

## KSÍ CLUB LICENSING REGULATIONS - Version 2.1

### Preamble

These Club Licensing Regulations are based on articles 7.2 and 35 of the Football Association of Iceland (KSI) Statutes and on the UEFA Club Licensing and Financial Fair Play Regulations.

### PART I – GENERAL PROVISIONS

#### Art. 1 – Scope of application

- 1.1 These regulations apply whenever expressly referred to by the KSÍ statutes and competition regulations and other KSÍ regulations or by specific regulations governing club competitions to be played under the auspices of UEFA (hereinafter: UEFA club competitions).
- 1.2 The regulations define a license which must be applied for and received for a club to compete in the two highest divisions of the Icelandic Championship for men, and for a club to participate in UEFA club competitions. Two different levels of license are awarded. The higher level applies for clubs, which have earned the sporting rights to compete in the *Premier Division of the Icelandic Championship* and/or UEFA club competitions during the license season to be applied for. The lower level applies for clubs, which have earned the sporting right to compete in the *1<sup>st</sup> Division of the Icelandic Championship* during the license season to be applied for.
- 1.3 These regulations govern the rights, duties and responsibilities of all parties involved in the *KSÍ Club Licensing System (Part II)*, and define in particular:
  - a) the minimum requirements to be fulfilled by KSÍ in order to act as the licensor for its clubs, as well as the minimum procedures to be followed by the licensor in the assessment of the club licensing criteria (Chapter 1);
  - b) the licence applicant as well as the two different levels of licence for entering the *Premier Division* and UEFA club competitions on the one hand, and for entering *1<sup>st</sup> Division* on the other hand (Chapter 2);
  - c) the minimum sporting, infrastructure, personnel and administrative, legal and financial criteria to be fulfilled by a club to be granted the level of licence for entering the *Premier Division* and the UEFA club competitions; or the level of licence for entering the *1<sup>st</sup> Division* (Chapter 3).
- 1.4 In Part III, these regulations furthermore describe the rights, duties and responsibilities of all parties involved in the UEFA club monitoring process to achieve UEFA's financial fair play objectives. Part III is only descriptive and not legally binding as such, as the *UEFA Club Licensing and Financial Fair Play Regulations (version 2010)* include the legally binding text on these matters. Part III is though a translation of the relevant part in the UEFA regulations with some simplifications that apply for Icelandic teams, and describes in particular:
  - a) the role and tasks of the Club Financial Control Panel, the minimum procedures to be followed by the licensors in their assessment of the club monitoring requirements, and the responsibilities of the licensee during the UEFA club competitions (Chapter 1);
  - b) the monitoring requirements to be fulfilled by licensees in Iceland that qualify for the UEFA club competitions (Chapter 2).

#### Art. 2 – Objectives

- 2.1 The *KSÍ Club Licensing System* has the following objectives for UEFA and KSÍ:
  - a) the further promotion and continuous improvement of the standard of all aspects of football in Iceland (and in Europe), and continuing priority given to the training and care of young players in each club;
  - b) to protect the integrity and smooth running of the UEFA club competitions and of the Icelandic Championship;

- c) to allow the development of benchmarking for clubs in financial, sporting, legal, personnel, administrative and infrastructure-related criteria throughout Europe;
  - d) to ensure that a club has an adequate level of management and organisation;
  - e) to improve clubs' sporting infrastructure to provide players, spectators and media representatives with well-appointed, well-equipped and safe facilities for Icelandic surroundings;
  - g) improvement of the economic and financial capability of the clubs, increasing their transparency and credibility, and placing the necessary importance on the protection of creditors by ensuring that clubs settle their liabilities with players, social/tax authorities and other clubs punctually.
- 2.2 Furthermore, the *UEFA Club Licensing and Financial Fair Play Regulations* aim to achieve financial fair play in UEFA club competitions (defined in Part III) and in particular:
- a) to improve the economic and financial capability of the clubs, increasing their transparency and credibility;
  - b) to place the necessary importance on the protection of creditors by ensuring that clubs settle their liabilities with players, social/tax authorities and other clubs punctually;
  - c) to introduce more discipline and rationality in club football finances;
  - d) to encourage clubs to operate on the basis of their own revenues;
  - e) to encourage responsible spending for the long-term benefit of football;
  - f) to protect the long-term viability and sustainability of European club football.
- 2.3 The *KSÍ Club Licensing System* has also the following special objectives for KSÍ:
- a) To ensure that improvement in training and care for young players will always remain a priority;
  - b) To reduce the gap between the *Premier Division* and *1<sup>st</sup> Division* for men by raising the standards in the *1<sup>st</sup> Division*.

### Art. 3 – Definition of terms

3.1 For the purpose of these regulations, the following definitions apply:

<b>Term</b>	<b>Definition</b>
Agent	A natural person who, for a fee, introduces players to clubs with a view to negotiating or renegotiating an employment contract or introduces two clubs to one another with a view to concluding a transfer agreement.
Agreed-upon Procedures	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.
Audit	Formal auditing of the annual financial statements based on Icelandic legislation and in accordance with international auditing standards.
Auditor	Member of the “Institute of State Authorized Public Accountants in Iceland”, that audits a club’s/company’s annual financial statements based on Icelandic legislation and in accordance with international auditing standards.
Auditor’s review	An auditor’s review on clubs’ financial statements in accordance with ISRE 2400.
Club Licensing Criteria	Requirements to be fulfilled by the licence applicant divided into five categories (sporting, infrastructure, personnel and administrative, legal and financial).
Club monitoring Requirements	Requirements to be fulfilled by a licensee that has qualified for a UEFA club competition.
Costs of acquiring a	Payments to third parties for the acquisition of a player’s registration,

