparation and Review of the Interim Financial Statements, the Going Concern assumption is re-assessed, which can help safeguard the financial situation of clubs and, hence, the continuity of competitions.

The requirement for an Independent Auditor to Review and report on the Interim Financial Statements enhances the credibility of the information, the process undertaken by Management to prepare it, and helps provide a more consistent approach amongst the Member Associations.

For implementation within the National Club Licensing Regulations, the Licensor may request additional information and develop further Assessment Procedures.

### 1.3.3 REPORTING PERIOD

For those Licence Applicants preparing Interim Financial Statements, they shall cover the Interim Period beginning on the day immediately after the Statutory Closing Date and ending on a date within six (6) months preceding the deadline for submission of the List of Licensed Clubs to the AFC.

An Interim Period does not necessarily have to be a six (6)-month period, but is defined as a financial reporting period shorter than a full Financial Year.

For example, if the Licence Applicant has a Statutory Closing Date of 31 December, and the AFC has set a deadline of 31 October (in the following year) for the submission date, the Interim Financial Statements would cover at least the four (4) months from 1 January to 30 April or may be expected to cover the six (6) months to 30 June.

Interim Financial Statements must be presented to include the following:

- a) Balance sheet as of the end of the Interim Period and a comparative balance sheet as of the end of the immediately preceding full Financial Year;
- b) Profit and loss statement for the Interim Period, with comparative profit and loss statements for the comparable Interim Period of the immediately preceding Financial Year; and
- c) Cash flow statement for the Interim Period, with a comparative statement for the comparable Interim Period of the immediately preceding Financial Year.

If the Licence Applicant did not have to prepare Interim Financial Statements for the comparable Interim Period of the immediately preceding Financial Year, comparative figures may refer to the figures from the financial statements of the immediately preceding full Financial Year. For example, this may be the case for a club promoted from a lower division not having previously undergone the Club Licensing System in its preceding Financial Years. Document III provides further guidance on relaxation of disclosure requirements for promoted applicants. Document III can be sourced from the Reference Library.

## 1.3.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

### 1.3.4.1 INTRODUCTION TO THE CONTENT OF INTERIM FINANCIAL STATEMENTS

Licence Applicants must prepare and present Interim Financial Statements based on the accounting standards required by local legislation and these Interim Financial Statements must be Reviewed by an Independent Auditor.

Notwithstanding the requirements of National Accounting Practice or IFRS, the financial criteria do require Licence Applicants to present a minimum level of Historic Financial Information to the Licensor. This Handbook sets out the minimum requirements for the content of interim financial reporting. This Handbook does not prescribe the basis for recognition and measurement of transactions and other events, in Interim Financial Statements, as such matters are addressed by National Accounting Practice and/or IFRS.

Further details on the requirements and the minimum content of the Interim Financial Statements are provided in [Guidance Note 6 - Interim Financial Statements](#).

Each component of the Interim Financial Statements shall be identified clearly. In addition, the following information shall be displayed prominently, and repeated where necessary within the Interim Financial Statements, for a proper understanding of the information presented:

- a) The name (and legal form), domicile and business address of the Reporting Entity and any change in that information from the preceding Statutory Closing Date;
- b) Whether the financial information covers the individual entity or a Group of entities or some other combination of entities, and to describe the structure and composition of any such Group or combination;
- c) The balance sheet date and the Interim Period covered by the financial information; and
- d) The presentation currency.

### 1.3.4.2 ACCOUNTING REQUIREMENTS FOR PLAYER REGISTRATION COSTS

Each Licence Applicant that has to prepare Interim Financial Statements must also comply with specific accounting requirements in relation to player registration costs carried as intangible fixed assets.

For criterion F.02, the minimum accounting requirements and the Licence Applicants to whom they apply are the same as the requirements for criterion F.01 (that relates to the Annual Financial Statements), as described in 1.2.4.5. For further information, refer to [Guidance Note 2 - Minimum Accounting Requirements for Player Registration Costs](#).

All those Licence Applicants that capitalise costs relating to the acquisitions of players must prepare a player identification table as at the interim reporting date. The minimum information for the content of the player identification table is the same as the requirements for criterion F.01, and in accordance with [Guidance Note 3 - Minimum Information for the Content of the Player Identification Table](#). The player identification table must be provided to the auditor, but does not need to be disclosed within the Interim Financial Statements, nor does it have to be submitted to the Licensor.

### 1.3.5 ASSESSMENT OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements must, as a minimum, be the subject of a Review by an Independent Auditor, alternatively, the Licence Applicant may choose to have the Interim Financial Statements Audited.

The Licence Applicant selects the Independent Auditor and enters into an engagement for the performance of the Assessment Procedures on the Interim Financial Statements prepared by Management.

The auditor will make an assessment on the true and fair view of the Interim Financial Statements based on the work performed.

For greater detail, refer to [Guidance Note 7 - Determination of Auditor and Assessment Procedures - Interim Financial Statements](#).

In turn, as described in 1.3.6, the Licensor inspects the submitted information and, if necessary, addresses the consequences of any modifications to the Review report.

#### 1.3.5.1 THE AUDITOR'S REVIEW REPORT

Based on the work performed, the auditor shall assess whether any information obtained during the Review indicates that the Interim Financial Statements do not give a true and fair view (or are not presented fairly, in all Material respects) in accordance with the identified financial reporting framework (identifying the country of origin of the financial reporting framework when the framework used is not IFRS).

If matters have come to the auditor's attention, the auditor shall describe, in his/her Review report, those matters that impair a true and fair view (or a fair presentation, in all Material respects) in accordance with the identified financial reporting framework.

For further information, refer to [Guidance Note 8 - Financial Statements that do not provide a True and Fair View](#).



### 1.3.6 LICENSOR DECISION

For those Licence Applicants required to submit Reviewed Interim Financial Statements, they must be assessed by the Licensor to form the basis for his/her licensing decision in respect of criterion F.02. As part of his/her assessment, the Licensor shall read the Interim Financial Statements and the auditor's Review report on the Interim Financial Statements.

The Licence must be refused:

- a) If the Interim Financial Statements are not submitted to the Licensor within the defined deadline.
- b) If the Licence Applicant submits Interim Financial Statements that do not meet the minimum requirements for the content and accounting.

Having read and considered the auditor's Review report on the Interim Financial Statements, the Licensor must assess it according to the points below:

- c) If the auditor's Review report states that nothing has come to the auditor's attention, based on the Review, that causes the auditor to believe the financial statements do not give a true and fair view (or are not presented fairly, in all Material respects) in accordance with the identified financial reporting framework (negative assurance), this provides a satisfactory basis for granting the Licence in respect of criterion F.02.
- d) If the auditor's Review report disclaims a conclusion or gives an adverse conclusion, the Licence must be refused.
- e) If the auditor's Review report expresses, in respect of Going Concern, either an emphasis of matter or a qualified conclusion, then the Licence must be refused, unless additional documentary evidence demonstrating the Licence Applicant's ability to continue as a Going Concern until at least the end of the Season to be Licensed has been provided to, and assessed by, the Licensor to his/her satisfaction. The additional documentary evidence includes, but is not necessarily limited to, the information described in 1.7 (Future Financial Information).

If the auditor's Review report in respect of the Interim Financial Statements submitted in accordance with F.02 expresses an emphasis of matter or a qualified conclusion in respect of Going Concern, then the Licence Applicant/Licensee shall be in breach of indicator IND.02 (as set out in 1.7.5). As a result, the Licensor must undertake more extensive Assessment Procedures in respect of criterion F.06 (Future Financial Information) and, if granted a Licence, the Licensee must also comply with criterion F.09 (Duty to Update Future Financial Information).

- f) If the auditor's Review report expresses, in respect of a matter other than Going Concern, either an emphasis of matter or a qualified conclusion, then the Licensor must consider the implications of the modification for club licensing purposes. The Licence may be refused, unless additional documentary evidence is provided to, and assessed by, the Licensor to his/her satisfaction.

**Guidance Note 9** provides a diagrammatic summary of the implications on the licensing decision of different modifications to the auditor's Review report.

If the Interim Financial Statements have been subject to an Audit, rather than a Review, having read and considered the auditor's report on the Interim Financial Statements, the Licensor must assess it according to the points set out in (c) to (f) in 1.2.6.

### 1.3.7 RELEVANT GUIDANCE NOTES

- **GUIDANCE NOTE 1 - Minimum Disclosure Requirements for the Financial Statements**
- **GUIDANCE NOTE 2 - Minimum Accounting Requirements for Player Registration Costs**
- **GUIDANCE NOTE 3 - Minimum Information for the Content of the Player Identification Table**
- **GUIDANCE NOTE 6 - Interim Financial Statements**
- **GUIDANCE NOTE 7 - Determination of Auditor and Assessment Procedures - Interim Financial Statements**
- **GUIDANCE NOTE 8 - Financial Statements that do not provide a True and Fair View**
- **GUIDANCE NOTE 9 - Interim Financial Reporting: Diagrammatic Summary of Implications on the Licensing Decision of Different Modifications to the Auditor's Review Report**

### 1.3.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Interim Financial Reporting: Commentary on Recognition and Measurement (**Document VII**)
- Interim Financial Reporting: Commentary on Specific Explanatory Notes (**Document VIII**)
- Interim Financial Reporting: Illustrative Form of Review Report that may be issued from an Engagement to Review Interim Financial Statements (**Document IX**)
- Promoted Applicants: Guidance on Relaxation of Disclosure Requirements (**Document III**)

### 1.3.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Interim Financial Reporting: Illustrative Review Report (**Template 9**)

## 1.4 CRITERION F.03: NO OVERDUE PAYABLES TOWARDS FOOTBALL CLUBS ARISING FROM TRANSFER ACTIVITIES

Unless mentioned specifically, the requirements in 1.4.3 to 1.4.6 are mandatory and constitute the minimum requirements for the Licence Applicant in order to fulfill criterion F.03.

### 1.4.1 THE CRITERION

F.03	ACL Criteria	ACC Criteria
<b>NO OVERDUE PAYABLES TOWARDS FOOTBALL CLUBS ARISING FROM TRANSFER ACTIVITIES</b>	A	A
<p>The Licence Applicant must prove that it has no overdue payables towards football clubs arising from transfer activities as at 30 June preceding the Season to be Licensed, unless by the following 31 August they have been fully settled, deferred by mutual agreement with the creditor or are subject to a not obviously unfounded dispute submitted to a competent authority.</p>		

### 1.4.2 PURPOSE OF THE CRITERION

This criterion primarily aims to help ensure that clubs receive transfer monies as agreed. This criterion will increase the protection of the creditors within the 'family of football', increase clubs' transparency, assist the financial Management of clubs that are owed transfer monies from other clubs, and contribute towards fair play on and off the pitch. The assessment of the criterion at the same date for all clubs is equitable.

A Declaration in Respect of No Payables Overdue Towards Football Clubs Arising from Transfer Activities must be provided by the club. Document X provides a declaration to be prepared on the club letterhead and signed by an authorised signatory of the club. Document X can be sourced from the Reference Library.

### 1.4.3 REPORTING DATE

Regardless of the Statutory Closing Date or interim financial reporting date of a Licence Applicant, the criterion is to be assessed as at 30 June of the year preceding the Season to be Licensed.

### 1.4.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

#### 1.4.4.1 INTRODUCTION TO THE CONTENT OF THE TRANSFERS PAYABLE TABLE

For the purpose of criterion F.03, payables are only those amounts due to football clubs arising from the *Direct Costs of Acquiring a Player's Registration*. These include training compensation as defined in the "FIFA Regulations for the Status and Transfer of Players" as well as clauses for future compensation.

Agreements between clubs for the transfer of a player's registration often include clauses for future compensation payments dependent on certain conditions being met at some stage in the future (i.e. contingent liabilities). Typically, these clauses are related to the future 'success' of the player concerned and/or the new club he plays for – for example, number of appearances, goals scored, international caps, promotion of the club, avoiding relegation, and qualification for Asian competition. Until a particular condition is actually met, the associated liability is not a payable and cannot be overdue.

If a dispute arises between clubs about payables arising from transfer activities, and if the matter is 'a not obviously unfounded dispute' submitted to a competent authority, and is at 31 August subject to resolution by the competent national or international body, then for the purpose of criterion F.03 the matter is not an 'overdue payable'.

#### **1.4.4.2 TRANSFERS PAYABLE TABLE**

The Licence Applicant must disclose the transfer activities in a separate transfers payable table unless the information is already disclosed to the Licensor under existing national transfer requirements (e.g. national clearing house system).

For greater detail, refer to [Guidance Note 10 - Transfers Payable and Assessment Procedures](#) for the requirements of the table and an illustrative example.

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

The transfers payable table must be approved by Management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the Reporting Entity.

The Licensor may request further information.

#### **1.4.4.3 TRANSFERS RECEIVABLE TABLE**

The Licence Applicant must disclose the transfer activities in a separate transfer receivable table unless the information is already disclosed to the Licensor under existing national transfer requirements (e.g. national clearing house system).

For greater detail, refer to [Guidance Note 11 - Transfers Receivable and Assessment Procedures](#) for the requirements of the table and an illustrative example.

