

Football transfer tracker

A guide to the summer 2010 transfer activities in the English football leagues



Contents

Introduction	3
Summer 2010 transfers	4
Premiership squad composition rules	8
The UK Bribery Act 2010	10
About us	11

Introduction

About this report

Welcome to the inaugural Grant Thornton Football Transfer Tracker. The following report, based on data gathered by Grant Thornton's Forensic and Investigation Services team, considers the transfer activity of teams in the top three tiers of the English league system* during the 2010 summer transfer window.

The key factors affecting football during this transfer window are the economic squeeze on football finances and the new Premier League squad composition rules.

Our report looks at the level of expenditure on players and income generated from player sales and considers whether the economic conditions and regulatory changes have had an impact on transfer spending. We also consider the ramifications of the new Bribery Act on football – an issue clubs cannot afford to ignore.

*Barclays Premier League, npower Championship and npower League 1



Geoff Mesher
Partner
Forensic and Investigation Services
Grant Thornton UK LLP

Summer transfer activity overview

Fig. 1 compares income and expenditure from player transfers during the 2009 and 2010 summer transfer windows:

Fig. 1

	2010 summer transfer window			2009 summer transfer window		
	Paid £000	Received £000	Net £000	Paid £000	Received £000	Net £000
Premiership	356,210	(158,250)	197,960	449,387	(372,302)	77,085
Championship	28,200	(46,000)	(17,800)	40,968	(102,078)	(61,110)
League 1 combined	1,500	(7,550)	(6,050)	4,385	(16,280)	(11,895)
Total	385,910	(211,800)	174,110	494,740	(490,660)	4,080
Change in year	(108,830) -22%	(278,860) -57%	170,030			

The total transfer fees paid have reduced by £109 million, a 22% decrease on 2009. In isolation this might suggest a major contraction in English football finances. However, fees received from player sales have reduced by £279 million, a 57% decrease on last year. This has resulted in net expenditure increasing by £170 million. This trend can be seen across all three leagues, not just the Premiership. In order to place this summer's expenditure into context, the following charts show the pattern of gross expenditure and net expenditure in summer transfer windows since 2005:

Fig. 2 Gross spend in summer transfer windows (Premiership, Championship, League 1 combined)

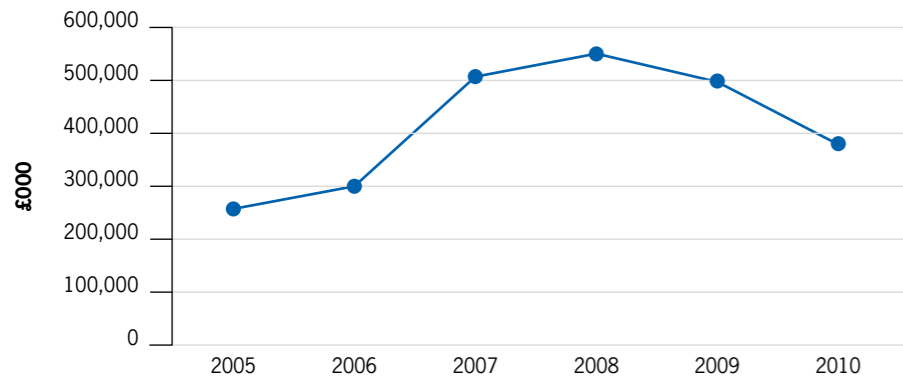
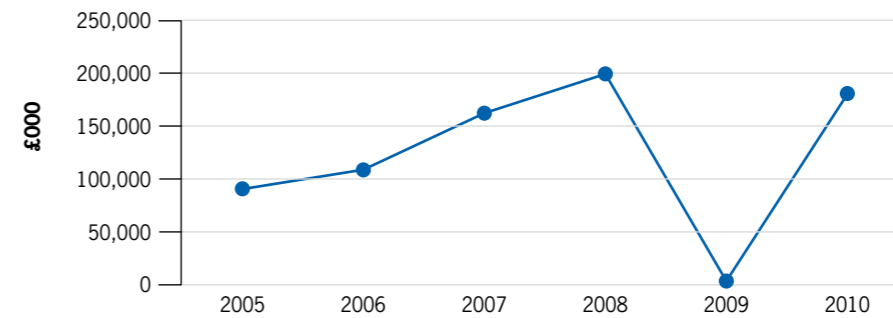


Fig. 3 Net spend in summer transfer windows (Premiership, Championship, League 1 combined)



