French DNCG management control versus UEFA Financial Fair Play: a divergent conception of financial regulation objectives

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The French Football Federation was the first football governing body to put in place, in 1990, a financial regulation system. It might be expected that UEFA’s Financial Fair Play (FFP) system established in 2010 would be similar to French DNCG (National Direction for Management Control) regulations. However, while FFP is concerned with profitability, DNCG is focused on solvency. Hence, a French club may be loss-making and not compliant with FFP, while at the same time being solvent in accordance with DNCG rules. Our research confirms that most French clubs do not conform to FFP rules. As such, it provides further evidence that DNCG has not prevented poor financial management within French clubs.

The coexistence of DNCG and FFP—or any other domestic financial regulation and FFP—may result in disparities between domestic clubs. As a consequence, there should be consistent financial regulation in all European leagues.

Introduction

For many years European football clubs were in a persistent loss-making situation.\textsuperscript{1} French clubs are not an exception.\textsuperscript{2} The French Football Federation (FFF) was the first football governing body to put in place, in 1990, a regulation system which seeks to prevent insolvency. The objective was to ensure the integrity of championships which would be threatened by a club going out of business mid-season. From 1987 to 1990, 14 clubs became insolvent in the French first two divisions.\textsuperscript{3} Several more clubs were in financial difficulties, requiring local authorities to cover their liabilities.\textsuperscript{4} In practice this means that taxpayers effectively funded French football debts, a social consequence widespread in European football.\textsuperscript{5} The dilemma for a local authority faced with a football club in financial difficulty is as follows: should it cover the club’s liabilities at the expense of its taxpayers or instead let the club become insolvent and hence relegated, resulting in local football fans not having access to professional football anymore, something which may be socially detrimental for local communities? The creation of the French management control organization, the National Direction for Management Control (DNCG), has sought to minimize the risk of local authorities facing such dilemmas. Since 2010, UEFA has established its own financial regulation system, introducing Financial Fair Play (FFP) regulations for clubs qualified to participate in its Europe wide club competitions. UEFA’s implementation of FFP is based on a public interest argument for regulation, specifically that the long-run integrity of its competitions is asserted to
be for the greater good of football and hence by extension for society generally.  

DNCG welcomed UEFA’s decisions, describing the new regulations as the creation of a ‘European DNCG’.  

Nevertheless, the implementation of FFP in 2013 has revealed significant divergences between the two financial regulation systems, something evidenced most visibly in the case of Paris Saint-Germain (PSG). Indeed, while the DNCG did not punish PSG in respect of season 2013–2014, it was heavily sanctioned by UEFA under FFP; specifically, a fine of €60 million, and restrictions on its player recruitment and on the number of players authorized to take part in European competitions.  

This different regulatory assessment could be the result of a fundamental divergence between the two systems concerning their objectives and in particular the treatment of losses and the role of a club’s shareholders. Under the DNCG philosophy, a club is permitted to make losses as long as its shareholders finance or cover such losses by equity contributions. FFP, however, is based on the idea that clubs must live within their means, which is to say to balance their football expenditure with income generated from football activities. Hence, in this case shareholder investment has been limited to investing in facilities and/or development-type activities.

Hereafter, the aim of this contribution is to establish whether the DNCG approach leads French clubs to adopt behaviours that are not consistent with FFP. If this is the case, this is problematic for those French clubs which are required to comply with FFP, specifically those clubs which seek to participate in UEFA’s European competitions. Moreover, this divergence in regulation, in regulatory targets and consequently in regulatory response among target clubs will create disparities among French clubs, these becoming more marked if, as anticipated, FFP becomes more onerous over the medium to long term. In order to achieve the objective stated above, this study will provide evidence on:

- The extent to which French clubs are loss-making.
- The extent to which these clubs’ shareholders make financial contributions to compensate for such losses.
- The extent to which these financial contributions restrict longer term investment into clubs.

The originality of this contribution is threefold:

- First, this study of French football finance is carried out at the level of each club rather than for the league as a whole as is the case in previous literature.
- Second, the focus of this study is on club balance sheet e rather than on profit and loss account information as has been common previously.
- Third, this study considers the first national football financial regulation system in Europe and its impact on French clubs’ ability to face the pan-European FFP regulations.

This article is structured in six parts. The first consists of a literature review on these questions, followed by an explanation of the objectives of financial regulation of football clubs in France and Europe. The third section focuses on the methodological framework, with the appropriate financial ratios presented in the following section. The fifth section presents the results in respect of each of our questions before concluding in a sixth part.
Literature review

There are numerous academic publications that demonstrate the chronic absence of profitability for professional football clubs in European open leagues. In France, different contributions have dealt with this topic. Among these works, Andreff attributes clubs’ persistent loss-making to ‘undisciplined club behavior and lack of transparency and disclosure. French football is characterized by a lax financial management and a soft-budget constraint at the club level. Shareholders behave as non-profit-seeking investors or patrons’. These chronic financial difficulties led to insolvencies that Scelles et al., based on a study over the period 1970–2014, attribute partially to insufficient stadium attendance (demand shocks). Works focusing more specifically on the French regulation system are less common but include Dermit-Richard on the question of the legitimacy of the financial regulation system in French football, and on the necessary independence of the regulator. Elsewhere Gouguet and Primault suggest that the French regulation system is responsible for constraining French club losses when compared to clubs in other European countries.

Concomitant with these works on French professional football, a number of recent publications have focused on UEFA’s FFP regulations. Some are concerned in part at least with the objectives of the system, and more specifically in considering to what extent FFP is a tool for controlling the labour market, in conflict with the rules of the European Union treaty. There are also some studies on the expected effects of FFP. For example, Peeters and Szymanski use econometric modelling to establish the anticipated consequence of the implementation of the break-even requirement on club payrolls. Using a game theory approach Preuss, Haugen and Schubert considered FFP effects that could be contrary to expected objectives.

Franck’s and Franck and Lang’s focus was on the opportunity to introduce hard budget constraints to promote or incentivize more responsible management of football clubs, in turn lessening dependency on their shareholders. Finally, the legitimacy of the FFP objectives is investigated by Budzinski and Müller, Lammert and Hovemann.

As has been demonstrated while it is clear that both DNCG and FFP regulations have considered extensively in the literature, to date they have not been compared. Andreff does assess both systems of regulation against his recommendations for hardening clubs’ budget constraints, but does so without really comparing them, instead simply suggesting some complementarities. Given the specific aim of this contribution, the approach adopted is to focus on the extent to which there is convergence or divergence of regulatory systems. This has already been considered in other sectors such as banking sector and the securities markets. For the former, for example, Spendzharova examines the implications of the supervisory approaches developed in Central and Eastern Europe over the past 15 years in respect of redesigning the regulatory framework in the EU. In European football, the peculiarity is that the transnational system of regulation applies only to those clubs which qualify to participate in European competitions. This means that the clubs which play in both domestic and transnational competitions are obliged either: to follow two distinct systems of financial regulation while this is not the case for the other clubs which participate only in domestic competitions; or in countries in which there is no domestic system of financial regulation, clubs taking part in European competitions are subject to the transnational regulation yet their domestic competitions are effectively unregulated in financial terms. The extent to which this may create disparities between clubs depends on the respective objectives of the two financial
regulation systems and whether their potential divergences impact clubs’ financial behaviours.