The Licence Applicant must reconcile the total asset per the transfers receivable table with the figure in the balance sheet (if applicable) for 'Accounts receivable from player transfers'.

The transfers receivable table must be approved by Management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the Reporting Entity.

The Licensor may request further information.

## 1.4.5 ASSESSMENT OF THE INFORMATION

### 1.4.5.1 DETERMINATION OF THE ASSESSOR

The Licensor may decide to carry out, itself, all of the Assessment Procedures in respect of criterion F.03, or it may decide to have Independent Auditors carry out the Assessment Procedures.

In the latter case, an auditor can be recognised by the Licensor as competent to assess the payables on the same basis as described in 1.2.5.1 for the audit of the Annual Financial Statements.

If an auditor is used, the auditor selected by the Licence Applicant for F.03 should be the same as the auditor who carried out the audit of the Annual Financial Statements.

### 1.4.5.2 ASSESSMENT PROCEDURES

The procedures to be performed to assess the information from Licence Applicants may vary depending on whether they are to be performed by the Licensor or by Independent Auditors. It will also depend on the Licensor's size, internal structure and organisation.

For Assessment Procedures, refer to [Guidance Note 10 - Transfers Payable and Assessment Procedures](#) and [Guidance Note 11 - Transfers Receivable and Assessment Procedures](#).

*Document XII* and *Document XIV* provide further guidance in respect of the Agreed-Upon Procedures steps that may be performed by the auditor. *Document XII* and *Document XIV* can be sourced from the Reference Library

## 1.4.6 LICENSOR DECISION

The Licensor shall, as part of his/her assessment, read the information in respect of payables and receivables from transfer activities and also read the auditor's report on the Agreed-Upon Procedures, if such a report is submitted.

The Licence must be refused:

- a) If the information in respect of payables from transfer activities is not submitted to the Licensor.
- b) If the information in respect of receivables from transfer activities is not submitted to the Licensor.

- c) If the Licence Applicant submits information that does not meet the minimum disclosure requirements.
- d) If the Licence Applicant has payables overdue towards football clubs arising from transfer activities as at 30 June of the year preceding the Season to be Licensed.

For the purpose of the Club Licensing System, if the Licence Applicant has overdue payables at 30 June preceding the Season to be Licensed (see point d) above), the Licence may still be granted if the Licence Applicant is able to prove by the following 31 August that:

- i. It has fully settled; i.e. paid in full the overdue payables, unless otherwise individually agreed with the creditor; or
- ii. It has concluded a written agreement with the creditor to extend the deadline of the payment of these payables overdue. (Note, if the creditor has not requested payment of an overdue amount, this is not considered as an extension of the deadline for payment); or
- iii. Proceedings have been opened with the competent authority according to national legislation, or proceedings have been opened with the statutory national or international football authorities or relevant Arbitration Tribunal, with regard to these overdue payables.

If the decision-making bodies consider that proceedings may have been opened by the Licence Applicant with the sole purpose of bringing overdue balances into the disputed category (as a way of creating a situation as described in iii, above) and 'buying time', the Licensor may request additional evidence in order to be satisfied that it is 'a not obviously unfounded dispute'.

#### 1.4.7 RELEVANT GUIDANCE NOTES

- [GUIDANCE NOTE 10 - Transfers Payable and Assessment Procedures](#)
- [GUIDANCE NOTE 11 - Transfers Receivable and Assessment Procedures](#)

#### 1.4.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Declaration in Respect of No Payables Overdue Towards Football Clubs Arising from Transfer Activities (**Document X**)
- Template - Transfers Payable Table (**Document XI**)
- Transfers Payable Reporting: Illustrative Form of Agreed-Upon Procedures (**Document XII**)
- Template - Transfers Receivable Table (**Document XIII**)
- Transfers Receivable Reporting: Illustrative Form of Agreed-Upon Procedures (**Document XIV**)

## 1.4.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Declaration in Respect of No Payables Overdue Towards Football Clubs Arising from Transfer Activities (**Template 10**)
- Transfers Payable Reporting: Template Transfers Payable Table (**Template 11**)
- Transfers Payable Reporting: Illustrative Report of Factual Findings (**Template 12**)
- Transfers Receivable Reporting: Template Transfers Receivable Table (**Template 13**)
- Transfers Receivable Reporting: Illustrative Report of Factual Findings (**Template 14**)

## 1.5 CRITERION F.04: NO OVERDUE PAYABLES TOWARDS EMPLOYEES AND SOCIAL / TAX AUTHORITIES

Unless mentioned specifically, the requirements in 1.5.3 to 1.5.6 are mandatory and constitute the minimum requirements for the Licence Applicant in order to fulfill criterion F.04.

### 1.5.1 THE CRITERION

F.04	ACL Criteria	ACC Criteria
<b>NO OVERDUE PAYABLES TOWARDS EMPLOYEES AND SOCIAL / TAX AUTHORITIES</b>	A	A
<p>The Licence Applicant must prove that, in respect of contractual and legal obligations with its current/former employees and social / tax authorities as it has no overdue payables at 30 June preceding the Season to be Licensed, unless by the following 31 August they have been fully settled, deferred by mutual agreement with the creditor or are subject to a not obviously unfounded dispute submitted to a competent authority.</p> <p>2. The term “employees” shall include but not limited to:</p> <ul style="list-style-type: none"> <li>a) all professional players according to the applicable FIFA Regulations on the Status and Transfer of Players; and</li> <li>b) the administrative, technical, medical and security staff specified in the AFC Club Licensing Regulations.</li> </ul>		

### 1.5.2 PURPOSE OF THE CRITERION

This criterion primarily aims to help ensure that the designated employees receive payments due to them and associated social charges and taxes are also settled. This helps improve the protection of certain creditors, enhance clubs’ credibility and contribute towards fair play on and off the pitch. The assessment of the criterion at the same date for all clubs is equitable.

### 1.5.3 REPORTING DATE

Regardless of the Statutory Closing Date or interim financial reporting date of a Licence Applicant, the criterion is to be assessed as at 30 June of the year preceding the Season to be Licensed.



## 1.5.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

### 1.5.4.1 INTRODUCTION TO THE CONTENT OF PAYABLES TOWARDS EMPLOYEES AND SOCIAL / TAX AUTHORITIES

For an explanation of the term “employee”, refer to [Guidance Note 12 - Payments to Employees and Social / Tax Authorities](#).

Amounts payable at 30 June will sometimes include amounts due to people who, for various reasons, are no longer employed by the applicant. Regardless of the way such payables are accounted for in the financial statements, they fall within the framework of criterion F.04 which requires the obligation to be settled/paid within the period or duration stipulated in the contract and/or defined by law.

The Licensor may, if he/she chooses, also include within the requirements of this criterion employees other than those described above.

A Declaration in Respect of No Payables Overdue Towards Employees and Social / Tax Authorities must be provided by the club. Document XV provides a declaration to be prepared on the club letterhead and signed by an authorised signatory of the club. Document XV can be sourced from the Reference Library.

### 1.5.4.2 LIST OF EMPLOYEES

The Licence Applicant shall prepare a schedule showing all employees who were employed at any time during the year to 30 June preceding the Season to be Licensed; i.e. not just those who remain at year end. The schedule shall be submitted to the Licensor and the information required to be included is outlined in [Guidance Note 12 - Payments to Employees and Social / Tax Authorities](#).

### 1.5.4.3 DOCUMENTATION IN RESPECT OF PAYABLES TOWARDS SOCIAL / TAX AUTHORITIES

The Licence Applicant shall submit to the auditor and/or the Licensor the necessary documentary evidence showing the amount payable (if any), as at 30 June of the year preceding the Season to be Licensed, to the competent social/ tax authorities in respect of contractual and legal obligations with its employees.

## 1.5.5 ASSESSMENT OF THE INFORMATION

### 1.5.5.1 DETERMINATION OF THE ASSESSOR

The Licensor may decide to carry out, itself, all of the assessment procedures in respect of criterion F.04, or it may decide to have Independent Auditors carry out the assessment work by way of Agreed-Upon Procedures.

In the latter case, an auditor can be recognised by the Licensor as competent to assess the payables on the same basis as described in 1.2.5.1 for the Audit of the Annual Financial Statements.

If an auditor is used, the auditor selected by the Licence Applicant for F.04 should be the same as the auditor who carried out the Audit of the Annual Financial Statements.

### 1.5.5.2 ASSESSMENT PROCEDURES

The procedures to be performed to assess the information from Licence Applicants may vary depending on whether they are to be performed by the Licensor or by an Independent Auditor. They will also depend on the Licensor's size, internal structure and organisation.

For the procedures to be performed to assess the information, refer to [Guidance Note 12 - Payments to Employees and Social / Tax Authorities](#).

*Document XVI* and *Document XVII* contain further guidance in respect of the Agreed-Upon Procedures that may be performed by the auditor. *Document XVI* and *Document XVII* can be sourced in the Reference Library

## 1.5.6 LICENSOR DECISION

The Licensor shall, as part of his/her assessment, read the information in respect of payables towards employees and social/tax authorities and also read the auditor's report of factual findings, if such a report is submitted.

The Licence must be refused:

- a) If the information in respect of payables overdue towards employees and social/tax authorities is not submitted to the Licensor.
- b) If the Licence Applicant submits information that does not meet the minimum disclosure requirements.
- c) If the Licence Applicant has payables overdue towards employees and social/tax authorities as at 30 June of the year preceding the Season to be Licensed.

For the purpose of the Club Licensing System, if the Licence Applicant has overdue payables at 30 June preceding the Season to be Licensed (see point c) above), the Licence may still be granted if the Licence Applicant is able to prove by the following 31 August that:

- i. It has fully settled; i.e. paid in full the overdue payables, unless otherwise individually agreed with the creditor; or
- ii. It has concluded a written agreement with the creditor to extend the deadline of the payment of these payables overdue (Note, if the creditor has not requested payment of an overdue amount, this is not considered as an extension of the deadline for payment); or
- iii. Proceedings have been opened with the competent authority according to national legislation, or proceedings have been opened with the statutory national or international football authorities or relevant Arbitration Tribunal, with regard to these payables overdue.

If the decision-making bodies consider that proceedings may have been opened by the Licence Applicant with the sole purpose of bringing overdue balances into the disputed category (as a way of creating a situation as described in iii, above) and 'buying time', the Licensor may request additional evidence in order to be satisfied that it is 'a not obviously unfounded dispute'.

### 1.5.7 RELEVANT GUIDANCE NOTES

- [GUIDANCE NOTE 12 - Payment to Employees and Social / Tax Authorities](#)

### 1.5.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Declaration in Respect of No Payables Overdue Towards Employees and Social / Tax Authorities (**Document XV**)
- Employee Payables Reporting: Illustrative Form of Agreed-Upon Procedures (**Document XVI**)
- Employee Payables Reporting: Illustrative Confirmation Letter from Employees (**Document XVII**)

### 1.5.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Declaration in Respect of No Payables Overdue Towards Employees and Social / Tax Authorities (**Template 15**)
- Employee Payables Reporting: Illustrative Report of Factual Findings (**Template 16**)
- Employee Payables Reporting: Illustrative Confirmation Letter from Employees (**Template 17**)

## 1.6 CRITERION F.05: WRITTEN REPRESENTATIONS PRIOR TO THE LICENSING DECISION

Unless mentioned specifically, the requirements in 1.6.3 to 1.6.6 are mandatory and constitute the minimum requirements for the Licence Applicant in order to fulfill criterion F.05.

### 1.6.1 THE CRITERION

F.05	ACL Criteria	ACC Criteria
<b>WRITTEN REPRESENTATIONS PRIOR TO THE LICENSING DECISION</b>	A	A
<p>Within seven (7) days prior to the date on which the licensing decision is to be made by the First Instance Body, the Licence Applicant must make written representations to the Licensor.</p> <p>The written representations shall confirm:</p> <ul style="list-style-type: none"> <li>a) That all documents submitted to the Licensor are complete and correct;</li> <li>b) Whether or not any Significant Change in relation to all the licensing criteria has occurred;</li> <li>c) Whether or not any Events or Conditions of Major Economic importance have occurred that may have an adverse impact on the Licence Applicant’s financial position since the balance sheet date of the preceding Audited Annual Financial Statements or Reviewed Interim Financial Statements (if applicable). If Any Events or Conditions of Major Economic Importance have occurred, the Management representations letter must include a description of the nature of the event or condition and an estimate of its financial effect, or a statement that such an estimate cannot be made; and</li> <li>d) Whether or not the Licence Applicant (or the Registered Member of the AFC Member Association which has a contractual relationship with the Licence Applicant within the meaning of Article 12) or any Parent company of the Licence Applicant included in the reporting perimeter is seeking or has received protection from its creditors pursuant to laws or regulations within the 12 months preceding the Licence Season.</li> </ul> <p>Approval by Management must be evidenced by way of a signature on behalf of the executive body of the Licence Applicant.</p>		

### 1.6.2 PURPOSE OF THE CRITERION

Criterion F.05 applies to all Licence Applicants.