The Premiership has been the major contributor to the reduction in gross expenditure and the increase in net expenditure. However, perhaps surprisingly, whilst Manchester City's wealthy owners have continued to invest vast sums in an attempt to break Manchester United and Chelsea's recent stranglehold on the Premiership trophy, it is the rest of the Premier league clubs that have caused the growth in net outlay on player transfers. Fig. 4 illustrates Manchester City's approach compared to the other 19 Premiership teams:

Fig. 4

	2010 summer transfer window			2009 summer transfer window		
	Paid £000	Received £000	Net £000	Paid £000	Received £000	Net £000
Manchester City	125,710 7%	(28,250) 110%	97,460	117,500	(13,460)	104,040
Other Premiership	230,500 -31%	(130,000) -64%	100,500	331,887	(358,842)	(26,955)
Total	356,210	(158,250)	197,960	449,387	(372,302)	77,085

Fig. 5 details the income and expenditure of each Premiership club during the summer 2010 transfer window:

Fig. 5 Premiership income and expenditure by club

	Paid £000	Received £000	Net £000
Manchester City	125,710	(28,250)	97,460
Chelsea	29,900	(14,150)	15,750
Liverpool	26,000	(26,650)	(650)
Manchester United	23,650	(14,000)	9,650
Sunderland	18,000	(18,700)	(700)
Wolverhampton Wanderers	16,500	(1,700)	14,800
Arsenal	16,200	(7,200)	9,000
Birmingham City	16,000	0	16,000
Tottenham Hotspur	14,000	(800)	13,200
Stoke City	13,750	(1,750)	12,000
Wigan Athletic	11,500	(1,750)	9,750
Fulham	9,500	(14,000)	(4,500)
West Bromwich Albion	8,900	0	8,900
Aston Villa	8,000	(27,000)	(19,000)
West Ham United	8,000	(1,800)	6,200
Newcastle United	5,000	0	5,000
Blackpool	2,325	0	2,325
Bolton Wanderers	1,875	(500)	1,375
Everton	1,400	0	1,400
Blackburn Rovers	0	0	0
Total	356,210	158,250	197,960

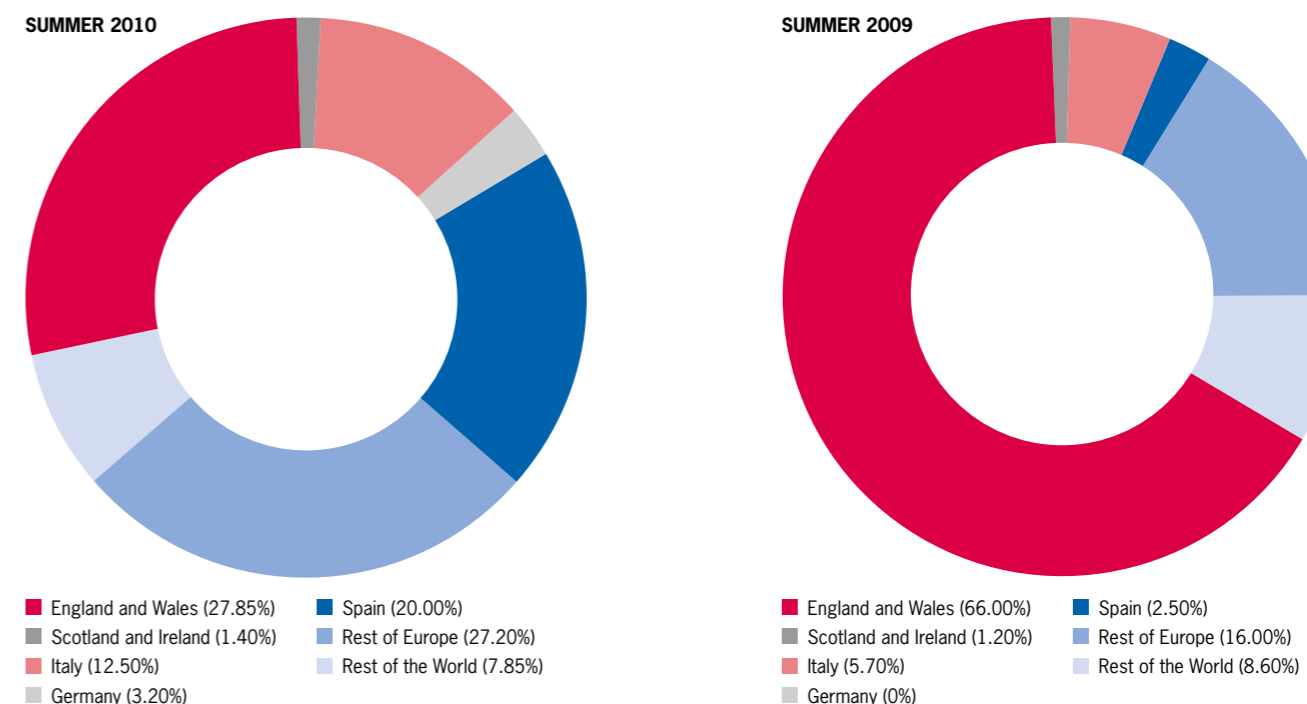
It is important to note that the above analysis does not recognise the number of free transfers and loan deals that have taken place this year. There have been a number of high profile transfers where no money has changed hands. For example established international and Premiership players including Joe Cole and William Gallas have moved clubs for no fee, having reached the end of their contracts. Similarly Alberto Aquilani who cost Liverpool around £20 million a year ago has moved to Juventus on a year long loan. It seems that clubs are exploring alternative ways of changing their squads and managing their wage bill. We will monitor free and loan transfer activity in future transfer windows.