The objectives of the financial regulation of football clubs in open leagues

Concerned with perceived risks arising from persistent loss-making among member organizations, specific sectorial regulations have been implemented in professional team sports leagues (for example, in football, rugby, basketball, handball, volleyball and ice hockey in France). Such regulation systems are defined in a limited regulatory space, geographically and sectorally, where specific tools (financial controls, constraints, sanctions) are implemented under the aegis of regulation bodies so as to reach a/some objective(s) generally defined collectively by the actors of the regulated sector.  

In 1990, under the aegis of the Ministry of Sports, French football stakeholders established a regulatory system concerned with the administration and finances of professional clubs, with its operationalization entrusted to the DNCG. In the context of the financial distress which was characterizing French football at that juncture, the regulation objective assigned to this authority was to control the solvency of professional clubs so as to avoid within-season insolvencies that threaten the integrity of the league competition. This objective required the DNCG:

- to check that clubs have the financial means (cash, shareholders’ equity) to complete the competitions in which they are registered, [but] does not prevent us [the DNCG] from looking to ensure operating profits and cash in the medium term; and in particular to ensure that contractual commitments (e.g. player contracts) are covered by future income streams which are considered reasonably secure.

For this purpose, the DNCG requires that:

- clubs registered in competitions have the required shareholder funding in place to carry out their activity and fulfil their obligations without risk of a potential period of crisis’, being specified that ‘the more a club’s operations are rebalanced as to their fundamentals [recurring expenditure balanced by recurring income], the lower the requirements for shareholder funding.’

Central to the French system is a requirement that a club must be able to call on funding from its shareholders in circumstances in which its operating sources are not sufficient.

In 2004, UEFA introduced a club licensing system applicable to all clubs participating in UEFA Champions’ League and Europa League competitions. Participation in the competitions achieved on sporting merit is thus subordinated to being awarded a licence based on administrative, legal, infrastructure and financial criteria.

The licensing system has also enabled the compilation of financial data for those 664 European football clubs which have taken part in licensing since 2004. Of concern for UEFA was the fact that these figures showed that clubs had reported an increase in losses up to €1675 million in 2011 (€1641 million in 2010). It is these figures, and concern over the possible consequences of these figures, that encouraged UEFA to establish a system of financial regulation in respect of its competitions. The aims of the regulations are reproduced in Figure 1.

FFP is about encouraging clubs to improve the management of their cost base, achieving a sustainable balance between income, spending and investments; in simple terms to live within their means. It is unavoidable that some clubs have more
and larger income sources than others for reasons related to history, population or market demand. Nevertheless, the key requirement in FFP is that clubs should report a break-even position, calculated by comparing relevant income and costs, over a rolling three-year period, subject to what is termed ‘an acceptable level of deviation’. Specifically, in any monitoring period a club can report an aggregate loss of €5 million, while a further deviation or loss of initially €45 million, but declining to €30 million, is permitted as long as such excess is fully covered by equity injections from a club’s owners and/or related parties. Hence, the intention is that clubs should not resort to shareholder funding and/or banks/debts to compensate for ordinary loss-making activity.

In calculating break-even, clubs need only include ‘relevant income’ and ‘relevant costs’. At its simplest the intention is that clubs should seek to match football expenditure with football income. Relevant income is defined as:

revenue from gate receipts, broadcasting rights, sponsorship and advertising, commercial activities and other operating income, plus either profit on disposal of player registrations or income from disposal of player registrations, excess proceeds on disposal of tangible fixed assets and finance income.

Any relevant income and expenses from related parties must also be adjusted to reflect the fair value of such transactions. Definitions are provided for both related parties and fair value with the revised regulations extending the definition of related parties such that sponsors or anyone else who contributes in excess of 30% of a club’s income may be investigated to determine whether they are related to the club’s ownership.

Moreover, equity investment is still permitted where the funds are to be invested in respect of longer term assets such as the construction or the renovation of stadia or youth development facilities.

FFP thus seeks to force clubs to report a balanced financial outturn dependent on their own football related income sources, while encouraging longer term
investments which in principle ought to provide the basis of improved future financial performance. That the break-even calculation is calculated over a rolling period of three years thus makes it possible to compensate an annual deficit by previous year's profits. The approach adopted recognizes both that equilibrium will have to be reached gradually for some clubs and that football financial performance in often skewed by uncontrollable football performance.

There is thus a fundamental divergence in the anticipated role played by the shareholders (and related parties) between DNCG and FFP. Under the French system, clubs are not required to break even as long as their shareholders are willing and able to compensate for the consequence of loss making by, for example, the cancellation of loans, the provision of new loans and/or equity injections. In contrast the UEFA system does not permit shareholder contributions to compensate for current operating losses, except exceptionally during the implementation of the process, as well as in future under the terms of the voluntary agreement for break-even set out in Annex X11. The aim of this paper is to study this divergence of conception and in particular to determine if French club shareholders regularly provide funding to compensate for losses, in contradiction with UEFA FFP principles.

Methodology

We use DNCG annual reports. In their appendix, the DNCG publishes the balance sheet and the profit and loss account of each professional football club. While each set of financial statements is prepared and published by individual clubs, their reliability and legitimacy is validated by the DNCG. In addition, the data have been consistently prepared between clubs over time and hence is comparable. The presentations of the annual accounts of Lens and Lyon differ as these clubs report using consolidated accounts. Nevertheless, they are homogeneous over the period. That said there remain at least two limitations with the data. The first is the possibility of the football club being structured as part of a group of companies (for example, including separate entities in respect of youth development or commercial activities) and changes in the constitution of that group over time, all of which could influence the variation of the net worth. However, for all organizations included in the sample the most significant activity is that of a professional football club. The second limitation is concerned with a potential lack of comparability within sets of club accounts due to either the legitimate adoption of different accounting policies and/or differences in the interpretation and judgement of particular accounting policies.

Shareholder contributions to a club can take three different forms, each of which it will be necessary to identify in the annual accounts, as follows:

- First, it can take the form of a capital (equity) contribution or reduction. The published accounts indicate only the club’s net worth (NW), without detailing its components, that is capital (C), reserves and/or balance brought forward (BBF) and annual net profit (NP) (NW = C + BBF + NP). NW and NP are disclosed on an annual basis, with the level of NP impacting directly on NW. NW is also influenced by shareholder investment decisions; positively (through a capital or equity contribution) or negatively (through a dividend distribution). Hence, it is possible to calculate the annual variation in NW arising from shareholder capital contributions (CC) using the following formula with n for the current year and n–1 for the previous year:
Second, a shareholder may contribute loan capital to a club, usually on a short term basis. Shareholders’ accounts are indicated on a specific balance sheet line, and thus it is possible to establish the level of loans (positive variation between \( n \) and \( n-1 \)) or annual repayments to the shareholder (negative variation between \( n \) and \( n-1 \)) for this item.  