The purpose of this criterion is to help safeguard the continuity of the competition. Prior to making the Club Licensing decision, the Licensor is provided with updated information from each Licence Applicant, about whether or not there have been *any events or conditions of major economic importance* since the balance sheet

date of the preceding Audited Annual Financial Statements or Reviewed Interim Financial Statements, whichever is the latest document submitted. Therefore, the licensing decision can be made on the basis of more up-to-date information.

### 1.6.3 REPORTING PERIOD

The Licence Applicant must prepare and submit to the Licensor a Management representations letter, within the seven (7) day period prior to the start of the period in which the licensing decision is to be made by the First Instance Body.

The deadline date must be defined by the Licensor and communicated, in advance, to the Licence Applicants in writing.

### 1.6.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

Each Licence Applicant must prepare and submit to the Licensor a Management representations letter. The Management representations letter must state whether or not there have been any events or conditions of major economic importance since the balance sheet date of the preceding Audited Annual Financial Statements or Reviewed Interim Financial Statements. If any events or conditions of major economic importance have occurred, the Management representations letter must include a description of the nature of the event or condition and an estimate of its financial effect, or a statement that such an estimate cannot be made.

Approval by Management shall be evidenced by way of a signature on behalf of the executive body of the Licence Applicant.

The Licensor may request additional information and/or representations from Management.

**Guidance Note 13 Management Representation Letter** provides examples of events or conditions which, individually or collectively, may be considered of major economic importance.

*Document XVIII* provides an illustration of a Management representations letter to the Licensor. *Document XVIII* can be sourced from the Reference Library.

### 1.6.5 ASSESSMENT OF THE WRITTEN REPRESENTATIONS

In respect of criterion F.05, there is no requirement for the written representations submitted by the Licence Applicant to be subject to assessment procedures by an Independent Auditor.

The Licensor may decide to carry out the assessment procedures itself, or it may request the Licence Applicant to have Independent Auditors carry out the assessment procedures.

If an auditor is used, the auditor selected by the Licence Applicant for F.05 should be the same as the auditor who carried out the Audit of the preceding Annual Financial Statements.

### 1.6.6 LICENSOR DECISION

The Licensor shall, as part of his/her assessment, read and consider the information in respect of any Event or Condition of Major Economic Importance, in combination with the Historic Financial Information and Future Financial Information provided by the Licence Applicant.

The Licence must be refused:

- a) If the Management representations letter is not submitted to the Licensor within the defined deadline.
- b) If, based on the information in respect of any Event or Condition of Major Economic Importance, Historic Financial Information and Future Financial Information that the Licensor has assessed, in the Licensor's judgement, the Licence Applicant may not be able to continue as a Going Concern until at least the end of the Season to be Licensed.

### 1.6.7 RELEVANT GUIDANCE NOTES

- [Guidance Note 13 - Management Representation Letter](#)

### 1.6.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Illustrative Management Representations Letter to Licensor (**Document XVIII**)

### 1.6.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Illustrative Management Representations Letter to Licensor (**Template 18**)

## 1.7 CRITERION F.06: FUTURE FINANCIAL INFORMATION

Unless mentioned specifically, the requirements in 1.7.3 to 1.7.6 are mandatory and constitute the minimum requirements for the Licence Applicant in order to fulfill criterion F.06.

### 1.7.1 THE CRITERION

F.06	ACL Criteria	ACC Criteria
<b>FUTURE FINANCIAL INFORMATION</b>	A	C
<p>The Licence Applicant must prepare and submit Future Financial Information in order to demonstrate to the Licensor its ability to continue as a Going Concern until the end of the Licence Season if it has breached any of the indicators defined in paragraph 2 below.</p> <p>If a Licence Applicant exhibits any of the conditions described by indicator 1 or 2, it is considered in breach of the indicator:</p> <p>a) Indicator 1: Going Concern The auditor's report in respect of the Annual or Interim Financial Statements submitted in accordance with F.01 and F.02 includes an emphasis of matter or a qualified opinion/conclusion in respect of Going Concern.</p> <p>b) Indicator 2: Negative equity The Annual Financial Statements (including, where required, the Supplementary Information) submitted in accordance with F.01 disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's Annual Financial Statements, or the Interim Financial Statements submitted in accordance with F.02 (including, where required, the Supplementary Information) disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding Statutory Closing Date.</p> <p>Future Financial Information must cover the period commencing immediately after the later of the Statutory Closing Date of the Annual Financial Statements or, if applicable, the balance sheet date of The Interim Financial Statements, and it must cover at least the entire Licence Season.</p> <p>Future Financial Information consists of:</p> <p>a) a budgeted profit and loss account, with comparative figures for the immediately preceding Financial Year and Interim Period (if applicable);</p> <p>b) a budgeted cash flow, with comparative figures for the immediately preceding Financial Year and Interim Period (if applicable); and</p> <p>c) explanatory notes, including a brief description of each of the significant assumptions (with reference to the relevant aspects of Historic Financial Information) that have been used to prepare the budgeted profit and loss account and cash flow statement, as well as of the key risks that may affect the future financial results.</p>		

Future Financial Information must be prepared, on a quarterly basis.

Future Financial Information must be prepared on a consistent basis with the Audited Annual Financial Statements and follow the same Accounting Policies as those applied for the preparation of the Annual Financial Statements, except for accounting policy changes made after the date of the most recent Annual Financial Statements that are to be reflected in the next Annual Financial Statements, in which case details must be disclosed.

Future Financial Information must meet the minimum disclosure requirements as set out in the AFC Club Licensing Financial Handbook. Additional line items or notes must be included if they provide clarification or if their omission would make the Future Financial Information misleading.

Future Financial Information with the assumptions upon which they are based must be approved by Management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the Reporting Entity.

**Note:** If the Licence Applicant exhibits a breach of any of the indicators, then the Licensor must undertake more detailed assessment procedures upon the submitted Future Financial Information and, in certain circumstances, this may provide the basis for a Licence refusal. If the Licence Applicant does not exhibit a breach of any indicators, then the Licensor does not have to undertake more detailed assessment procedures and, in certain circumstances, the Licence Applicant may be subject to a sanction, but not a Licence refusal.

## 1.7.2 PURPOSE OF THE CRITERION

Future Financial Information relates to the time subsequent to the financial reporting period of the Annual Financial Statements and, if applicable, the Interim Financial Statements, and covers the period of the Season to be Licensed.

Future Financial Information is financial information based on assumptions about events that may occur in the future and possible actions by the Management of clubs. It is subjective in nature and its preparation requires the exercise of judgement. For the clubs, the discipline of preparing Future Financial Information can help improve their economic and financial capability. The Future Financial Information can be an important Management tool to help predict future cash flows and, in particular, their timing and certainty. In turn, this can help improve financial stability and protect creditors. Financial Budgeting and its subsequent monitoring is good business practice.

For the Licensor receiving the Future Financial Information, it can assist the Licensor to predict a club's future cash flow and ability to meet its financial obligations in the future. The Licensor's understanding of the financial position and prospects of member clubs can be improved. In turn, this can be used to help protect creditors and safeguard the continuity of competitions.



In relation to Future Financial Information, the link between the objectives, the financial criteria, the information requirements and the assessment procedures is summarised in the diagram in 1.1.3.

Every Licence Applicant must prepare and submit Future Financial Information. Every Licensor must ensure that, in respect of the clubs which qualify for AFC Club Competitions, criterion F.06 is met. If a Licence Applicant exhibits certain conditions (termed indicators), then the Licence Applicant must also fulfil criterion F.09 (Duty to Update Future Financial Information), as set out in 1.9.

Submission of the Future Financial Information to the Licensor helps to ensure that such information has been prepared and helps provide a more consistent approach amongst Member Associations.

## 1.7.3 REPORTING PERIOD

The Licence Applicant must prepare Future Financial Information covering the period commencing immediately after the later of the Statutory Closing Date of the Annual Financial Statements (submitted in accordance to F.01) or, if applicable, the balance sheet date of the Interim Financial Statements (submitted in accordance with criterion F.02); and covering the entire Season to be Licensed.

Future Financial Information must be prepared, as a minimum, on a quarterly basis.

## 1.7.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

### 1.7.4.1 INTRODUCTION TO THE MINIMUM REQUIREMENTS FOR FUTURE FINANCIAL INFORMATION

The Licence Applicant must prepare and submit Future Financial Information and adhere to the minimum requirements for the content.

The financial information and minimum requirements for the content are outlined in [Guidance Note 14 - Future Financial Information](#).

## 1.7.5 ASSESSMENT OF THE FUTURE FINANCIAL INFORMATION

### 1.7.5.1 INDICATORS

All Licence Applicants must submit Future Financial Information that meet the minimum requirements for content as set out in [Guidance Note 14](#). If the Licence Applicant's Historic Financial Information exhibits certain warning signs, the Future Financial Information must be assessed by the Licensor and/or an Independent Auditor and, subsequently, the Licensee is required to prepare and submit updated Future Financial Information during the Season to be Licensed. The warning signs are measured by a set of financial indicators that, if breached, may indicate to the Licensor some concern about the financial performance and future prospects of that Licence Applicant.

The indicators are defined in 1.7.5.2. The Licensor is responsible for assessing if an indicator is breached.

The indicators are part of the risk-based approach, whereby those Licence Applicants that exhibit certain 'warning signs' will be subject to more extensive requirements. If a Licence Applicant breaches one or more of the indicators, then:

- a) The Licensor will undertake more extensive Assessment Procedures on the information submitted in respect of criterion F.06 (see 1.7.5.3); and
- b) If the Licence Applicant is granted a Licence, subsequently it has an obligation to submit updated Future Financial Information during the year thereafter (see 1.9; criterion F.09).

In some respects, this risk-based approach should encourage better financial management and results by clubs. It also enables the Licensor to focus efforts on those Licence Applicants exhibiting 'warning signs' that may indicate to the Licensor some concern about the financial performance and future prospects of that Licence Applicant.

For implementation within the National Club Licensing Regulations, if some Licensors want to have additional criteria, indicators, information requirements and assessment procedures, as some already do, they can do so.

The requirement for an Independent Auditor and/or the Licensor to examine and report on the Future Financial Information enhances the credibility of the information and the process undertaken by Management to prepare it.

*Document XXIII* provides commentary on possible additional Assessment Procedures in respect of Future Financial Information. *Document XXIII* can be sourced from the Reference Library.

#### **1.7.5.2 DEFINITION OF THE INDICATORS**

If a Licence Applicant exhibits any of the conditions described by IND.01, IND.02 or IND.03 (below), the Licence Applicant shall be in breach of the indicator(s).

No.	Description
IND.01	The auditor's report in respect of the Audited Annual Financial Statements submitted in accordance with criterion F.01 includes an emphasis of matter or a qualified 'except for' opinion in respect of Going Concern. (see 1.2.6).
IND.02	For those Licence Applicants required to submit Reviewed Interim Financial Statements in accordance with criterion F.02, the auditor's Review report expresses an emphasis of matter or qualified conclusion in respect of Going Concern. (see 1.3.6).
IND.03	In the Audited Annual Financial Statements (including where required the Supplementary Information) submitted in accordance with criterion F.01, there is disclosed a net liabilities position that has deteriorated relative to the comparative figure at the preceding Statutory Closing Date. (see <a href="#">Guidance Note 1 - Minimum Disclosure Requirements for the Financial Statements</a> and <i>Document XXII</i> . <i>Document XXII</i> can be sourced from the Reference Library).

### 1.7.5.3 ASSESSMENT PROCEDURES

The Licensor may choose to perform, or request performance by the Licence Applicant's Independent Auditor, of any reasonable Assessment Procedures it believes are appropriate.

#### No Breach of Indicators

If the Licence Applicant is not in breach of any indicator, the Licensor may evaluate the Future Financial Information provided to it.

#### Breach of Indicators

If the Licence Applicant is in breach of any indicator, the Future Financial Information must be subject to certain minimum Assessment Procedures carried out by the Licensor or an Independent Auditor.

The assessment procedures must include, as a minimum, the following:

- a) Check whether the Future Financial Information is arithmetically accurate;
- b) Through discussion with Management and Review of the Future Financial Information, determination whether the Future Financial Information has been prepared using the disclosed assumptions and risks;

- c) Check that the opening balances contained within the Future Financial Information are consistent with the balance sheet shown in the immediately preceding Audited Annual Financial Statements or Reviewed Interim Financial Statements (if such interim statements have been submitted); and
- d) Check that the Future Financial Information has been formally approved by the executive body of the Licence Applicant.

If an Independent Auditor is involved, the work can be carried out by way of Agreed-Upon Procedures. The auditor should be the same as the auditor selected to carry out the Audit of the immediately preceding Annual Financial Statements. The Licence Applicant must submit to the Licensor a copy of the Future Financial Information approved by Management and a copy of the auditor's report of factual findings which must be assessed by the Licensor.

### 1.7.6 LICENSOR DECISION

#### No Breach of Indicators

- a) The Licence Applicant will not be required to submit Future Financial Information, unless, it is requested by the Licensor.

#### Breach of Indicators

- b) The Licence must be refused if, based on the Historic Financial Information and Future Financial Information, in the Licensor's judgement, the Licence Applicant may not be able to continue as a Going Concern until at least the end of the Season to be Licensed.
- c) If, in the Licensor's judgement, the Licence Applicant is in breach of any indicator then, subsequent to the Club Licensing decision, the Licensee must also fulfil criterion F.09 (Duty to Update Future Financial Information), as set out in 1.9.