Imports and exports

Perhaps the most notable change in transfer spending in the 2010 summer transfer window, compared with summer 2009, is the proportion of funds being invested abroad rather than here in England and Wales.

Fig. 6 summarises at the destination of transfer fees paid by Premiership clubs the 2010 and 2009 summer transfer windows:

Fig. 6 Fees paid by Premiership clubs



Expenditure with foreign clubs has increased 67% from £154 to £257 million. At the same time fees paid to clubs in England and Wales has reduced by 66%. A major contributor to these ratios is Manchester City. Their acquisitions of Yaya Toure, David Silva, Jerome Boateng, Mario Balotelli and Aleksandar Kolarov cost approximately £100 million. In contrast their only major investment in an English player was the £26 million paid for James Milner from Aston Villa*.

This reduction in domestic expenditure will be of particular concern to teams in the lower tiers of the English league system. Many smaller clubs rely upon the income generated from developing and selling players to balance the books. It will be interesting to see whether new rules governing Premiership squad composition will redress this potentially problematic trend.

*Estimated value of deal involving £16 million payment plus exchange of Stephen Ireland.



Premiership squad composition rules

On 1 September 2010 each Premier League club had to name a 25 man squad which cannot be altered until the January transfer window.

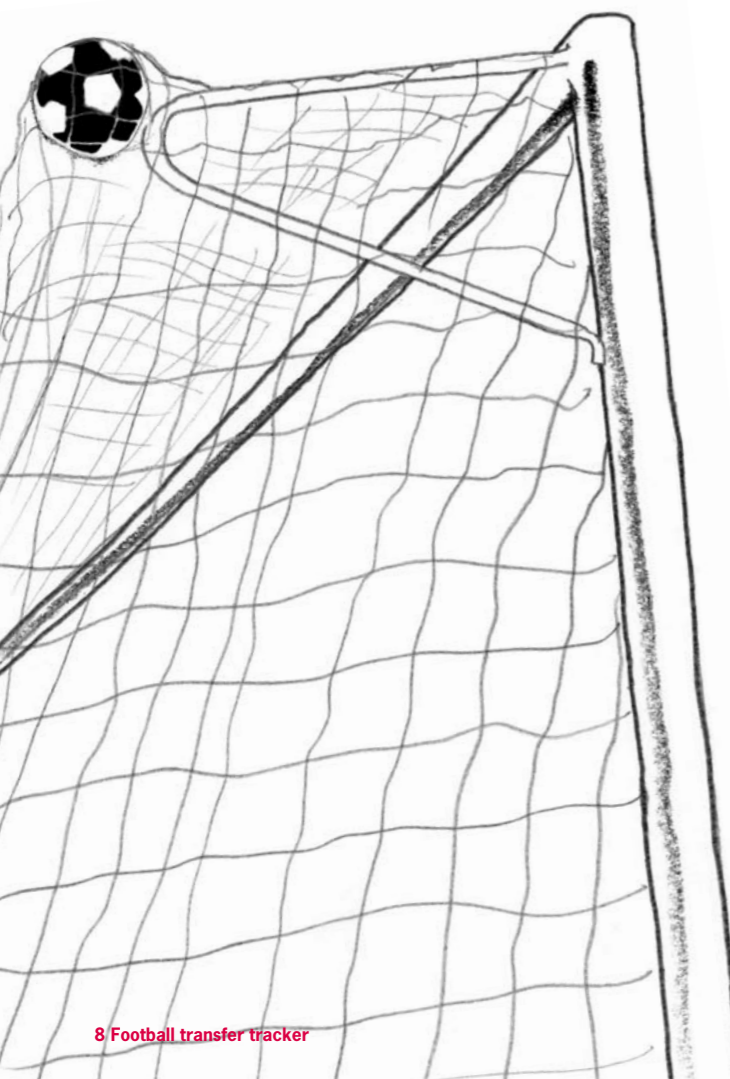
The new rules are as follows:

- Squads must include at least eight 'home-grown' players
- Clubs can supplement their 25 man squad with unlimited numbers of players under the age of 21

The Premier League's Chief Executive, Richard Scudamore explained the thinking behind the new rules, noting;

"It will make buying home-grown talent more attractive" and "We think it will give clubs an extra incentive to invest in youth. We think that one of the benefits will be that it will help the England team".

The rules stop short of including a nationality test and so 'home-grown' does not mean players are necessarily eligible to play for England or Wales. To qualify as 'home-grown' a player needs to have been registered with an English (or Welsh) club for at least three seasons or 36 months prior to their 21st birthday, regardless of their nationality. For example, despite interest from Barcelona during the Summer transfer window, Arsenal retained the services of their captain, Cesc Fabregas. Fabregas is an established Spanish international but moved to Arsenal as a 16 year old. He therefore qualifies as home-grown.



Have the new rules affected clubs' transfer policies?

Figs. 7 and 8 look at the age and nationalities, respectively, of players purchased by Premier league clubs in the 2009 and 2010 summer transfer windows for evidence of any shift towards young English and Welsh players.

There has been a notable increase in the proportion of total expenditure on players under the age of 21. Such players would, for this season at least, not contribute to the 25 man squads of their respective clubs. Average fees paid for players under 21 have also increased slightly from £3.5 million in 2009 to £3.7 million this year.

However, this data should not be considered conclusive evidence that clubs are focusing their attentions on youth. Were it not for Manchester City's acquisition of 20 year old Mario Balotelli for £24 million, the average fee for under 21 year old players would have decreased. Overall fees spent on players under the age of 21 still represent a small proportion (17%) of total expenditure.

Fig. 7 Age of Premiership acquisitions by value

	Change %	Change £000	Summer 2010 £000	Summer 2009 £000
Under 21	▲ 181	38,473	59,700 17%	21,227 5%
21 and over	▼ 31	(131,650)	296,510 83%	428,160 95%
Total		(93,177)	356,210	449,387

Fig. 8 Nationality of Premiership acquisitions by value

	Change %	Change £000	Summer 2010 £000	Summer 2009 £000
English or Welsh	▼ 65	(106,208)	56,150 16%	162,358 36%
Other	▲ 5	13,031	300,060 84%	287,029 64%
Total		(93,177)	356,210	449,387

Whilst there may have been some intentional acquisitions of younger players, the introduction of the new rules do not appear to have encouraged many clubs to invest in English and Welsh players. Such players accounted for only 16% of all Premiership clubs' expenditure, down from 36% in 2009.

It may be that certain clubs are utilising the fact that, regardless of nationality,

any player under 21 may be used to augment the squad.

Grant Thornton will continue to monitor transfer window activity to see whether the new rules have a significant influence on future transfer spending. Finally, Fig. 9 considers the average price paid for players in differing positions. This analysis excludes free transfers which skew the data.

Fig. 9

Summer Transfer Window	2010 £000	Premiership 2009 £000	2010 £000	Championship 2009 £000	2010 £000	League 1 2009 £000
Goalkeeper	2,900	52	983	100	n/a	60
Defender	3,880	5,476	558	815	146	225
Midfielder	8,265	5,610	658	608	288	234
Forward	5,254	8,906	802	1,324	170	271

It is interesting to note that during the 2010 summer transfer window forwards did not command the biggest transfer fees, as was the case in all three leagues in 2009. Manchester City's midfield trio of Toure, Silva and Milner contributed to an average Premiership midfielder costing in excess of £8 million.

Why football needs to take the new Bribery Act seriously

The new Bribery Act, due to come into effect in April 2011, will undoubtedly have far reaching implications for football clubs, their owners and key staff. We set out below why this is an issue that clubs cannot afford to ignore.

What is a 'bribe'?