Third, a shareholder’s contribution may take the form of a cancellation of loan which is then included as an exceptional item in the profit or loss account of the club. This cancellation can be permanent or accompanied by a ‘claw-back provision’. In this last case, it may be possible to have to repay to the shareholder, all or a part of a previous cancellation if some conditions, previously defined in the provision, are not met. In such cases, any ‘recovery’ of the cancellation is disclosed as an exceptional expense. These figures can be significant: for example, equivalent to €125 million for season 2013–2014 (€66 million for the previous season), and hence require to be accounted for in this analysis. However, their identification is complex. Indeed, these figures are not disclosed in individual club financial statements. As such it is necessary to estimate these figures based upon information published in the press, subsequently cross-checking these figures between individual accounts and aggregated data by group of clubs published by DNCG. The figure for cancellation of loans is understated because not all cancellations are disclosed. However, those cancellations which could be reasonably estimated have been included.

The club Paris Saint-Germain requires a specific comment. It received an annual sum of €200 million in respect of sponsorship from the Qatar Tourism Authority (QTA) which is related to its owner Qatar Sports Investments (Qatar Investment Authority). Under FFP UEFA judged that the ‘fair value’ of the previous sponsoring agreement was €100 million with the remaining €100 million considered as an equity contribution made by a related party. For the purposes of this study this has been included as a contribution by a shareholder and has thus been considered as an annual cancellation of debt for the two seasons concerned from 2012 to 2014.

The clubs included in our sample study are those clubs in respect of which data are available over the longest possible time period. DNCG began to publish individual club balance sheets from season 2003–2004, clubs providing the information on a voluntary basis. It was not until 2008–2009 that all clubs were required to provide their balance sheets. In practice, however, all clubs other than AJ Auxerre and Saint-Etienne published their balance sheets from season 2006–2007, and hence that was adopted as the starting point for our analysis. Season 2013–2014 was the most recent season for which accounts were available at the time of writing and as a result our analysis focuses on the period from 2006 to 2014, eight seasons in total. Clubs concerned are all those having published their annual accounts over the entire period, namely those having taken part on a permanent basis between 2006 and 2014 in the professional championships of Ligue 1 and 2 (other than AJ Auxerre and Saint-Etienne where data are only available from 2006). In total 24 clubs satisfy these criteria (see Appendix 1). The data represent 87% of clubs competing in Ligue 1 in the relevant seasons (equivalent to a sample of 139 Ligue 1 clubs’ financial
statements from a total of 160 possible sets of financial statements over eight seasons). The cumulative level of budgets and transfer profits of the 24 clubs in the sample represents 85% of the entire professional league clubs (Ligue 1 and 2) over the period studied. Indeed, the total income and transfer profit over the period for the 24 clubs of the sample is €10,598 million whereas the total corresponding to the whole clubs of Ligue 1 and 2 over the period is €12,408 million. Consequently, this sample can be considered as representative of French professional football and thus conclusions that could be drawn will be generalizable.

Data processing
In order to answer the questions set out in the introduction, it is necessary to consider three variables: club financial outturn, shareholders’ contributions and investments.

The variable representing club financial outturn is net profit (NP). We identified annual profits and losses, the cumulative profits and losses over the time period, and the cumulative net profit/loss position:

- CL = cumulative losses over the period
- CP = cumulative profits over the period
- CNP = cumulative net profit/(loss) over the period = CL + CP
- I corresponds to the club’s income including both operating revenues – for example, gate receipts, TV rights, merchandising, sponsoring and other commercial revenues – and the transfer contribution. The latter corresponds to transfer fees received from any player sales less any unamortized cost included in intangible assets on the balance sheet.
- CNP/I determines the accumulated net profit over the period as a percentage of the accumulated income over the same period.

We will then determine the total of shareholders’ contributions over the period so as to calculate the ratio of losses covered by equity contributions. For this purpose, the following data are defined:

- CCC = cumulative contributions in capital over the period determined by addition of CC (see above for definition)
- CCA = cumulative contribution in shareholders’ loan accounts over the period
- CCL = cumulative cancellations of loans over the period
- CSC = cumulative shareholders’ contributions over the period = CCC + CCA + CCL
- CovL = Sum of the contribution in capital used to cover losses (if any) = the smallest of the two values between negative NP and total shareholders’ contribution (CSC)
- %CovL = value in percentage terms of the total shareholders’ contributions = CovL/CSC
- SCI = shareholders’ contribution available for investment = CSC – NP. It should be noted that this figure is only meaningful when it is positive.
Finally, we will determine the level of investments made by each club over the period. It will be then possible to determine that part of shareholders’ contributions not used to cover losses, and which thus contributes to a club’s funding.

- Inv = cumulative sum of net investments both in transfer fees and in other investments (tangible and financial). Data available do not allow the determination of the gross level of investments. Only the level of investments net of amortizations is published. For the purpose of the analysis, this limitation is not significant. Therefore, we can calculate shareholders’ contributions to investments, net of self-financing. The use of these data will thus enable us to determine to what extent shareholders’ contributions are used to develop or enhance the club. Inv can be positive, indicating an increase of club net investments, or negative, meaning a net disinvestment over the period corresponding usually to a decrease of sums invested in player transfer fees.
- Inv/I determines the amount of investment over the period as a percentage of income over a comparable duration.
- %Inv = percentage of investments covered by shareholders = Inv/SCI

All these indicators are presented per club, accumulated over the period studied (see Appendix 1).

**Results**

**Net profit**

First, it is necessary to verify that clubs make losses. The question is studied here for each club and not only for the league as a whole given that aggregated data compensate losses by some with profits by others. In addition, we will measure how these losses/benefits divide up over the period with the determination of the number of loss-making/profitable years. Last, we will determine to what extent benefits for some years compensate losses for others. These elements are presented in Table 1.

In Table 2, clubs are classified on the basis of CNP (before cancellations of loans) as a percentage of their income over the same period as in Table 1.

Around 80% (19 out of 24) of clubs make net losses over the period from 2006 to 2014. Nevertheless, these losses represent more than 5% of their income for only eight clubs (33%). 20% of clubs in the sample report cumulated losses greater than 10% of their income (as high as 39% for AS Monaco). The comparable ratio for European clubs as a whole for season 2011–2012 is 37.3% (260 clubs out of 696). Therefore, while French clubs are loss-making they report lower deficits when compared to their European competitors. This finding is consistent with research carried out by Gouguet and Primault over the period 1998 to 2003, who suggested that French football faced a financial crisis less serious than the other European countries due to the regulation implemented in French football based on ‘solidarity (revenue sharing), training (by all clubs), and financing control’.