### 1.7.7 RELEVANT GUIDANCE NOTES

- [Guidance Note 1 - Minimum Disclosure Requirements for the Financial Statements](#)
- [Guidance Note 14 - Future Financial Information](#)

### 1.7.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Financial Information Extracts: Illustration of Agreement or Reconciliation Between Different Types of Information Supplied by Licence Applicants (**Document XIX**)
- Future Financial Information: Commentary on Preparation (**Document XX**)
- Illustrative Future Financial Information (**Document XXI**)

- Indicators: Guidance on Interpretation of IND.03 in Respect of Net Assets/ Liabilities (**Document XXII**)
- Future Financial Information: Commentary on Possible Additional Assessment Procedures in Respect of Future Financial Information and Updated Future Financial Information (**Document XXIII**)

### 1.7.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Future Financial Information: Illustrative Future Financial Information Letter (**Template 19**)
- Future Financial Information: Illustrative Budgeted Profit and Loss Statement (**Template 20**)
- Future Financial Information: Illustrative Budgeted Cash Flow Statement Direct Method (**Template 21**)

## 1.8 CRITERION F.07: ANNUAL BUDGET

Unless mentioned specifically, the requirements in 1.8.3 to 1.8.6 are mandatory and constitute the minimum requirements for the Licence Applicant to fulfill criterion F.07.

### 1.8.1 THE CRITERION

F.07	ACL Criteria	ACC Criteria
<b>ANNUAL BUDGET</b>	-	A
<p>The Licence Applicant must submit its Annual Budget before the start of the season.</p> <p>It should state the following:</p> <ul style="list-style-type: none"> <li>a) Projected income for the coming Financial Year;</li> <li>b) Projected expenditure for the coming Financial Year;</li> <li>c) All the sources of revenues and income projected for the coming Financial Year along with the amount; and</li> <li>d) All the sources of expenditures projected for the coming Financial Year along with the amount.</li> </ul>		

### 1.8.2 PURPOSE OF THE CRITERION

Annual Budgets are a structured representation of the projected financial position and projected financial performance of an entity for the coming financial year. An Annual Budget offers an overview and understanding of the financial aspects involved in running a club.

The discipline of preparing an Annual Budget can help improve the economic and financial capability of clubs and provides greater transparency to Licensors which will help safeguard the continuity of the competition.

### 1.8.3 REPORTING PERIOD

For those Licence Applicants preparing an Annual Budget, the reporting period is a full financial year.

This period begins on the first day of the new financial year after the Club Licensing Season and ends in 12 months.

As an example, if the Licence Applicant has an annual accounting period that ends on 30 June 2020, and the Club Licensing season ends on 31 October 2020, the period covered for the annual budget is the period from 1 July 2021 to 30 June 2022.

### 1.8.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

Licence Applicants must prepare and submit to the Licensor an Annual Budget based on the accounting standards required by local legislation. The Annual Budget must include all sources of revenues and expenses for the coming financial year.

Approval by Management shall be evidenced by way of a signature on behalf of the executive body of the Licence Applicant.

The Licensor may request additional information and/or representations from Management.

Further details on the requirements and the minimum content of the Interim Financial Statements are provided in [Guidance Note 16 – Annual Budget](#).

### 1.8.5 ASSESSMENT OF THE INFORMATION

In respect of criterion F.07, there is no requirement for the Annual Budget submitted by the Licence Applicant to be subject to assessment procedures by an Independent Auditor.

The Licensor may choose to perform or request performance by the Licence Applicant's Independent Auditor of any reasonable assessment procedures it believes are necessary in relation to the Annual Budget provided to the Licensor.

If an auditor is used, the auditor selected by the Licence Applicant for F.07 should be the same as the auditor who carried out the Audit of the preceding Annual Financial Statements.

### 1.8.6 LICENSOR DECISION

For those Licence Applicants required to submit an Annual Budget, they must be assessed by the Licensor to form the basis for his/her licensing decision in respect of criterion F.07. As part of his/her assessment, the Licensor shall read the Annual Budget and also read the auditor's report, if such a report is submitted.

The Licence must be refused:

- a) If the Annual Budget is not submitted to the Licensor within the defined deadline.
- b) If the Licence Applicant submits an Annual Budget that does not meet the minimum requirements for the content and accounting.

The Licensor shall, as part of his/her assessment, read the information in respect of payables towards employees and social/tax authorities and also read the auditor's report of factual findings, if such a report is submitted.

The Licence must be refused:

- a) If the information in respect of payables overdue towards employees and social/tax authorities is not submitted to the Licensor.
- b) If the Licence Applicant submits information that does not meet the minimum disclosure requirements.

### 1.8.7 RELEVANT GUIDANCE NOTES

- [Guidance Note 16 - Annual Budget](#)

### 1.8.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Illustrative Club Budget (**Document XXV**)

### 1.8.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Annual Budget ([Template 24](#))



## 1.9 CRITERION F.08: DUTY TO NOTIFY SUBSEQUENT EVENTS

Unless mentioned specifically, the requirements in 1.9.3 to 1.9.6 are mandatory and constitute the minimum requirements for the Licence Applicant to fulfill criterion F.08.

### 1.9.1 THE CRITERION

F.08	ACL Criteria	ACC Criteria
<b>DUTY TO NOTIFY SUBSEQUENT EVENTS</b>	A	C
<p>Following the Club Licensing decision by the decision-making body, the Licensee must promptly notify the Licensor in writing about any Subsequent Events that may cast significant doubt upon the Licensee's ability to continue as a Going Concern until at least the end of the season for which the Licence has been granted.</p> <p>Compliance with this criterion shall be assessed by the Licensor in respect of the following Club Licensing Cycle.</p>		

### 1.9.2 PURPOSE OF THE CRITERION

Criterion F.08 applies to all Licensees. The purpose of this criterion is to help safeguard the continuity of the competition. Furthermore, it will improve transparency and allow the Licensor to better assist the Licensee during the season.

### 1.9.3 REPORTING PERIOD

After it has been issued a Licence, up until the end of the season for which the Licence has been granted, the Licensee must promptly notify the Licensor in writing of any subsequent event that may cast significant doubt upon the Licensee's ability to continue as a Going Concern up to the end of the season for which the Licence has been granted.

At any time, the Licensor may request information and/or written representations from Management about any possible such events or conditions.

### 1.9.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

The information prepared by Management must include a description of the nature of the event or condition and an estimate of its financial effect, or a statement (with supporting reasons) that such an estimate cannot be made. The Licensor may request additional information and/or representations from Management.

Some examples of events or conditions which, individually or collectively, may cast significant doubt about the Licensee's ability to continue as a Going Concern until at least the end of the season for which the Licence has been granted are listed in [Guidance Note 13](#) a) to j).

### 1.9.5 ASSESSMENT OF THE SUBSEQUENT EVENTS

The Licensor may decide to carry out some Assessment Procedures itself, or it may request the Licensee to have Independent Auditors carry out some of the Assessment Procedures.

If an auditor is used, the auditor selected by the Licensee for F.08 should be the same as the auditor who carried out the Audit of the preceding Annual Financial Statements.

### 1.9.6 LICENSOR DECISION

Compliance with criterion F.08 shall be assessed by the decision-making bodies in respect of the following Club Licensing Cycle.

The Licensee must be sanctioned if any subsequent event that may cast significant doubt about the Licensee's ability to continue as a Going Concern until at least the end of the season for which the Licence has been granted, is not notified to the Licensor without undue delay.

### 1.9.7 RELEVANT GUIDANCE NOTES

- [Guidance Note 13 - Management Representations Letter](#)

### 1.9.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Illustrative Management Representations Letter to Licensor (**Document XVIII**)

### 1.9.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Illustrative Management Representations Letter to Licensor (**Template 18**)

## 1.10 CRITERION F.09: DUTY TO UPDATE FUTURE FINANCIAL INFORMATION

Unless mentioned specifically, the requirements in 1.10.3 to 1.10.6 are mandatory and constitute the minimum requirements for the Licence Applicant in order to fulfill criterion F.09.

### 1.10.1 THE CRITERION

F.09	ACL Criteria	ACC Criteria
<b>DUTY TO UPDATE FUTURE FINANCIAL INFORMATION</b>	A	C
<p>If the Licensee is in breach of one or more of the below indicators, then the Licensee must prepare and submit an updated version of the Future Financial Information (prepared according to F.06). In addition, the prepared information shall include a comparison of Budget to actual figures including explanations of variances. The updated version of the Future Financial Information must be prepared, as a minimum, on a six (6) month basis.</p> <p>Indicator 1: Going concern The auditor's report in respect of the Annual or Interim Financial Statements submitted in accordance with F.01 and F.02 includes an emphasis of matter or a qualified opinion/conclusion in respect of Going Concern.</p> <p>Indicator 2: Negative equity The Annual Financial Statements (including, where required, the Supplementary Information) submitted in accordance with F.01 disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's Annual Financial Statements, or the Interim Financial Statements submitted in accordance with F.02 (including, where required, the Supplementary Information) disclose a net liabilities position that has deteriorated relative to the comparative figure at the preceding Statutory Closing Date.</p> <p>The updated Future Financial Information shall meet the minimum disclosure requirements set out in the AFC Club Licensing Financial Handbook. Compliance with this criterion shall be assessed by the Licensor in respect of the following licensing cycle.</p>		

### 1.10.2 PURPOSE OF THE CRITERION

As described in 1.7.5, the indicators are part of the risk-based approach whereby those Licence Applicants that exhibit certain 'warning signs' will be subject to more extensive requirements. Criterion F.09 is only applicable if the Licensee was in breach of one or more of the indicators.

No matter how diligent and disciplined the approach to preparing Future Financial Information, the actual results are likely to be different from the Budget results because events and circumstances frequently do not occur as expected, and the differences may be Material.

The discipline of preparing Future Financial Information, and then monitoring it on a periodic basis, can help improve the economic and financial capability of clubs. It is good business practice for Budgets to be monitored, compared to actual results and updated on a regular basis. The Future Financial Information is an important Management tool to help predict the entity's future cash flows and their timing and certainty.

When the updated Future Financial Information is submitted to the Licensor on a regular basis, it can assist the Licensor to develop an understanding of the financial dynamics of the Licence Applicant and, so, to predict the entity's future cash flow and ability to meet its financial obligations in the future. The Licensor's understanding of the financial position and prospects of member clubs will be improved, as will its ability to proactively offer assistance to any club with potential financial issues. In turn, this can be used to safeguard the continuity of competitions.

### 1.10.3 REPORTING PERIOD

The Licensee must prepare, as a minimum, updated Future Financial Information on a six (6)-month basis e.g. in respect of the period from the interval date of 30 June and 31 December of the Club Licensing Season through to 30 June of the following year.

The updated Future Financial Information must be submitted to the Licensor within the set deadlines. The deadline for submission of the updated Future Financial Information must be no later than three (3) months after each of the interval dates.

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

### 1.10.4 INFORMATION TO BE PREPARED BY THE LICENCE APPLICANT

#### 1.10.4.1 MINIMUM DISCLOSURE REQUIREMENTS AND COMPARATIVE DISCLOSURE REQUIREMENTS FOR THE UPDATED FUTURE FINANCIAL INFORMATION

The Licensee must prepare and submit updated Future Financial Information and certain comparative disclosure requirements.

For greater detail, refer to [Guidance Note 15 - Update Future Financial Information](#) for the minimum requirements.

### 1.10.5 ASSESSMENT OF THE UPDATED FUTURE FINANCIAL INFORMATION

In respect of criterion F.09, there is no requirement for the updated Future Financial Information prepared and submitted by the Licensee to be subject to assessment procedures by an Independent Auditor.

The Licensor may choose to perform or request performance by the Licence Applicant's Independent Auditor of any reasonable assessment procedures it believes are necessary in relation to the matters notified to the Licensor.

If an auditor is used, the auditor selected by the Licensee for F.09 should be the same as the auditor who carried out the Audit of the preceding Annual Financial Statements.

The Licensor shall read and consider the Future Financial Information provided to it.

The Licensor may request any additional information it believes is necessary.

*Document XXIII* provides commentary on assessment procedures in respect of updated Future Financial Information. *Document XXIII* can be sourced from the Reference Library.

### 1.10.6 LICENSOR DECISION

Compliance with criterion F.09 shall be assessed by the decision-making bodies in respect of the following Club Licensing Cycle.

For the following Club Licensing Cycle, the Licensee must be sanctioned:

- a) If the updated Future Financial Information is not submitted within the defined deadline.
- b) If the Licensee submits information that does not meet the minimum information requirements for the content (as set out in 1.10.4).
- c) If the Licensee does not submit further information and/or representations from Management regarding its plans for the future, if such information/representations have been requested by the Licensor, or if such information/representations are not complete.