The Act specifies that a person is guilty of offering a bribe if they offer a financial or other advantage with the intention being:

- i. to induce a person to perform improperly a relevant function or activity; or
- ii. to reward a person for the improper performance of such a function or activity

The legislation is clearly designed to apply to a broad spectrum of activities, not just cash 'back-handers'. For example, Lord Tunncliffe, the former Government spokesperson in the Ministry of Justice, noted that "lavish corporate hospitality can also be used as a bribe to secure advantages." Of course what constitutes "lavish" is highly subjective and, as yet, untested in the Courts.

The offences

The Act introduces four criminal offences. In essence these are:

- offering, promising or giving of a bribe
- requesting, accepting or agreeing to accept a bribe
- bribing a foreign public official to obtain or retain business; and
- failure of a commercial organisation to prevent bribery

It is perhaps the last of these that poses the greatest threat to businesses, in particular those that regularly participate in high value transactions. Football clubs certainly fall into this category.

The potential sanctions

The Bribery Act applies both to businesses and to individuals. Senior personnel can be found personally liable, not only for their own actions, but also for the actions of other staff in their organisation if they have not taken 'adequate procedures' to prevent such a breach of the law. Further a company can be found criminally liable if it fails to prevent a bribe being paid by those who act for or on its behalf.

The penalties are severe, with up to 10 years imprisonment for individuals – that could mean, amongst others, owners, chairmen and chief executives – and unlimited fines for clubs.

Why is this relevant to football?

The Act has been widely publicised in the business press with focus on large international corporations operating in countries and industries where corruption is recognised as an existing concern. However with recent corruption allegations in other sports, football clubs cannot afford to ignore the impact on them. There is a real risk that law enforcement agencies may seek to maximise the deterrent effect of the legislation by pursuing a high profile football based prosecution. A corruption case involving a well known football club would guarantee high profile media coverage and clubs need to recognise that the Act covers much wider ground than, say, the match fixing allegations currently affecting the cricketing world.

There is stiff competition among clubs to recruit the right players and managers which may lead to pressure to offer improper inducements. Negotiations must be undertaken in an approved and

transparent manner with those involved being properly authorised. Takeovers are now occurring more frequently and Clubs will need to ensure that full due diligence is undertaken on prospective new owners. All connected payments, and any hospitality provided or received, must be appropriate and reasonable. Stadia across the country are also being upgraded and permission sought for new facilities. These are large scale projects which are extremely attractive to suppliers and offers of excessive entertainment to potentially improve their prospects of being awarded a contract could amount to bribery under the Act.

What should be done?

The situations set out above are only some of the potential risk areas for football clubs. The Government will issue guidance shortly on the 'adequate procedures' which organisations can introduce to minimise the risk of taking illegal actions but clubs will still need to assess the implications of the Act for their own particular circumstances. Prosecutors are far more likely to focus on organisations which fail to adopt anti-corruption measures. Getting the right advice early on is key to mitigating risk in this area.

Clubs will ignore the Bribery Act at their peril. Other sports are now dealing with the negative implications which corruption allegations bring and Football Clubs should make sure their procedures can identify and address problem areas. If they do not then Clubs and their senior officers may well find themselves the subject of criminal action.

About us

Our Forensic and Investigation Services team provides a full suite of investigation, forensic accounting and dispute resolution services. It combines forensic accounting and business expertise with insights into the workings, perceptions and needs of clients, their advisers and enforcement agencies. Known for its independent and objective advice it is the fourth largest dedicated forensic team in the UK with a national team comprising 13 partners and directors and over 100 highly skilled staff. The UK team is supported by more than 30 accredited forensic teams worldwide through the GTI member firms network.

Grant Thornton UK LLP is a leading financial and business adviser, operating out of 28 offices and three staff support sites. Led by 235 partners and employing nearly 4,000 of the profession's brightest

minds, we provide personalised assurance, tax and specialist advisory services to over 40,000 individuals, privately-held businesses and public interest entities.

Our offer to the market is great depth of expertise, delivered in a distinctive and personal way. Through proactive, client-centric relationships, our teams deliver solutions to problems, not pre-packaged products and services.

Our deep-rooted experience in the issues affecting mid-sized businesses, combined with the true global reach and resources of Grant Thornton International Ltd mean that we're

uniquely placed to deliver the best advice, in a seamless way – regardless of service line, regardless of location.

We are a member firm within Grant Thornton International Ltd, one of the world's leading international organisations of independently owned and managed accounting and consulting firms. Clients of member and correspondent firms can access the knowledge and experience of over 2,500 partners in over 100 countries and consistently receive a distinctive, high-quality and personalised service wherever they choose to do business.

Contact us

For further information on this publication and its findings, please contact:

Geoff Mesher
T 029 2034 7547
E geoffrey.l.mesher@gtuk.com