All clubs have known at least two loss-making years over the eight-year period studied, with a mean of 4.24 years of losses per club. Two clubs (PSG and AS Monaco) have been loss-making in each of the eight accounting years.

The ratio CL/CP measures the extent to which losses are covered by subsequent profits. A coefficient less than one means that all losses were covered by profits and
Table 1. Presentation of net profit per club.

| Club  | Amount  | Number of years | Amount | Number of years | CL/CP | Cumulative net profit (CNP) | CNP/Income (%) |
|-------|---------|-----------------|--------|-----------------|-------|---------------------------|----------------|
| PSG   | – 285,058 | 8               | 0      | 0               | –     | –285,058                  | –18.36         |
| ASM   | – 210,086 | 8               | 0      | 0               | –     | –210,086                  | –38.71         |
| OL    | – 137,363 | 5               | 44,033 | 3               | 3.12  | –93,330                   | –7.52          |
| OM    | –75,879   | 4               | 23,939 | 4               | 3.17  | –51,940                   | –4.69          |
| FCN   | –44,187   | 6               | 411    | 2               | 107.51| –43,776                   | –19.73         |
| RCL   | –51,999   | 6               | 13,179 | 2               | 3.95  | –38,820                   | –10.30         |
| AJA   | –29,411   | 4               | 4391   | 2               | 6.70  | –25,020                   | –12.47         |
| FCSM  | –34,559   | 3               | 11,148 | 5               | 3.10  | –23,411                   | –6.39          |
| VAFC  | –25,314   | 4               | 3554   | 4               | 7.12  | –21,760                   | –8.46          |
| SR    | –15,925   | 2               | 0      | 0               |       | –15,925                   | –3.81          |
| OGCN  | –22,941   | 5               | 7276   | 3               | 3.15  | –15,665                   | –4.62          |
| GB    | –36,718   | 4               | 21,513 | 4               | 1.71  | –15,205                   | –2.18          |
| LOSC  | –26,778   | 5               | 15,503 | 3               | 1.73  | –11,275                   | –1.48          |
| ASNL  | –20,090   | 3               | 11,020 | 5               | 1.82  | –9070                     | –3.06          |
| HAC   | –6909     | 5               | 2131   | 3               | 3.24  | –4778                     | –3.01          |
| ASSE  | –6619     | 4               | 2867   | 4               | 2.31  | –3752                     | –1.00          |
| SMC   | –4839     | 4               | 3042   | 4               | 1.59  | –1797                     | –0.83          |
| SB29  | –4486     | 4               | 3470   | 4               | 1.29  | –1016                     | –0.68          |
| LBC   | –1598     | 4               | 958    | 4               | 1.67  | –640                      | –0.76          |
| DFCO  | –1427     | 2               | 1510   | 6               | 0.95  | 83                        | 0.08           |
| ACA   | –6387     | 4               | 6960   | 4               | 0.92  | 573                       | 0.55           |
| TFC   | –3332     | 4               | 7599   | 4               | 0.44  | 4267                      | 1.05           |
| FCL   | –4173     | 2               | 9214   | 6               | 0.45  | 5041                      | 1.71           |
| MHFC  | –2887     | 2               | 11,565 | 6               | 0.25  | 8678                      | 2.64           |

Table 2. Classification of clubs: cumulative net profit as a percentage of income.

| CNP > 0 | –5% < CNP < 0 | –10% < CNP < –5% | CNP < –10% |
|---------|---------------|------------------|-----------|
| AC Ajaccio | G Bordeaux | O Lyonnais | AJ Auxerre |
| Dijon FCO | S Brestois | SM Caen | RC Lens |
| FC Lorient | B Châteauroux | Le Havre AC | AS Monaco |
| Montpellier HC | OGC Nice | O Marseille | FC Nantes |
| Toulouse FC | S Rennais | AS Nancy | Paris SG |

Q = 5
Q = 11
Q = 3
Q = 5
20.8%
45.9%
12.5%
20.8%
that hence the club reports a cumulated positive NP over the period. A coefficient greater than one means that cumulated losses exceed cumulated profits, leading thus to a net loss which under DNCG regulations would require to be compensated by the club’s shareholders. As mentioned above, in this study 19 clubs out of 24 have losses equivalent to between 1.29 times to more than 100 times their profits over the time period. Three clubs are excluded from this calculation: PSG and AS Monaco which have been loss-making every year, making this calculation meaningless; and Stade Rennais which reported a net profit exactly equal to 0 in six of the eight accounting years, suggesting that the club’s owner has systematically balanced club accounts for these years, either by cancellation of loans (reported as an exceptional profit in French club accounts) or by reimbursement of previously cancelled loans. This policy did not apply, however, over the last two seasons 2012 to 2014 both of which were loss-making. It was not possible to determine with sufficient precision the amount of these cancellations and reimbursement of previously cancelled loans so as to enable them to be taken into account.

Covering of losses by shareholders

According to the DNCG philosophy, it is a requirement for shareholders to guarantee their club’s funding for the coming season. As such, shareholders are obliged to provide sufficient funds to cover prior year losses. It is thus necessary to measure these contributions (CSC) and their use in covering losses (CovL). These variables are presented in Table 3.

These results enable the identification of three groups of clubs:

(1) Group 1 – six clubs which did not use shareholder contributions to at least part fund their losses (%CovL = 0). There were two different reasons for this:
   • They did not make contributions to capital over the period (CSC < 0). Based on available data we cannot be certain as to the precise explanation. One hypothesis is that these clubs made a dividend distribution (for example, Toulouse FC and FC Lorient both reported positive NP over the period).
   • They did not make net losses as was the case for AC Ajaccio, Dijon FCO and Montpellier HSP.
(2) Group 2 – eight clubs which made losses and which used shareholder contributions to cover these. (The percentage covered ranged from 40% (LOSC) to 88% (OL)).
(3) Group 3 – 10 clubs which made losses that were entirely covered by shareholder contributions (%CovL = 100%).

Reflecting on Table 3 overall, it is clear that shareholders make a major contribution to covering their clubs’ losses given that 74% (total CovL/total CSC) of funds provided were used to that end.