### 1.10.7 RELEVANT GUIDANCE NOTES

- [GUIDANCE NOTE 15 - Updated Future Financial Information](#)

### 1.10.8 RELEVANT DOCUMENTS AVAILABLE IN THE REFERENCE LIBRARY

- Future Information Extracts: Illustration of Agreement or Reconciliation Between Different Types of Information Supplied by Licence Applicants (**Document XIX**)
- Future Financial Information: Commentary on Possible Additional Assessment Procedures in Respect of Future Financial Information and Updated Future Financial Information (**Document XXIII**)
- Updated Future Financial Information: Summary of Information to be Provided as Part of the Updated Future Financial Information (**Document XXIV**)

### 1.10.9 RELEVANT TEMPLATES AVAILABLE IN THE REFERENCE LIBRARY

- Updated Future Financial Information: Illustrative Budgeted Profit and Loss Statement. (**Template 22**)
- Updated Future Financial Information: Illustrative Budgeted Cash Flow Statement Direct Method. (**Template 23**)

## GUIDANCE NOTES

### GUIDANCE NOTE 1: Minimum Disclosure Requirements for the Financial Statements

#### BALANCE SHEET

The minimum requirements for the content in respect of balance sheet items at the Statutory Closing Date (and comparative figures in respect of the prior Statutory Closing Date) are stated below. **Document II** also illustrates these minimum requirements. **Document II** can be sourced from the Reference Library.

- **Current Assets**
  - a) Cash and Cash Equivalents;
  - b) Accounts receivable from player transfers;
  - c) Accounts receivable from Group entities and related parties (3);
  - d) Accounts receivable - other;
  - e) Inventories;
- **Noncurrent Assets**
  - f) Tangible fixed assets (1);
  - g) Intangible Assets - players (1);
  - h) Intangible Assets - others (1);
  - i) Investments (2);
- **Current liabilities**
  - j) Bank overdrafts and loans;
  - k) Accounts payable relating to player transfers;
  - l) Accounts payable to Group entities and related parties (3);
  - m) Accounts payable - other;
  - n) Tax liabilities;
  - o) Short-term provisions (4);

- **Noncurrent Liabilities**
  - p) Bank and other loans
  - q) Other long-term liabilities;
  - r) Tax liabilities;
  - s) Long-term provisions (4);
- **Net Assets/Liabilities**
  - t) Net assets/liabilities (5);
- **Equity**
  - u) Treasury shares;
  - v) Issued capital and reserves. (6)

Management may consider that line items (a) to (v) are best presented on the face of the balance sheet and the additional information (described below) in notes.

The minimum information requirements in respect of certain balance sheet items shall also include the following:

- a) In respect of each tangible fixed assets and Intangible Assets, a reconciliation of the carrying amount at the beginning and end of the period, showing additions, disposals, revaluations, impairment, depreciation/Amortisation and any other changes.
- b) Investments shall include investments in Subsidiaries, jointly Controlled entities and Associates. In respect of investments in Subsidiaries, jointly Controlled entities and Associates, as a minimum, the following information must be disclosed for each investment:
  - i. The name;
  - ii. Country of incorporation or residence;
  - iii. Type of business/operations of the entity;
  - iv. Proportion of ownership interest;
  - v. If different, proportion of voting power held; and
  - vi. A description of the method used to account for the investments.



- c) Sub-classification of the total balance receivable to disclose separate amounts receivable from Group entities and amounts receivable from other related parties; and, sub-classification of the total balance payable to disclose separately amounts payable to Group entities and amounts payable to other related parties.
- d) For each class of provision, disclose the carrying amount at the beginning and end of the period, the amount utilised and any amount released, or credited, in the period.
- e) The net assets/liabilities figure, being the aggregate of total assets less total liabilities, is used to determine if the Licence Applicant is in breach of indicator IND.03 as described in 1.7.5.2.
- f) Sub-classification of the total balance of issued capital and reserves to disclose separately share capital, share premium, other reserves and retained earnings.

### **PROFIT AND LOSS STATEMENT**

The minimum requirements for the content in respect of profit and loss statement (sometimes referred to as an income statement) items for the Financial Year (and comparative figures in respect of the prior Financial Year) are stated below. Document II also illustrates these minimum requirements. Document II can be sourced from the Reference Library.

- Revenue
  - a) Media (TV) Rights;
  - b) Sponsorship;
  - c) Merchandising;
  - d) Gate receipts / ticketing;
  - e) Transfer Fee Income;
  - f) Income from Member Association / League;
  - g) Income from Government;
  - h) Membership Fees / Season Tickets;
  - i) Rental Income for Stadium / Facility;
  - j) Other Income.

- Expenses
  - k) Player's Wages and Salaries;
  - l) Player Transfer Expense;
  - m) Coach's Wages and Salaries;
  - n) Salaries of Club Staff
  - o) Operational Expenses of Teams;
  - p) Advertisement Expenses;
  - q) Rental / Maintenance Fee of Stadium / Training Centre;
  - r) Administrative Costs;
  - s) Finance Costs;
  - t) Depreciation / Amortisation Expenses;
  - u) Other Expenses.
- Others
  - v) Impairment of fixed assets;
  - w) Profit/(Loss) on disposal of fixed assets;
  - x) Tax expense;
  - y) Profit or loss after taxation.

The minimum information requirements in respect of certain profit and loss statement items also include the following:

- (1) Separate disclosure required of depreciation of tangible fixed assets, Amortisation of player registration costs and Amortisation of other Intangible Assets.
- (2) Separate disclosure required of impairment of player registration costs and impairment of other tangible or intangible fixed assets.
- (3) Separate disclosure required of profit or loss from disposal of player registrations and profit or loss from disposal of other tangible or intangible fixed assets.

## CASH FLOW STATEMENT

A cash flow statement, when used in conjunction with the rest of the financial statements, provides information that enables users to evaluate the changes in net assets/liabilities of an entity, its financial structure (including its liquidity and solvency) and its ability to manage the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.

The cash flow statement shall report cash flows for the Financial Year (and comparatives for the prior Financial Year) classified separately by operating, investing and financing activities, in a manner which Management considers most appropriate.

The components of cash and cash equivalents shall be disclosed and there shall be presented a reconciliation of the amounts in the cash flow statement with the equivalent items reported in the balance sheet. Document II illustrates these minimum requirements. Document II can be sourced from the Reference Library.

## NOTES TO THE FINANCIAL STATEMENTS

Notes to the Annual Financial Statements shall be presented in a systematic manner. Each item on the face of the balance sheet, profit and loss statement and cash flow statement shall be cross-referenced to any related information in the notes. The minimum requirements for disclosure in notes are as follows:

- a) Accounting Policies
- b) The basis of preparation of the financial statements and a summary of the significant Accounting Policies used.
- c) Controlling party

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

- d) Related Party transactions

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

- i. The amount of the transactions;

- ii. The amount of outstanding balances and:
    - Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
    - Details of any guarantees given or received;
  - iii. Provisions for doubtful debts related to the amount of outstanding balances; and
  - iv. The expense recognised during the period in respect of bad or doubtful debts due from related parties.
- e) Pledged assets and assets under reservation of title
- Disclose the existence and amounts of restrictions on title, and property, plant and equipment pledged as security for liabilities or guarantees.
- f) Contingent liabilities
- Unless the possibility of any outflow in settlement is remote, the Reporting Entity shall disclose for each class of contingent liability at the Statutory Closing Date a brief description of the nature of the contingent liability and, where practicable:
- i. An estimate of its financial effect;
  - ii. An indication of the uncertainties relating to the amount or timing of any Outflow; and
  - iii. The possibility of any reimbursement.
- g) Other disclosure
- Any additional information or disclosure that is not presented on the face of the balance sheet, profit and loss statement or cash flow statement, but is relevant to an understanding of any of those statements and/or must meet the minimum financial information requirements.

### **FINANCIAL REVIEW BY MANAGEMENT**

The Annual Financial Statements must include a financial Review or commentary by Management (sometimes referred to as a Management Review or Directors' Report) that describes and explains the main features of the Reporting Entity's financial performance, financial position and the principal risks and uncertainties it faces.

**Document II** illustrates these minimum requirements. **Document II** can be sourced from the Reference Library.

The Annual Financial Statements must also include the names of persons who were members of the executive, or board of directors, and supervisory bodies of the Reporting Entity at any time during the year.

## GUIDANCE NOTE 2: Minimum Accounting Requirements for Player Registration Costs

The minimum accounting requirements for player registration costs are described as follows:

- a) For those Licence Applicants that capitalise costs relating to the acquisition of a player then, in respect of each individual player's registration, the Depreciable Amount must be allocated on a systematic basis over its useful life. This is achieved by the systematic allocation of the cost of the asset as an expense over the period of the player's contract.
- b) Only Direct Costs of Acquiring a Player's Registration can be capitalised. For accounting purposes, the carrying value of an individual player must not be revalued upwards, even though Management may believe market value is higher than carrying value. In addition, whilst it is acknowledged that a Licence Applicant may be able to generate some value from the use and/or transfer of locally-trained players, for accounting purposes, costs relating to an applicant's own youth sector must not be included in the balance sheet - as only the cost of players purchased is to be capitalised.
- c) Amortisation must begin when the player's registration is acquired. Amortisation shall cease earlier of the date that the asset is classified as held for sale or the date that the asset is de-recognised (i.e. the registration is transferred to another club).

In addition, the following principle must be applied: all capitalised player values must be Reviewed individually each year by Management for impairment. If the Recoverable Amount for an individual player is lower than the carrying amount on the balance sheet, the carrying amount must be adjusted to the Recoverable Amount and the adjustment charged to the profit and loss statement as an impairment cost.

### GUIDANCE NOTE 3: Minimum Information for the Content of the Player Identification Table

The minimum information for the content of the player identification table in respect of each relevant player's registration held during the period is as follows:

- a) Name and date of birth;
- b) Start and end date of contract;
- c) The Direct Costs of Acquiring the Player's Registration;
- d) Accumulated Amortisation brought forward and as at the end of the period;
- e) Expense/ Amortisation in the period;
- f) Impairment cost in the period;
- g) Disposals (cost and accumulated Amortisation);
- h) Net book value (carrying amount); and
- i) Profit/(loss) from disposal of player's registration.

The relevant players about whom details are required in the table are all those players whose registration is held by the Licence Applicant at any time during the period and some direct acquisition cost has been incurred (at some point in time in the period or prior periods) in respect of the player(s).

#### PLAYER IDENTIFICATION TABLE - ILLUSTRATIVE EXAMPLE

An illustrative example of a player identification table is included below. The illustration of the player identification table includes examples of amounts capitalised in respect of a club that has incurred acquisition costs (at some point in time in the period or prior periods) in respect of four players and assumes the Licence Applicant's Statutory Closing Date is 30 June 2017.

*Document IV* provides a template "Player Identification Table". *Document IV* can be sourced from the Reference Library.

In relation to Historic Financial Information, there must be consistency between the relevant figures which are reported in the Audited Annual Financial Statements and figures which are reported in the Player Identification Table, in respect of criterion F.01. *Document XIX* provides further illustration of reconciliation between different types of information supplied. *Document XIX* can be sourced from the Reference Library.

**[Name] Licence Applicant**  
 Player Identification Table

Year ended 30 June 2017

Player details			Direct Costs of Acquiring the Registration			Accumulated Amortisation					Carrying amount		Other	
Name and Date of Birth	Start date of contract	End date of contract	Brought-forward from previous period	Additions/ (disposals)	As at end of period	Brought-forward from previous period	Amortisation in current period	Impairment in current period	Disposals	As at end of period	Brought-forward from previous period	As at end of period	Sales proceeds	Profit/(loss) on disposal of player registration
			(a)	(b)	(c) = (a)+(b)	(d)	(e)	(f)	(g)	(h)=(d)+(e)+(f)-(g)	(i)=(a)-(d)	(j)=(c)-(h)	(k)	(l)
Acquired players														
Player 1	30.01.2017	30.06.2019	0	200	200	0	33	0	0	33	0	167	n/a	n/a
Player 2	30.08.2016	30.06.2019	0	300	300	0	88	0	0	88	0	212	n/a	n/a
Player 3	30.01.2017	30.06.2019	0	320	320	0	55	0	0	55	0	265	n/a	n/a
Player 4	30.06.2016	30.06.2018	240	0	240	0	120	0	0	120	240	120	n/a	n/a
Loaned Players														
[name]														
Total														
							(e)	(f)			(j)		(l)	

- (e) Aggregate figure must agree to Amortisation of players’ registrations as disclosed in Profit & Loss statement and/or Balance Sheet in the Annual Financial Statements
- (f) Aggregate figure must agree to Impairment of player’s registration as disclosed in Profit & Loss statement and/or Balance Sheet in the Annual Financial Statements
- (j) Aggregate figure must agree to carrying value of Intangible Assets (players’ registrations) as disclosed in the Balance Sheet in the Annual Financial Statements
- (l) Aggregate figure must agree to profit or loss from disposal of players’ registrations as disclosed in the Annual Financial Statements

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

[Signature] [date]

On behalf of Licence Applicant



## **GUIDANCE NOTE 4: Determination of Auditor and Assessment Procedures - Annual Financial Statements**

### **DETERMINATION OF THE AUDITOR**

The Licence Applicant selects the Independent Auditor; independent in compliance with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. The Licence Applicant and the auditor enter into an engagement for the performance of the Assessment Procedures on the annual financial information prepared by Management.