Funding of investments by shareholders

It remains to be determined whether clubs invest in infrastructure and/or transfer fees paid to recruit players (Inv) and, in particular, the extent to which their shareholders contribute to this
| Club   | Cumulative contributions in capital | Cumulative contributions in shareholders’ loan accounts | Cumulative cancellations of loans | Cumulative shareholders’ contributions (CSC) | Contribution in capital used to cover losses (CovL) | CovL/CSC (%) |
|--------|-------------------------------------|--------------------------------------------------------|----------------------------------|---------------------------------------------|---------------------------------------------------|-------------|
| TFC    | -2958                               | 349                                                    |                                  | -2609                                       | 0                                                 | 0           |
| FCL    | -1278                               | -54                                                   |                                  | -1332                                       | 0                                                 | 0           |
| ASSE   | -1030                               | -29                                                   |                                  | -1059                                       | 0                                                 | 0           |
| ACA    | 1771                                | 0                                                     |                                  | 1771                                        | 0                                                 | 0           |
| DFCO   | 2509                                | 0                                                     |                                  | 2509                                        | 0                                                 | 0           |
| MHSP   | 2949                                | -245                                                  |                                  | 2704                                        | 0                                                 | 0           |
| LOSC   | 18,168                              | 10,000                                                |                                  | 28,168                                      | 11,275                                            | 40          |
| LBC    | 1598                                | -39                                                   |                                  | 1559                                        | 640                                              | 41          |
| GB     | 14,918                              | 20,296                                                |                                  | 35,214                                      | 15,205                                            | 43          |
| SB29   | 1796                                | 1                                                     |                                  | 1797                                        | 1,016                                             | 57          |
| ASM    | 1419                                | 148,614                                               | 210,100                          | 360,133                                      | 210,086                                           | 58          |
| SMC    | 2738                                | 0                                                     |                                  | 2738                                        | 1,797                                             | 66          |
| PSG    | 92,448                              | 45,995                                                | 217,000                          | 355,443                                      | 285,058                                           | 80          |
| OL     | 106,503                             | 0                                                     |                                  | 106,503                                      | 93,330                                            | 88          |
| HAC    | 3634                                | -1,890                                                |                                  | 1,744                                       | 1,744                                             | 100         |
| AJA    | 7,550                               | 0                                                     |                                  | 7,550                                       | 7,550                                             | 100         |
| ASNL   | 1,636                               | 6,461                                                 |                                  | 8,097                                       | 8,097                                             | 100         |
| VAF    | 11,819                              | -505                                                  |                                  | 11,314                                      | 11,314                                            | 100         |
| OGCN   | 5,476                               | 6,173                                                 |                                  | 11,649                                      | 11,649                                            | 100         |
| SR     | 18,712                              | -6,474                                                |                                  | 12,238                                      | 12,238                                            | 100         |
| FCSM   | 13,004                              | 0                                                     |                                  | 13,004                                      | 13,004                                            | 100         |
| RCL    | 21,491                              | 3,509                                                 |                                  | 25,000                                      | 25,000                                            | 100         |
| FCN    | 18,681                              | -10,648                                               | 25,000                           | 33,033                                      | 33,033                                            | 100         |
| OM     | 8151                                | -1,162                                                | 40,000                           | 46,989                                      | 46,989                                            | 100         |
| Total  |                                     |                                                       |                                  | 1,064,157                                   | 789,025                                           | 74          |
funding (%Inv). For comparative purposes in Table 4 this investment is shown as a percentage of each club’s income.

Table 5 disaggregates the total sum invested over the period distinguishing investment in transfer fees and other investments, as well as identifying clubs which have invested and those which have disinvested.

It is interesting to observe that the total net investment over the period (€553 million) equates to less than one year of TV rights for Ligue 1 clubs (87.5% of TV rights in 2012–2013 equal to €632 million). On average net investment represents only 3.64% of each club’s income over the time period. More detailed analysis shows that 53% (€295 million) is accounted for through investments made by PSG. Excluding PSG, net investments by the other 23 clubs in the sample accounts for only 2.85% of their income (Inv except PSG = 553,085–295,396 and B except PSG = 10,597,978–1,552,545). Overall this evidence suggests a very low level of investment by French clubs compared to business in other sectors of the economy.

Of the total investment made by French clubs over the time period, 64% is in respect of player transfer fees. Among these fees, 72% (€257 million) is accounted for by PSG investment over the last three seasons since the club was taken over by QTA. In total, 13 clubs out of 24 have reduced their investments in the form of transfer fees over the period. Furthermore, only 36% of total investment (€198 million) has been invested in club infrastructure (i.e. tangible fixed assets), i.e. less than a third of one year’s TV rights or 1.86% of club income. This figure included €124 million invested by two clubs in their new stadia (Olympique Lyonnais €88 million; Lille OSC €36 million). Over the same time period, seven clubs have reduced their investments in infrastructure by a global amount of €51 million.

| Investments (Inv) | Inv/Income | Shareholders’ contribution available for investment (SCI) | SCI/Inv (%) |
|-------------------|------------|--------------------------------------------------------|-------------|
| LBC –219 | 0 | 919 | –420 |
| SMC –1815 | 0 | 941 | –52 |
| AJA –7374 | 0 | 0 | 0 |
| ASN | –6098 | 0 | 0 |
| ASSE 12,627 | 3.37% | 0 | 0 |
| FCL 12,430 | 4.21% | 0 | 0 |
| FCN –4365 | 0 | 0 | 0 |
| FCSM –12,473 | 0 | 0 | 0 |
| HAC 1812 | 1.14% | 0 | 0 |
| OGCN –5179 | 0 | 0 | 0 |
| OM 48,682 | 4.40% | 0 | 0 |
| RCL –61,080 | 0 | 0 | 0 |
| SR –1575 | 0 | 0 | 0 |
| TFC 44 | 0.01% | 0 | 0 |
| VAFC 4112 | 1.60% | 0 | 0 |
| OL 65,886 | 5.31% | 13,173 | 20 |
| PSG 295,396 | 19.03% | 70,385 | 24 |
| ACA 6970 | 6.67% | 1771 | 25 |
| MHSP 9297 | 2.83% | 2704 | 29 |
| LOSC 48,704 | 6.40% | 16,893 | 35 |
| SB29 1994 | 1.33% | 781 | 39 |
| ASM 130,323 | 24.01% | 150,047 | 115 |
| GB 13,374 | 1.92% | 20,009 | 150 |
| DFCO 1612 | 1.59% | 2509 | 156 |
| Average | 3.64% | | |
Among the 15 clubs which have made net investments, nine clubs have taken advantage of their shareholders’ contributions to do so, ranging from 20% of invested sums (Olympique Lyonnais) to 100% (AS Monaco, Girondins de Bordeaux and Dijon FCO). If 100% of the shareholders’ contributions were used for investments, this would be equivalent to 10% of clubs’ income, which is five times greater than the actual figures reported. Finally it is also interesting to note that three clubs report a %Inv > 100%, which means that in effect shareholder contributions have increased the clubs’ working capital.

It is possible to conclude from these data that investment represents a very modest component of clubs’ budgets, with the majority (two thirds) being invested in player transfer fees. Only 26% of shareholder contributions (€280 million for a total of €1064 million) are used in respect of funding investments, compared to 74% used to fund losses.

**Conclusion**

Based on the objectives of the article, it is possible to provide the following answers:

- With 19 loss-making clubs out of 24, it appears that profitability measured by positive cumulative net profit is not a priority for French clubs. Consistent with Sloane’s framework of open leagues, the evidence suggests that French clubs prioritize sporting performance above profitability. In particular, the evidence suggests that clubs recruit to the maximum of their financial capacity.

- Over the period, the total of net cumulative contributions by shareholders is greater than €1 billion (see Table 3) with 74% used to cover losses. The recurring need for shareholder contributions to fund losses in 18 out of 19 clubs highlights a specificity of this particular business sector; something which is permissible under DNCG regulations.

- For nine of these clubs, shareholder contributions are actually insufficient to cover losses and hence clubs are forced to disinvest or downsize their business. Among the nine remaining clubs, there are six clubs for which shareholders invest beyond covering losses. Shareholder investment is also evident for three profit-making clubs.

The principle set by DNCG that clubs’ shareholders must cover losses has been applied in reality.

The main objective of DNCG is to ensure clubs’ solvency, with shareholder contributions being required to cover any losses. By contrast, FFP seeks to encourage sustainability, the principle being that clubs are able to fund their own football

| Total investments | Transfer fees | Number of clubs | Other investments | Number of clubs | Total investments | Number of clubs |
|-------------------|---------------|----------------|------------------|----------------|------------------|----------------|
| -93,823           | 13            | -51,107        | 7                | -144,930       | 9                |
| 448,965           | 11            | 249,050        | 17               | 698,015        | 15               |
| 355,142           | 24            | 197,943        | 24               | 553,085        | 24               |

| Percentage        |               |
|-------------------|---------------|
| 64%               | 36%           |
| 100%              | 100%          |
activities and ambitions from their own football-related resources, with shareholders only permitted to contribute to the funding of clubs’ long-term investments. Our results show that French clubs make losses that shareholders require to cover in order to respect DNCG constraints. As a consequence, shareholder contributions are primarily used to fund transfer fees rather than long-term investments such as stadia or other infrastructure. In general terms our evidence indicates that French clubs are not complying with FFP principles. As such the objective of DNCG and in particular its requirements in respect of the role of shareholders are not sufficiently constraining to induce French clubs to also comply with FFP. DNCG did not change its philosophy to be consistent with FFP, and as a result French clubs are ill-equipped to satisfy the new European football rules. Consistent with this analysis, Paris SG and AS Monaco are the two clubs which make the largest deficits, both of which have been 100% covered by their shareholders as required by DNCG. The same two clubs have also both been penalized by UEFA under FFP: Paris SG in 2014 and AS Monaco in 2015.

The main contribution of this article is to show that the regulatory objective of French DNCG, where clubs are permitted to make losses as long as these are compensated by shareholders, inadvertently acts to place these clubs in contradiction with FFP requirements. In marked contrast to the desire of French clubs that any system of FFP ought to be akin to a ‘European DNCG’, in practice these clubs now find themselves conflicted due to the different requirements and philosophies underpinning the two financial regulation systems which many are subject to. Reflecting on prior studies on financial regulation in French football but based upon more recent data all of which were exclusively at the level of the club, this study supports Andreff’s findings rather than those of Gouguet and Primault.

It is worth noting that UEFA has recently opened the door to short-term financial behaviour consistent with French DNCG. In May 2015, UEFA announced its intention to relax or ‘enhance’ its regulations to allow clubs a period of accelerated spending on players if they present an affordable business model and provide irrevocable funding commitments from their shareholders. In July 2015, the sanctions on Paris Saint-Germain were partially lifted, a decision confirmed by the CFCB in September 2015. Notwithstanding these enhancements, FFP still seeks to encourage growth and development in the long term. Having been the original European regulation system, it will be interesting to observe whether French DNCG now moves closer to FFP and limits shareholder contributions in the future. For a reason developed below, it can be argued that this is likely to be the case.

The coexistence of DNCG and FFP has the potential to create disparities between clubs. In order to illustrate this, three types of clubs can be distinguished: those which comply with both DNCG and FFP (having qualified for European competitions); those which expect to qualify for European competitions and hence comply with both systems even if they are not monitored by UEFA; and those which do not expect to qualify for European competitions, which do not comply or seek to comply with FFP and which hence risk being denied the right to participate in European competition even where their football performance merits such participation. The existence of dual regulation can create a ‘competitive advantage’ for the latter type of club, albeit most likely around avoiding relegation given that ostensibly the club is unconcerned with European qualification. Hence we could have a situation in which two clubs could be in competition with one another to avoid relegation yet not be subject to the same financial regulation rules, with one club complying with
both DNCG and FFP (even if it is not monitored by UEFA), while the other complies with DNCG only. While Andreff is supportive of the complementarities between the two systems in terms of encouraging good governance, at the same time it needs to be recognized that their coexistence may contribute to sporting unfairness.

A provocative question that follows from the foregoing would be: should the French league apply FFP for all its clubs, in turn abandoning DNCG principles in place since 1990? In other words, does FFP mean that DNCG rules are no longer relevant? It is worth noting that what is described for France regarding DNCG versus FFP and sporting fairness can be applied to all other European national leagues; simply replace DNCG by another (or no) domestic financial regulation system different from FFP. This suggests that all European national leagues should apply FFP rules rather than the latter being confined to those clubs taking part in European competitions. Adoption of a transnational approach to regulation is consistent with what has been suggested for the banking sector, i.e. with responsibility for regulation being transferred to a European institution. 52 Returning to the French case, applying FFP rules could have a positive impact on French clubs given that DNCG did not prevent some of its clubs from becoming insolvent and hence being sanctioned via relegation, these clubs including a couple whose new stadia were funded at least in part by public money. Given this and the broader issue of the continuing social and community significance of football clubs, encouraging improved club financial management would be beneficial not only for clubs themselves but also for local communities.