Within each territory, if there is a national accountancy organisation which is a member body of the IFAC, it is strongly recommended that the Licensor requires the Licence Applicant's auditor to be a member of one of the relevant IFAC member bodies.

If there is no IFAC member body in a territory, Licence Applicants shall be required to use an Independent Auditor who is permitted by national law to carry out Audit work.

### **ASSESSMENT PROCEDURES**

The Annual Financial Statements must be Audited by an Independent Auditor in accordance with either International Standards on Auditing or relevant national Auditing standards or practices where these comply with, as a minimum, the requirements of International Standards on Auditing.

The auditors' report must include a scope paragraph describing the nature of an Audit, including a statement that the Audit was conducted in accordance with International Standards on Auditing or in accordance with relevant national standards or practices as appropriate.

In turn, the Licensor inspects the submitted information and addresses the consequences of any modifications to the Audit report (compared to the normal form of unqualified report) and/or deficiencies compared to the minimum disclosure and accounting requirements. If the Annual Financial Statements meet the minimum requirements for content and accounting defined by this Handbook, then no further Supplementary Information has to be provided (i.e. alternative 1 in 1.2.1), unless the Licensor requests otherwise.

If the Annual Financial Statements do not meet the minimum requirements for content and accounting, then the Licence Applicant must prepare the necessary Supplementary Information (i.e. alternative 2 in 1.2.1). The Supplementary Information must then be assessed by the auditor by way of performance of, as a minimum, Agreed-Upon Procedures. The auditor will provide a report of the factual findings of the Agreed-Upon Procedures.

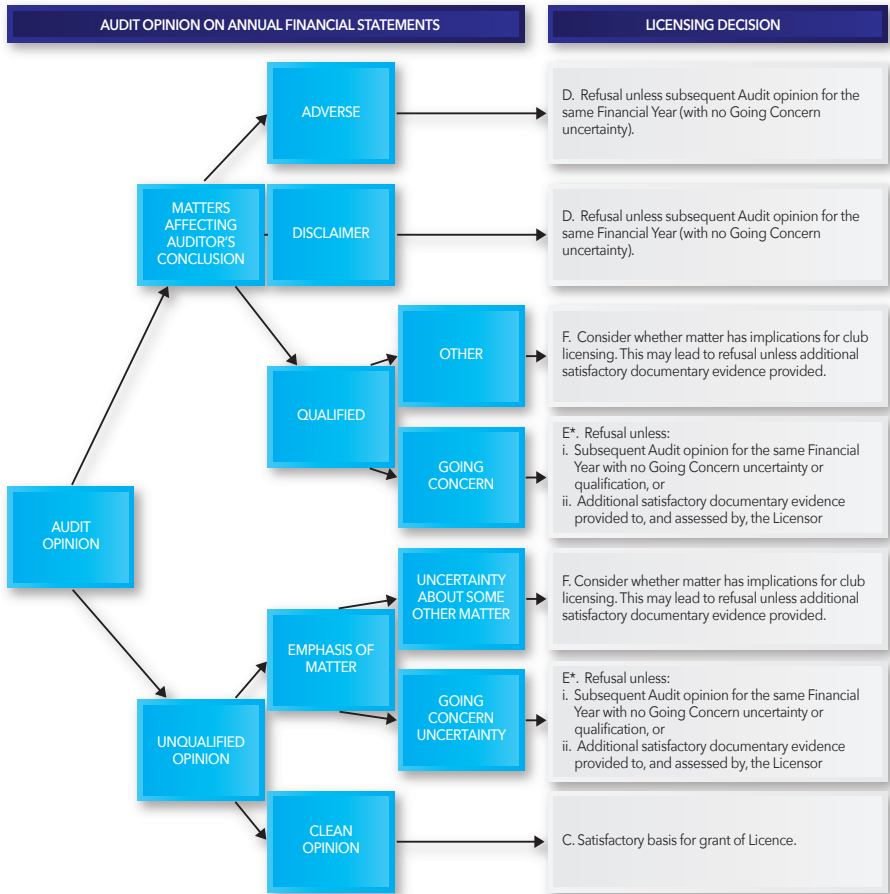
The Agreed-Upon Procedures shall, as a minimum, include:

- a) Reading the Supplementary Information prepared by Management;
- b) Making enquiries of Management regarding the compilation of the Supplementary Information; and
- c) Comparing the Supplementary Information to the sources from which it was obtained.

*International Standard on Related Services (ISRS) 4400, 'Engagements to Perform Agreed-Upon Procedures Regarding Financial Information'* provides guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Upon Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement.

The Licensor may wish to develop a standard form of Agreed-Upon Procedures, appropriate for its national legislation and practice, through consultation with the national institute of chartered accountants (or similar body) in the territory. Document V provides further guidance. Document V can be sourced from the Reference Library.

## GUIDANCE NOTE 5: Annual Financial Reporting - Diagrammatic Summary of Implications on the Licensing Decision of Different Modifications to the Auditor's Report



E\* = If the auditor's report in respect of the Annual Financial Statements includes an emphasis of matter or a qualified except for opinion in respect of Going Concern, then the licence applicant/Licensee shall be in breach of indicator IND.01 (as set out in section 1.7.5). As a result, the Licensor must undertake more extensive assessment procedures in respect of criterion F.06 (Future Financial Information) and, if granted a licence, the Licensee must also comply with criterion F.08 (Duty to update Future Financial Information).

### Other matters

MATTER	LICENSING DECISION
ANNUAL FINANCIAL STATEMENTS NOT SUBMITTED →	A. Refusal
ANNUAL FINANCIAL STATEMENTS DO NOT MEET MINIMUM REQUIREMENTS →	B. Refusal
ERRORS AND/OR EXCEPTIONS IN AGREED UPON PROCEDURES REPORTING →	G. May be refused

## GUIDANCE NOTE 6: Interim Financial Statements

The Interim Financial Statements provide a structured representation of the financial position and performance of the Licence Applicant. In the interests of timeliness and cost considerations, and to avoid repetition of information previously reported, a Licence Applicant may be required by the Licensor to provide less information at interim dates as compared with its Annual Financial Statements.

Interim Financial Statements shall include, as a minimum, the following components:

- a) Balance sheet;
- b) Profit and loss statement;
- c) Cash flow statement; and
- d) Specific explanatory notes.

In general, it is expected that the Interim Financial Statements will include fewer explanatory notes compared to the Annual Financial Statements. However, the Licence Applicant must disclose any events or transactions that are Material to an understanding of the current Interim Period.

The Interim Financial Statements must be approved by Management and this shall be evidenced by way of a brief statement and signature on behalf of the executive body of the Reporting Entity.

A Licence Applicant must apply the same Accounting Policies in its Interim Financial Statements as are applied in its Annual Financial Statements, except for accounting policy changes made after the date of the most recent full Annual Financial Statements that are to be reflected in the next Annual Financial Statements - in which case details shall be disclosed in the Interim Financial Statements. For Club Licensing purposes, Interim Financial Statements must be based on National Accounting Practice or IFRS.

The frequency of a Licence Applicant's reporting should not affect the measurement of its annual results. To achieve that objective, measurements for interim reporting purposes are made on a year-to-date basis. In *Document VII*, further guidance notes are provided on the recognition and measurement principles that may be appropriate for the Management to consider in preparing Interim Financial Statements. *Document VII* can be sourced from the Reference Library.

## INTERIM FINANCIAL STATEMENTS - MINIMUM CONTENT

The content of the Interim Financial Statements must include, as a minimum:

- a) In respect of the balance sheet, each of the line items listed from (a) to (v) as detailed in [Guidance Note 1 - Minimum Disclosure Requirements for the Financial Statements](#);
- b) In respect of the profit and loss statement, each of the line items listed from (a) to (y) as detailed in [Guidance Note 1 - Minimum Disclosure Requirements for the Financial Statements](#);
- c) In respect of the cash flow statement, report cash flows during the period classified separately by operating, investing and financing activities, in a manner which Management considers most appropriate, and which is not inconsistent with the classification selected for Annual Financial Statements;
- d) Specific explanatory notes, being:
  - i. A statement that the same Accounting Policies and methods of computation are followed in the Interim Financial Statements as compared with the most recent Annual Financial Statements or, if those policies or methods have been changed, a description of the nature and effect of the change; and
  - ii. Disclosure of any events or transactions that are Material to an understanding of the current Interim Period.

Additional line items or notes shall be included if their omission would make the Interim Financial Statements misleading. The minimum requirements for the explanatory notes, as set out above, are limited.

*Document VIII* provides some additional commentary on explanatory notes that may be included as good practice. *Document VIII* can be sourced from the Reference Library.

## GUIDANCE NOTE 7: Determination of Auditor and Assessment Procedures - Interim Financial Statements

### DETERMINATION OF THE AUDITOR

The Licence Applicant selects the Independent Auditor; independent in compliance with the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants.

The auditor selected by the Licence Applicant to Review the Interim Financial Statements should be the same as the auditor selected to carry out the Audit of the Annual Financial Statements –the accumulated knowledge of an auditor from his/her experience of performing the Audit in respect of the Annual Financial Statements is an important requirement that assists the auditor to appropriately undertake the interim Review work.

### ASSESSMENT PROCEDURES

The Interim Financial Statements must, as a minimum, be the subject of a Review by an Independent Auditor in accordance with either International Standard on Review Engagements (ISRE) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' or relevant national standards or practices for such Reviews where these comply with, as a minimum, the requirements of ISRE 2410.

Alternatively, the Licence Applicant may choose to have the Interim Financial Statements Audited. The auditors' report must include a scope paragraph describing the nature of a Review, including a reference to ISRE 2410 or relevant national standards or practices.

A Review, in contrast to an Audit, is not designed to obtain reasonable assurance that the financial information is free from Material misstatement. A Review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other Review procedures. A Review may bring significant matters affecting the financial information to the auditor's attention, but it does not provide the evidence that would be required for an Audit. As part of the work, the auditor considers whether any significant factors identified at the previous Audit have changed to such an extent as to affect the appropriateness of the Going Concern assumption.

*Document IX* sets on an illustrative form of reporting by the Independent Auditor for the scope of the Review of the Interim Financial Statements. *Document IX* can be sourced from the Reference Library. The Licensor may wish to develop a standard form of Review report, appropriate for its national legislation and practice, through consultation with the national institute of chartered accountants (or similar body) in the territory.

In turn, as described in 1.3.6, the Licensor inspects the submitted information and, if necessary, addresses the consequences of any modifications to the Review report.

The Licence Applicant and the auditor enter into an engagement for the performance of the assessment procedures on the Interim Financial Statements prepared by Management.

Within each territory, if there is a national accountancy organisation which is a member body of the IFAC, it is strongly recommended that the Licensor requires the Licence Applicant's auditor to be a member of one of the relevant IFAC member bodies.

If there is no IFAC member body in a territory, Licence Applicants shall be required to use an Independent Auditor who is permitted by national law to carry out Audit work.

## GUIDANCE NOTE 8: Financial Statements that do not provide a True and Fair View

Based on the work performed, the auditor shall assess whether any information obtained during the Review indicates that the Interim Financial Statements do not give a true and fair view (or are not presented fairly, in all Material respects) in accordance with the identified financial reporting framework (identifying the country of origin of the financial reporting framework when the framework used is not IFRS).

If matters have come to the auditor's attention, the auditor shall describe, in his/her Review report, those matters that impair a true and fair view (or a fair presentation, in all Material respects) in accordance with the identified financial reporting framework.

This description shall include, unless impracticable, a quantification of the possible effect(s) on the Interim Financial Statements, and either:

- a) Expresses a qualified conclusion; or
- b) When the effect of the matter is so Material and pervasive to the Interim Financial Statements that the auditor concludes that a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the Interim Financial Statements, the auditor expresses an adverse conclusion.

If there has been a Material scope limitation, the auditor shall describe the limitation and either:

- c) Express a qualified conclusion in respect of the possible adjustments to the financial statements that might have been determined to be necessary had the limitation on the scope of the auditors work not existed; or
- d) When the possible effect of the limitation is so significant and pervasive that the auditor concludes that no level of assurance can be provided, he/she shall not provide any assurance and disclaim a conclusion.