Disclosure statement

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1. Szymanski, Money and Soccer, chap. 8; UEFA, European Club Landscape 2012, 80–1.
2. Andreff, ‘Governance of Professional Clubs’, 207.
3. Sceles et al., ‘Insolvency in French Soccer’; Sceles et al., ‘Causes of Insolvencies’.
4. Dermit-Richard, L’économie du football européen.
5. Lago, Simmons and Szymanski, ‘Financial Crisis European Football’.
6. Morrow, ‘Football Club Financing Reporting’, 304.
7. DNCG, Rapport d’Activité 2008/2009, 11.
8. UEFA, ‘Decision of the Chief’.
9. Andreff, ‘French Football’; Gouguet and Primault, ‘The French Exception’.
10. See for example Barajas and Rodriguez, ‘Spanish Football in Need’; Buraimo, Simmons and Szymanski, ‘English Football’; Hamil and Walters, ‘Financial Performance English Football’; Sass, ‘Glory Hunters, Sugar Daddies’.
11. See for example Andreff, ‘French Football’; Andreff, ‘Governance of Professional Clubs’; Gouguet and Primault, ‘The French Exception’.
12. Andreff, ‘French Football’, 652.
13. Sceles et al., ‘Insolvency in French Soccer’; Sceles et al., ‘Causes of Insolvencies’.
14. Dermit-Richard, L’économie du football européen; Dermit-Richard, ‘Football Professionnel en Europe’.
15. Dermit-Richard, ‘Régulation Financière et Sport’.
16. Gouguet and Primault, ‘The French Exception’.
17. Drut and Raballand, ‘Why Does Financial Regulation’; Durand and Dermit-Richard, ‘La Régulation du Sport’; Morrow, Financial Fair Play: Implications.
18. Lindholm, ‘The Problem with Salary’.
19. Peeters and Szymanski, ‘Fair Play European Football’.
20. Preuss, Haugen and Schubert, ‘UEFA Financial Fair Play’.
21. Franck, ‘What Is It About?’; Franck and Lang, ‘Theoretical Analysis Risk Taking’.
22. Budzinski, ‘Competition Economics Fair Play’; Müller, Lammert and Hovemann, ‘The Financial Fair Play’.
23. Andreff, ‘Governance of Professional Clubs’.
24. Spendzharova, Regulating Banks in Europe, Chapter 5.
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26. Dermit-Richard, L’économie du football européen; Dermit-Richard, ‘Football Professionnel en Europe’.
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28. DNCG, Rapport d’Activité 2008/2009, 9.
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30. UEFA, European Club Landscape 2010, 14.
31. UEFA, European Club Landscape 2009, 76.
32. UEFA, UEFA Club Licensing 2015, 2.
33. UEFA, UEFA Club Licensing 2012, Annex X, D.
34. UEFA, UEFA Club Licensing 2012, Article 58.
35. UEFA, UEFA Club Licensing 2012, Article 58, 1.
36. UEFA, UEFA Club Licensing 2012, Article 58, 4.
37. UEFA, UEFA Club Licensing 2012, Annex X, E.
38. UEFA, UEFA Club Licensing 2015, Article 3.
39. UEFA, UEFA Club Licensing 2015.
40. It is important to note that strictly speaking loan note holders are not the same as shareholders, as the latter group contributes equity in the form of share capital to a company.
41. UEFA, European Club Landscape 2012, 80.
42. Gouguet and Primault, ‘The French Exception’, 47.
43. Sloane, ‘Economics of Professional Football’.
44. Ascarì and Gagnepain, ‘Spanish Football’.
45. Andreff, ‘French Football’; Gouguet and Primault, ‘The French Exception’.
46. UEFA, ‘Decision of the Chief’.
47. UEFA, ‘Settlement Agreement: Details’.
48. Slater, ‘Michel Platini’.
49. ‘Paris Saint-Germain’.
50. UEFA, ‘CFCB Confi rms the Lifting’.
51. Andreff, “Governance of Professional Clubs”, 217.
52. Brunnermeier et al., Principles of financial regulation, 27.
53. Scelles et al., ‘Consequences of Insolvencies’.

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Appendix 1. Data used classified per club.

|                                | ACA  | AJA  | GB   | SB29 | SMC  | LBC  |
|--------------------------------|------|------|------|------|------|------|
| Cumulative losses             | −6387| −29,411| −36,718| −4486| −4839| −1598|
| Cumulative profits before     | 6960 | 4391 | 21,513| 3470 | 3042 | 958  |
| cancellations of loans        |      |      |       |      |      |      |
| Cumulative net profit (CNP)   | 573  | −25,020| −15,205| −1016| −1797| −640 |
| before cancellations of loans |      |      |       |      |      |      |
| CNP/Income                    | 0.55%| −12.5%| −2.18%| −0.68%| −0.83%| −0.76%|
| Contingency reserves          | −500 | 2223 | −1275| 326  | 525  | 541  |
| CNP + Contingency reserves    | 73   | −22,797| −16,480| −690 | −1272| −99  |
| Cumulated contributions in    | 1771 | 7550 | 14,918| 1796 | 2738 | 1598 |
| capital (CCC)                 |      |      |       |      |      |      |
| Cumulated contribution in     | 0    | 0    | 20,296| 1    | 0    | −39  |
| partner’s account (CCA)       |      |      |       |      |      |      |
| Cumulated cancellations of    | 0    | 0    | 0     | 0    | 0    | 0    |
| loans (CCL)                   |      |      |       |      |      |      |
| Cumulated shareholders’       | 1771 | 7550 | 35,214| 1797 | 2738 | 1559 |
| contributions (CSC)           |      |      |       |      |      |      |
| Amount of the contribution in  | 0    | 7550 | 15,205| 1016 | 1797 | 640  |
| capital used to cover losses  |      |      |       |      |      |      |
| (CoVl)                        |      |      |       |      |      |      |
| % contribution in capital used| 0%   | 100% | 43%   | 57%  | 66%  | 41%  |
| to cover losses (%CoVl)       |      |      |       |      |      |      |
| Shareholders’ contribution    | 1771 | 0    | 20,009| 781  | 941  | 919  |
| available for investment (SCI)|      |      |       |      |      |      |
| Net transfer investments      | −1108| −11,311| −6422| 248  | −763 | −20  |
| Net other investments         | 8078 | 3937 | 19,796| 1746 | −1052| −199 |
| Net investments (Inv)         | 6970 | −7374| 13,374| 1994 | −1815| −219 |
| % investments covered by      | 25%  | 0%   | 150%  | 39%  | −52% | −420%|
| shareholders’ contributions   |      |      |       |      |      |      |
| (%Inv)                        |      |      |       |      |      |      |
| Income including transfers    | 104,437| 200,652| 697,707| 149,402| 217,286| 83,807|
| % net investments/income      | 6.67%| 1.92%| 1.33% |      |      |      |
### Appendix 1. (Continued)