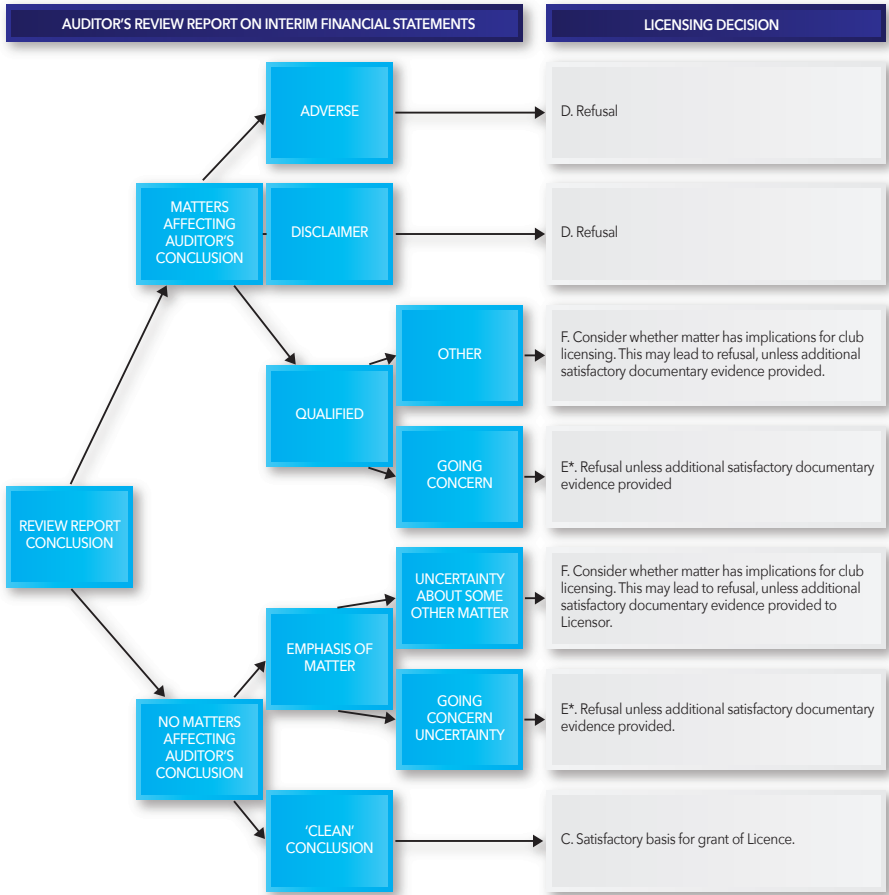
In certain circumstances, an emphasis of matter paragraph may be added to a Review report, without affecting the auditor's conclusion, to highlight a matter that is included as a note to the Interim Financial Statements that more extensively discusses the matter.

Going Concern is a fundamental accounting concept. Whilst Management may not consider Going Concern as fully at the interim stage as they would for Annual Financial Statements, they must undertake a Review of their previous work performed in respect of the previous Statutory Closing Date. They shall look at the position in respect of the previous Statutory Closing Date to see whether any of the significant factors which they had identified at that time have changed in the interim to such an extent as to affect the appropriateness of the Going Concern assumption.



As part of the Review, the auditor should inquire whether Management has changed its assessment of the entity's ability to continue as a Going Concern. When, as a result of this inquiry or other Review procedures the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a Going Concern, the auditor should inquire of Management as to its plans for future action and consider the adequacy of the disclosures about such matters in the Interim Financial Statements. If necessary, the auditor may consider that the uncertainties in respect of Going Concern need to be expressed in his/her Review report and will, in turn, have implications for the Licensor's own assessment procedures (as set out in 1.3.6).

## GUIDANCE NOTE 9: Interim Financial Reporting - Diagrammatic Summary of Implications on the Licensing Decision of Different Modifications to the Auditor's Review Report



E\* = If the auditor's Review report in respect of the Interim Financial Statements expresses an emphasis of matter or qualification in respect of Going Concern, then the licence applicant/Licensee shall be in breach of indicator IND.02 (as set out in section 1.7.5). As a result, the Licensor must undertake more extensive assessment procedures in respect of criterion F.06 (Future Financial Information) and, if granted a licence, the Licensee must also comply with criterion F.08 (Duty to update Future Financial Information).

### Other matters

MATTER	LICENSING DECISION
INTERIM FINANCIAL STATEMENTS NOT SUBMITTED →	A. Refusal
INTERIM FINANCIAL STATEMENTS DO NOT MEET MINIMUM REQUIREMENTS →	B. Refusal

## **GUIDANCE NOTE 10: Transfers Payable and Assessment Procedures**

### **TRANSFERS PAYABLE TABLE**

The transfers payable table must contain a separate entry in respect of each player acquisition (including loans) for which there is an amount outstanding to be paid at 30 June. The following information must be given as a minimum:

- a) Player (identification by name or number);
- b) Date of the transfer/loan agreement;
- c) The name of the football club that formerly held the registration;
- d) Transfer (or loan) fee paid and/or payable (including training compensation);
- e) Other Direct Costs of Acquiring the Registration paid and/or payable;
- f) Amount settled/paid; and
- g) The balance in respect of each player acquisition payable at 30 June, detailed by due date(s) for each unpaid element of the transfers payable.

#### **ASSESSMENT PROCEDURES**

The procedures to be performed to assess the information from Licence Applicants may vary depending on whether they are to be performed by the Licensor or by Independent Auditors. It will also depend on the Licensor's size, internal structure and organisation.

The Licensor can implement its own framework of assessment procedures, with or without the use of Independent Auditors, that it believes fits best to its needs and organisation. Through the accreditation process, the AFC will ensure that the applied processes are suitable and consistent with the procedures proposed in this Handbook.

If the assessment procedures involve an auditor, the work may be performed by way of Agreed-Up On Procedures. The Licensor will still be required to perform some assessment work, including reading the auditor's report on the Agreed-Up On Procedures in respect of the payables towards football clubs from transfer activities.

International Standard on Related Services 4400 'Engagements to Perform Agreed-Up On Procedures Regarding Financial Information' provides guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Up On Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement.

The Agreed-Upon Procedures include procedures such as:

- a) Reading the transfers payable table prepared by Management;
- b) Making enquires of Management regarding the compilation of the transfers payable table; and
- c) Comparing the information to the sources from which it was obtained.

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

#### **TRANSFERS PAYABLE TABLE - ILLUSTRATIVE EXAMPLE**

An illustration of a transfers payable table is set out below. The illustration of the transfers payable table below includes examples of amounts payable by a club in respect of four players and has been prepared as at 30 June 2017.

Document XI provides a template "Transfers Payable Table". Document XI can be sourced from the Reference Library.

In relation to Historic Financial Information, there must be consistency between the relevant figures which are reported in the Audited Annual Financial Statements and figures which are reported in the Transfers Payable Table, in respect of criterion F.03. Document XIX provides further illustration of reconciliation between different types of information supplied. Document XIX can be sourced from the Reference Library.

## [Name] Licence Applicant

Transfers Payable Table

Year ended 30 June 2017

Player Details			Direct Costs of Acquiring the Registration					Amount Paid	Amount payable at 30 June 2017				Comments on overdue payables at 30 June 2017	
Name or number	Date of transfer/loan agreement	From (Club)	Unconditional transfer/loan fee to former club paid and/or payable	Conditional transfer fees paid and/or payable to former club	Training compensation	Other direct costs	Total amount capitalised at 30 June 2007	Total amount paid by 30 June 2017	Total amount payable at 30 June 2017	To football club	Due date(s)	To other parties	Unrecognised conditional transfer fees at 30 June 2017 (i.e. contingent liability)	
			(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(f),(e) and (g)=(h)+(i)	(h)		(i)	(l)	
<b>Acquired players</b>														
Player 1	30.01.2017	Club X FC	200	-		-	200	100	100	100	30.01.2018	-	-	Not overdue at 30/06/17
Player 2	30.08.2016	Club Y FC	200	100		-	300	100	200	100	30.06.2017	-	-	Overdue at 30/06/17, but paid in full by 31/08/17
Player 3	30.01.2017	Club Z FC	200	100	10	10	320	210	110	100	30.06.2018	10	50	Not overdue at 30/06/17
Player 4	30.06.2016	Club W FC	240	-		-	240	140	100	100	30.06.2017	-	-	Overdue at 30/06/17. Not paid/ settled deferred in dispute as at 31/08/17. Payable overdue
Player loans														
[name or number]														
<b>Total</b>									(g)	(h)				

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

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

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

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

[Signature]

[date]

On behalf of Licence Applicant

## GUIDANCE NOTE 11: Transfers Receivable and Assessment Procedures

The transfers receivable table must contain a separate entry in respect of each player sale (including loans) for which there is an amount outstanding to be received at 30 June. The following information must be given as a minimum:

- a) Player (identification by name or number);
- b) Date of the transfer/loan agreement;
- c) The name of the football club that currently holds the registration;
- d) Transfer (or loan) fee received and/or receivable (including training compensation);
- e) Amount settled/received; and
- f) The balance in respect of each player sale receivable at 30 June, detailed by due date(s) for each unpaid element of the transfers receivable.

### ASSESSMENT PROCEDURES

The procedures to be performed to assess the information from Licence Applicants may vary depending on whether they are to be performed by the Licensor or by Independent Auditors. It will also depend on the Licensor's size, internal structure and organisation.

The Licensor can implement its own framework of assessment procedures, with or without the use of Independent Auditors, that it believes fits best to its needs and organisation. Through the accreditation process, the AFC will ensure that the applied processes are suitable and consistent with the procedures proposed in this Handbook.

If the assessment procedures involve an auditor, the work may be performed by way of Agreed-Upon Procedures. The Licensor will still be required to perform some assessment work, including reading the auditor's report on the Agreed-Upon Procedures in respect of the payables towards football clubs from transfer activities.

International Standard on Related Services 4400 'Engagements to Perform Agreed-Upon Procedures Regarding Financial Information' provides guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Upon Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement.

The Agreed-Up-On Procedures include procedures such as:

- a) Reading the transfers receivable table prepared by Management;
- b) Making enquires of Management regarding the compilation of the transfers receivable table; and
- c) Comparing the information to the sources from which it was obtained.

The Licensor may wish to develop a standard form of Agreed-Up-On Procedures, appropriate for its national legislation and practice, through consultation with the national institute of chartered accountants (or similar body).

### **TRANSFERS RECEIVABLE TABLE - ILLUSTRATIVE EXAMPLE**

An illustration of a transfers receivable table is set out below. The illustration of the transfers receivable table includes examples of amounts receivable by a club in respect of two players and has been prepared as at 30 June 2017.

*Document XIII* provides a template "Transfers Receivable Table". *Document XIII* can be sourced from the Reference Library.

In relation to Historic Financial Information, there must be consistency between the relevant figures which are reported in the Audited Annual Financial Statements and figures which are reported in the Transfers Receivable Table, in respect of criterion F.03. *Document XIX* provides further illustration of reconciliation between different types of information supplied. *Document XIX* can be sourced from the Reference Library.

## [Name] Licence Applicant

Transfers Payable Table

Table As at 30 June 2017

Player Details			Proceeds from the transfer of a registration				Total received	Amount receivable at 30 June 2017		
Name or number	Date of transfer/loan agreement	To (club)	Un-conditional transfer/loan fee received or receivable	Conditional transfer fees received and/or receivable	Training compensation	Total amount recognised at 30 June 2017	Total amount received by 30 June 2017	Total amount receivable at 30 June 2017	Receivable date(s)	Un-recognised conditional transfer fees at 30 June 2017 (i.e. contingent assets)
			(a)	(b)	(c)	(d)=(a)+(b)+(c)	(f)=(d)-(e)	(f)=(d)-(e)	(g)	(h)
Transferred players										
Player 5	30.02.2017	Club A FC	200	0	10	210	100	110	30.08.2017	0
Player 6	30.02.2017	Club B FC	200	100	0	300	100	200	30.11.2017	0
Player loan										
[name or number]										
[name or number]										
Total								(f)		

(f) Aggregate figure must agree to relevant balance sheet disclosure for "Accounts receivable from player transfers"

(g) Disclose the amount receivable from the football club and the associated due date. If the amount is receivable in more than one instalment, disclose the amount of each instalment and associated due date

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

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

[Signature]

[date]

On behalf of Licence Applicant



## GUIDANCE NOTE 12: Payments to Employees and Social / Tax Authorities

### TERM EMPLOYEE

For the purpose of criterion F.04, the term 'employees' includes the following persons:

- a) All professional players according to the applicable FIFA Regulations for the Status and Transfer of Players, and
- b) Those administrative, technical and security staff who are, according to AFC Club Licensing Regulations: the General Manager (P.02), the Finance Officer (P.03), the Security Officer (P.04), the Media Officer (P.05), the Medical Doctor (P.06), the Physiotherapist (P.07), the Head Coach of First Team (P.08), the Assistant Coach of First Team (P.09), the Head of Youth Development (P.10), the Youth Coaches (P.11), Legal Advisor (P.15), Club Technical Director (P.16), Goalkeeper Coach of First Team (P.17) and Fitness Coach of First Team (P.18). The list is exhaustive.

### EMPLOYEE SCHEDULE

The Licence Applicant shall prepare a schedule showing all employees who were employed at any time during the year to 30 June preceding the Season to be Licensed; i.e. not just those who remain at year end. The schedule shall be submitted to the Licensor.

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

- a) Name of the employee;
- b) Position/Function of the employee;
- c) Start date;
- d) Termination date (if applicable); and
- e) Any overdue payable as at 30 June, together with explanatory comment.

The employees schedule must be approved by Management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the Licence Applicant.

### ASSESSMENT PROCEDURES

The procedures to be performed to assess the information from Licence Applicants may vary depending on whether they are to be performed by the Licensor or by an Independent Auditor. They will also depend on the Licensor's size, internal structure and organisation.

The Licensor can implement its own framework of assessment procedures, with

or without the use of Independent Auditors, that it believes fits best to its needs and organisation. Through the accreditation process, the AFC will ensure that the applied processes are suitable.

If the assessment procedures involve an auditor, the work may be performed by way of Agreed-Upon Procedures. The Licensor will still be required to perform some assessment work, including reading the auditor's report of the Agreed-Upon Procedures in respect of the payables towards employees and social/tax authorities.