|                                | DFCO  | HAC   | RCL   | FCL   | LOSC  | ASM   |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| Cumulative losses             | −1427 | −6909 | −51,999 | −4173 | −26,778 | −210,086 |
| Cumulative profits before     | 1510  | 2131  | 13,179 | 9214  | 15,503 | 0     |
| cancellations of loans        |       |       |        |       |       |       |
| Cumulative net profit (CNP)   | 83    | −4778 | −38,820 | 5041  | −11,275 | −210,086 |
| before cancellations of loans |       |       |        |       |       |       |
| CNP/Income                    | 0.08% | −3.01% | −10.3% | 1.71% | −1.48% | −38.7% |
| Contingency reserves          | 115   | −921  | −6192  | 2519  | −5138  | −773  |
| CNP + Contingency reserves    | 198   | −5699 | −45,012 | 7560  | −16,413 | −210,859 |
| Cumulated contributions in    | 2509  | 3634  | 21,491 | −1278 | 18,168 | 1419  |
| capital (CCC)                 |       |       |        |       |       |       |
| Cumulated contribution in     | 0     | −1890 | 3509   | −54   | 10,000 | 148,614 |
| partner’s account (CCA)       |       |       |        |       |       |       |
| Cumulated cancellations of    | 0     | 0     | 0      | 0    | 0      | 210,100 |
| loans (CCL)                   |       |       |        |       |       |       |
| Cumulated shareholders’       | 2509  | 1744  | 25,000 | −1332 | 28,168 | 360,133 |
| contributions (CSC)           |       |       |        |       |       |       |
| Amount of the contribution    | 0     | 1744  | 25,000 | 0    | 11,275 | 210,086 |
| in capital used to cover      |       |       |        |       |       |       |
| losses (CovL)                 | 0%    | 100%  | 100%   | 0%   | 40%    | 58%   |
| % contribution in capital     |       |       |        |       |       |       |
| used to cover losses (%       |       |       |        |       |       |       |
| CovL)                         |       |       |        |       |       |       |
| Shareholders’ contribution    | 2509  | 0     | 0      | 0    | 16,893 | 150,047 |
| available for investment (SCI)|       |       |        |       |       |       |
| Net transfer investments      | 49    | −41   | −20,520 | 4282  | 12,259 | 127,919 |
| Net other investments         | 1563  | 1853  | −40,560 | 8148  | 36,445 | 2404  |
| Net investments (Inv)         | 1612  | 1812  | −61,080 | 12,430 | 48,704 | 130,323 |
| % investments covered by      | 156%  | 0%    | 0%     | 0%   | 35%    | 115%  |
| shareholders’ contributions   |       |       |        |       |       |       |
| (%Inv)                        |       |       |        |       |       |       |
| Income including transfers    | 101,636 | 158,641 | 376,954 | 295,566 | 760,742 | 542,679 |
| % net investments/income     | 1.59% | 1.14% | 4.21%  | 6.40% | 24.01% |       |
|                                | MHSP  | ASNL  | FCN   | OGCN  | OL    | OM    |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| Cumulative losses              | -2887 | -20,090 | -44,187 | -22,941 | -137,363 | -75,879 |
| Cumulative profits before      | 11,565 | 11,020 | 411   | 7276  | 44,033 | 23,939 |
| cancellations of loans         |       |       |       |       |       |       |
| Cumulative net profit          | 8678  | -9070 | -43,776 | -15,665 | -93,330 | -51,940 |
| (CNP) before cancellations of  |       |       |       |       |       |       |
| loans                           |       |       |       |       |       |       |
| CNP/Income                     | 2.64% | -3.06% | -19.73 | -4.62% | -7.52% | -4.69% |
| Contingency reserves           | -188  | 30    | -2027  | 828   | 2143  | -10,210 |
| CNP + Contingency reserves     | 8490  | -9040 | -45,803 | -14,837 | -91,187 | -62,150 |
| Cumulated contributions in     | 2949  | 1636  | 18,681 | 5476  | 106,503 | 8151  |
| capital (CCC)                  |       |       |       |       |       |       |
| Cumulated contribution in      | -245  | 6461  | -10,648 | 6173  | 0     | -1162 |
| partner’s account (CCA)        |       |       |       |       |       |       |
| Cumulated cancellations of     | 0     | 0     | 25,000 | 0     | 0     | 40,000 |
| loans (CCL)                    |       |       |       |       |       |       |
| Cumulated shareholders’        | 2704  | 8097  | 33,033 | 11,649 | 106,503 | 46,989 |
| contributions (CSC)            |       |       |       |       |       |       |
| Amount of the contribution in  | 0     | 8097  | 33,033 | 11,649 | 93,330 | 46,989 |
| capital used to cover losses   |       |       |       |       |       |       |
| (CovL)                         |       |       |       |       |       |       |
| % contribution in capital      | 0%    | 100%  | 100%  | 100%  | 88%   | 100%  |
| used to cover losses (% CovL)  |       |       |       |       |       |       |
| Shareholders’ contribution     | 2704  | 0     | 0     | 0     | 13,173 | 0     |
| available for investment (SCI) |       |       |       |       |       |       |
| Net transfer investments       | 3330  | -7006 | -3306 | -6518 | -22,755 | 33,757 |
| Net other investments          | 5967  | 908   | -1059 | 1339  | 88,641 | 14,925 |
| Net investments (Inv)          | 9297  | -6098 | -4365 | -5179 | 65,886 | 48,682 |
| % investments covered by       | 29%   | 0%    | 0%    | 0%    | 20%   | 0%    |
| shareholders’ contributions    |       |       |       |       |       |       |
| ( %Inv)                        |       |       |       |       |       |       |
| Income including transfers     | 328,961 | 295,946 | 221,891 | 338,961 | 1,240,551 | 1,106,573 |
| % net investments/income      | 2.83% |       |       |       | 5.31% | 4.40% |
## Appendix 1. (Continued)

| Source                                                                 | PSG          | SR           | FCSM         | ASSE         | TFC          | VAFC         |
|------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Cumulative losses                                                     | −285,058     | −15,925      | −34,559      | −6619        | −3332        | −25,314      |
| Cumulative profits before cancellations of loans                      | 0            | 0            | 11,148       | 2867         | 7599         | 3554         |
| Cumulative net profit (CNP) before cancellations of loans             | −285,058     | −15,925      | −23,411      | −3752        | 4267         | −21,760      |
| CNP/Income                                                            | −18.36%      | −3.81%       | −6.39%       | −1.00%       | 1.05%        | −8.46%       |
| Contingency reserves                                                  | 586          | 804          | 974          | −572         | 2244         | −202         |
| CNP + Contingency reserves                                            | −284,472     | −15,121      | −22,437      | −4324        | 6511         | −21,962      |
| Cumulated contributions in capital (CCC)                              | 92,448       | 18,712       | 13,004       | −1030        | −2958        | 11,819       |
| Cumulated contribution in partner’s account (CCA)                     | 45,995       | −6474        | 0            | −29          | 349          | −505         |
| Cumulated cancellations of loans (CCL)                                | 217,000      | 0            | 0            | 0            | 0            | 0            |
| Cumulated shareholders’ contributions (CSC)                           | 355,443      | 12,238       | 13,004       | −1059        | −2609        | 11,314       |
| Amount of the contribution in capital used to cover losses (CovL)      | 285,058      | 12,238       | 13,004       | 0            | 0            | 11,314       |
| % contribution in capital used to cover losses (% CovL)               | 80%          | 100%         | 100%         | 0%           | 0%           | 100%         |
| Shareholders’ contribution available for investment (SCI)             | 70,385       | 0            | 0            | 0            | 0            | 0            |
| Net transfer investments                                              | 257,747      | 115          | −9929        | 5212         | 4047         | −4124        |
| Net other investments                                                 | 37,649       | −1690        | −2544        | 7415         | −4003        | 8236         |
| Net investments (Inv)                                                 | 295,396      | −1575        | −12,473      | 12,627       | 44           | 4112         |
| % investments covered by shareholders’ contributions (%Inv)           | 24%          | 0%           | 0%           | 0%           | 0%           | 0%           |
| Income including transfers                                            | 1,552,545    | 418,399      | 366,333      | 374,627      | 406,470      | 257,212      |
| % net investments/income                                             | 19.03%       | 3.37%        | 0.01%        | 1.60%        |               |               |

Sources: DNCG reports, Club individual accounts, seasons 2005 to 2014, data shaped by the authors.