International Standard on Related Services 4400 'Engagements to Perform Agreed-Upon Procedures Regarding Financial Information' provides guidance on the auditor's professional responsibilities when an engagement to perform Agreed-Upon Procedures is undertaken and on the form and content of the report that the auditor issues in connection with such an engagement.

The Agreed-Upon Procedures include procedures such as:

- a) Reading the information prepared by Management;
- b) Making enquires of Management regarding the compilation of the information;
- c) Obtaining and inspecting confirmation letters from employees; and
- d) Comparing the information to the sources from which it was obtained.

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

*Document XVI* and *Document XVII* contain further guidance in respect of the Agreed-Upon Procedures that may be performed by the auditor. *Document XVI* and *Document XVII* can be sourced from the Reference Library.

## GUIDANCE NOTE 13: Management Representations Letter

Each Licence Applicant must prepare and submit to the Licensor a Management representations letter. The Management representations letter must state if there have been any events or conditions of major economic importance since the balance sheet date of the preceding Audited Annual Financial Statements or Reviewed Interim Financial Statements.

Examples of events or conditions which, individually or collectively, may be considered of major economic importance include:

- a) Fixed term borrowing approaching maturity without realistic prospects of renewal or repayment;
- b) Indications of withdrawal of financial support by financiers and other creditors;
- c) Substantial operating losses since the last submitted financial statements;
- d) Inability to pay creditors on due dates;
- e) Inability to comply with the terms of loan agreements with finance providers;
- f) Discovery and confirmation of Material fraud or errors that show the financial statements are incorrect;
- g) Determination of pending legal proceedings against the applicant that result in claims that are unlikely to be satisfied;
- h) The executive responsibilities of the Licence Applicant are being undertaken by a person(s) under some external appointment, relating to legal or insolvency procedures, rather than by Management;
- i) A Significant Change of key Management; and
- j) Management determines that it intends to liquidate the entity, cease trading, or seek protection from creditors pursuant to laws or regulations, or that it has no realistic alternative but to do so.

This listing is not all-inclusive, nor does the existence of one or more of the items always signify that an adverse impact on the Licence Applicant's financial position exists.

*Document XVIII* provides an illustration of a Management representations letter to the Licensor. *Document XVIII* can be sourced from the Reference Library.

## GUIDANCE NOTE 14: Future Financial Information

The Licence Applicant must prepare and submit Future Financial Information consisting of:

- a) A Budgeted profit and loss statement;
- b) A Budgeted cash flow statement; and
- c) Explanatory notes, including assumptions, risks and comparison of Budget to actual figures. There must also be a statement that the Future Financial Information has been prepared on a consistent basis with the Audited Annual Financial Statements.

The Future Financial Information schedules must include, as a minimum, a comparative profit and loss statement and cash flow statement for the immediately preceding Financial Year and Interim Period (if applicable).

In addition, the following information shall be disclosed:

- a) The name (and legal form) of the Reporting Entity and any change in that information from the preceding Statutory Closing Date;
- b) Whether the financial information covers the individual entity or a Group of entities or some other combination of entities; and
- c) The presentation currency.

The Future Financial Information must be based on assumptions that are not unreasonable.

The Future Financial Information, together with the assumptions upon which they are based, must be approved by Management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the Licence Applicant.

### MINIMUM REQUIREMENTS FOR CONTENT OF FUTURE FINANCIAL INFORMATION

The Future Financial Information must include, as a minimum:

- a) In respect of the Budgeted profit and loss statement, the equivalent of each of the line items listed from (a) to (y) in Guidance Note 1, plus the total equity at the beginning of the period and Budgeted for the end of the period; and
- b) In respect of the Budgeted cash flow statement, Budget cash flows during the period(s) classified by operating, investing and financing activities, in a manner which Management considers most appropriate.

Additional line items or notes shall be included if they provide clarification or if their omission would make the Future Financial Information misleading.

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

The Future Financial Information must include a brief description of each of the significant assumptions (by reference to the relevant aspects of historic financial and other information) that have been used to prepare the Budgeted profit and loss statement and cash flow statement, and also briefly describe the key risks that may affect the future financial results.

This Handbook does not prescribe the basis for recognition or measurement of transactions and other events and does not prescribe the basis for determining reasonable assumptions, except that the bases adopted should be consistent with those used in the Licence Applicant's Historic Financial Information. Hence, each of the significant assumptions should be described by reference to the relevant aspects of historic financial and other information. *Document XX* contains some commentary about the preparation of Future Financial Information. *Document XX* can be sourced from the Reference Library

*Document XXI* contains the minimum disclosure requirements for Future Financial Information in accordance with F.06. *Document XXI* can be sourced from the Reference Library.

For the purpose of the minimum requirements of criterion F.06, there is no requirement for a balance sheet to be prepared. However, it is good practice for the Licence Applicant to prepare a balance sheet, integrated with the profit and loss statement and cash flow statement, covering the same period.

Certain historic, future and updated financial information provided should agree from one type of financial information to another. *Document XIX* provides illustrative extracts demonstrating how certain figures should agree from one type of information to another. *Document XIX* can be sourced from the Reference Library

## GUIDANCE NOTE 15: Updated Future Financial Information

The Licensee must prepare and submit updated Future Financial Information consisting of:

- a) Budgeted profit and loss statement;
- b) Budgeted cash flow statement; and
- c) Explanatory notes, including assumptions and risks and comparison of Budget to actual figures. There must also be a statement that the Future Financial Information has been prepared on a consistent basis with the preceding Audited Annual Financial Statements and a summary of the significant deviations between the Budget and actual figures.

To comply with criterion F.08, the Licensee must prepare and submit the same minimum level of detail in the Future Financial Information schedules as set out in 1.7.4 and [Guidance Note 14](#). This Handbook does not prescribe the basis for recognition or measurement of transactions and other events and does not prescribe the basis for determining reasonable assumptions.

The comparative financial information that must be included within the updated Future Financial Information schedules is described below.

In addition, the following information shall be disclosed:

- a) The name (and legal form) of the Reporting Entity and any change in that information from the preceding Statutory Closing Date;
- b) Whether the financial information covers the individual entity or a Group of entities or some other combination of entities; and
- c) The presentation currency.

The updated Future Financial Information must be based on assumptions that are not unreasonable.

The updated Future Financial Information, together with the assumptions upon which they are based, must be approved by Management and this must be evidenced by way of a brief statement and signature on behalf of the executive body of the Licence Applicant.

## COMPARATIVES DISCLOSURE REQUIREMENTS FOR THE UPDATED FUTURE FINANCIAL INFORMATION

The updated Future Financial Information schedules must also include, as a minimum:

- a) The original Budgeted profit and loss statement and cash flow statement figures in respect of the six (6)- month period immediately preceding the interval date (as submitted in accordance with criterion F.06);
- b) The actual profit and loss statement and cash flow statement figures for the six (6)-month period immediately preceding the interval date; and
- c) The difference between the Budgeted and actual figures for the six (6)-month period immediately preceding the interval date. That is, brief explanations of significant differences between the Budgeted and actual results for the preceding six (6)-month period (e.g. ending 30 June or 31 December, as appropriate).

*Document XXIV* provides an illustrative summary of the updated Future Financial Information to be prepared by the relevant Licensees at each interval date. *Document XXIV* can be sourced from the Reference Library.

Certain historic, future and updated financial information provided should agree from one type of financial information to another. *Document XIX* provides illustrative extracts demonstrating how certain figures should agree from one type of information to another. *Document XIX* can be sourced from the Reference Library.

For the following Club Licensing Cycle, some of the information requirements for F.06 and F.08 may coincide and duplication of information should be avoided.

## GUIDANCE NOTE 16: Annual Budget

The minimum requirements for the content in respect of the annual budget items for the upcoming Financial Year are stated below. *Document XXV* also illustrates these minimum requirements. *Document XXV* can be sourced from the Reference Library.

- Revenue
  - a) Media (TV) Rights;
  - b) Sponsorship;
  - c) Merchandising;
  - d) Gate receipts / ticketing;
  - e) Transfer Fee Income;
  - f) Income from Member Association / League;
  - g) Income from Government;
  - h) Membership Fees / Season Tickets;
  - i) Rental Income for Stadium / Facility;
  - j) Other Income.



- Expenses
  - k) Player's Wages and Salaries;
  - l) Player Transfer Expense;
  - m) Coach's Wages and Salaries;
  - n) Salaries of Club Staff;
  - o) Operational Expenses of Teams;
  - p) Advertisement Expenses;
  - q) Rental / Maintenance Fee of Stadium / Training Centre;
  - r) Administrative Costs;
  - s) Finance Costs;
  - t) Depreciation / Amortisation Expenses;
  - u) Other Expenses.

## AFC Financial Handbook Reference Library

Please refer to the AFC website to download this file

No.	Description
<b>Document I</b>	Annual Financial Reporting: Overall Considerations and Underlying Principles
<b>Document II</b>	Annual Financial Reporting: Model Financial Statements and Commentary Template Reference Library Template 1: Management Review / Directors' Report Template 2: Model Financial Statements- Balance Sheet Template 3: Model Financial Statements- Profit & Loss Template 4: Model Financial Statements- Cash Flow Statement Direct Method Template 5: Model Financial Statements- Cash Flow Statement Indirect Method Template 6: Notes to Financial Statements
<b>Document III</b>	Promoted Applicants: Guidance on Relaxation of Disclosure Requirements
<b>Document IV</b>	Annual Financial Reporting: Template Player Identification Table Template Reference Library Template 7: Template Player Identification Table
<b>Document V</b>	Annual Financial Reporting: Illustrative Form of Agreed-Upon Procedures on Supplementary Information Template Reference Library Template 8: Illustrative Report of Factual Findings
<b>Document VI</b>	Annual Financial Reporting: Commentary Regarding Audit Reports – Contents and Different Forms of Opinion
<b>Document VII</b>	Interim Financial Reporting: Commentary on Recognition and Measurement

<b>Document VIII</b>	Interim Financial Reporting: Commentary on Specific Explanatory Notes
<b>Document IX</b>	Interim Financial Reporting: Illustrative Form of Review Report that May be Issued from an Engagement to Review Interim Financial Statements Template Reference Library Template 9: Illustrative Review Report
<b>Document X</b>	Declaration in Respect of No Payables Overdue Towards Football Clubs Arising from Transfer Activities Template Reference Library Template 10: Declaration in Respect of No Payables Overdue Towards Football Clubs Arising from Transfer Activities
<b>Document XI</b>	Template - Transfers Payable Table Template Reference Library Template 11: Template Transfers Payable Table
<b>Document XII</b>	Transfers Payable Reporting: Illustrative Form of Agreed-Upon Procedures Template Reference Library Template 12: Illustrative Report of Factual Findings
<b>Document XIII</b>	Template - Transfers Receivable Table Template Reference Library Template 13: Template Transfers Receivable Table
<b>Document XIV</b>	Transfers Receivable Reporting: Illustrative Form of Agreed-Upon Procedures Template Reference Library Template 14: Illustrative Report of Factual Findings
<b>Document XV</b>	Declaration in Respect of No Payables Overdue Towards Employees and Social / Tax Authorities Template Reference Library Template 15: Declaration in Respect of No Payables Overdue Towards Employees and Social / Tax Authorities

<p><b>Document XVI</b></p>	<p>Employees Payables Reporting: Illustrative Form of Agreed-Upon Procedures            Template Reference Library            Template 16: Illustrative Report of Factual Findings</p>
<p><b>Document XVII</b></p>	<p>Employees Payables Reporting: Illustrative Confirmation Letter from Employees            Template Reference Library            Template 17: Illustrative Confirmation Letter from Employees</p>
<p><b>Document XVIII</b></p>	<p>Illustrative Management Representations Letter to Licensor            Template Reference Library            Template 18: Illustrative Management Representations Letter to Licensor</p>
<p><b>Document XIX</b></p>	<p>Financial Information Extracts: Illustration of Agreement or Reconciliation Between Different Types of Information Supplied by Licence Applicants</p>
<p><b>Document XX</b></p>	<p>Future Financial Information: Commentary on Preparation</p>
<p><b>Document XXI</b></p>	<p>Illustrative Future Financial Information            Template Reference Library            Template 19: Illustrative Future Financial Information Letter            Template 20: Illustrative Budgeted Profit and Loss Statement            Template 21: Illustrative Budgeted Cash Flow Statement Direct Method</p>
<p><b>Document XXII</b></p>	<p>Indicators : Guidance on Interpretation of IND.03 in Respect of Net Assets/Liabilities</p>
<p><b>Document XXIII</b></p>	<p>Future Financial Information : Commentary on Possible Additional Assessment Procedures in Respect of Future Financial Information and Updated Future Financial Information.</p>

<b>Document XXIV</b>	Updated Future Financial Information : Summary of Information to be Provided as Part of the Updated Future Financial Information Template Reference Library Template 22: Illustrative Budgeted Profit and Loss Statement Template 23: Illustrative Budgeted Cash Flow Statement Direct Method
<b>Document XXV</b>	Annual Budget Template Reference Library Template 24: Illustrative Annual Budget



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