player's registration	excluding any internal development or other costs. They include: <ul style="list-style-type: none"> <li>a) Transfer fee payable for securing the registration;</li> <li>b) Transfer fee levy (if applicable); and</li> <li>c) Other direct costs of obtaining the player's registration (including training compensation and solidarity contributions).</li> </ul>
Current financial information	Information in respect of the financial performance and position of the club in the reporting period ending in the year that the UEFA club competitions commence.
Deadline for submission of the application to the licensor	The date by which KSÍ requires the licence applicants to have submitted all relevant information for their application for the relevant level of licence. The deadline for submission of the application to KSI is provided within Annex III of these regulations.
Event or condition of major economic importance	An event or condition that 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 occurred during the preceding financial year.
Future financial Information	Information in respect of the financial performance and position of the club in the reporting periods ending in the years following commencement of the UEFA club competitions.
Group	A parent and all its subsidiaries. A parent is an entity that has one or more subsidiaries. A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent).
Historic financial information	Information in respect of the financial performance and position of the club in the reporting periods ending in the years prior to commencement of the UEFA club competitions.
International Financial Reporting Standards (IFRS)	Standards and Interpretations adopted by the International Accounting Standards Board (IASB). They comprise: International Financial Reporting Standards; International Accounting Standards; and Interpretations originated by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).
International Standards on - Auditing (ISA) - Review Engagements (ISRE) - Related services (ISRS)	The International Auditing and Assurance Standards Board (IAASB) issues International Standards on: - Auditing (ISA) which are to be applied in audits of historical financial information. - Review Engagements (ISRE) which are to be applied in reviews of historical financial information. - Related Services (ISRS) which are to be applied to compilation engagements and engagements to apply agreed-upon procedures to information.
Licence	Certificate granted by KSI confirming fulfilment of all minimum criteria by the licence applicant, which enables it to participate in the <i>Premier Division</i> , respectively in the <i>1<sup>st</sup> Division</i> of the Icelandic Championship. The level of licence to participate in the <i>Premier Division</i> of the Icelandic Championship is part of the admission procedure for entering the UEFA club competitions.
Licence applicant	Legal entity fully and solely responsible for the football team participating in national and international club competitions which applies for a specific licence.
Licensee	Licence applicant which has been granted with a licence by KSÍ.
Licence season	The season in Iceland for which the licence applicant has applied for/been granted the licence, and the same UEFA season. It starts the day

following the deadline for submission of the list of licensing decisions by KSI to UEFA (April 30) and lasts until the same deadline the following year.

Licensor	Body that operates the club licensing system and grants the licences. In Iceland, the licensor is KSI.
List of licensing decisions	List submitted by KSÍ to UEFA containing, among other things, information about the licence applicants that have undergone the licensing process and been granted a specific licence by the KSÍ licensing bodies in the format established and communicated by UEFA.
Materiality	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 information submitted by the licence applicant. 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 a combination of both, could be the determining factor.
Minimum criteria	Criteria to be fulfilled by licence applicants in order to be granted a licence.
Premier Division	In these regulations the wording “Premier Division” is used for the highest division in the Icelandic Championship for men, which is referred to as 0. division in the KSÍ statutes, and is to carry a name decided by the KSÍ Board on a yearly basis.
Reporting entity/entities	The registered member and/or company or group which, according to these regulations, must provide the licensor with information for club licensing purposes.
Reporting period	A financial reporting period ending on a statutory closing date. For KSI Club Licensing System, the reporting period starts on January 1 <sup>st</sup> and ends on December 31 <sup>st</sup> .
Significant change	An event that is considered material to the documentation previously submitted to the licensor and that would require a different presentation if it occurred prior to the submission of the licensing documentation.
Stadium	The venue for a competition match including, but not limited to, all surrounding properties and facilities (for example offices, hospitality areas, press centre and accreditation centre).
Statutory closing date	The annual accounting reference date of a reporting entity (December 31 <sup>st</sup> according to the KSÍ Club Licensing Regulations).
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.
Training facilities	The venue(s) at which a club’s registered players undertake football training and/or youth development activities on a regular basis.

3.2 In these regulations, the use of the masculine form refers equally to the feminine.

## **PART II – KSÍ CLUB LICENSING SYSTEM**

### **Art. 4 – Exception policy**

- 4.1 The UEFA administration may grant an exception to the provisions set out in these regulations within the limits set out in Annex I.

## **Chapter 1 – Licensor**

### **Art. 5 - Responsibilities**

- 5.1 The licensor is KSÍ, which is a member of UEFA and governs the *KSÍ Club Licensing System*.
- 5.2 KSÍ ensures that all applicable provisions defined in the *UEFA Club Licensing and Financial Fair Play Regulations* are integrated into these regulations. The *KSÍ Club Licensing Regulations* must then be translated into English and submitted to the UEFA Administration for review according to procedures defined in Annex II.
- 5.2 In particular the licensor:
- a) has established an appropriate licensing administration as defined in Article 6;
  - b) has established two decision-making bodies as defined in Article 7;
  - c) has set up a catalogue of sanctions as defined in Article 8;
  - d) defines the core process as defined in Article 9;
  - e) assesses the documentation submitted by the clubs, considers whether this is appropriate and determines whether each criterion has been met and what further information, if any, is needed as defined in Article 10;
  - f) ensures equal treatment between all clubs applying for a specific licence, in accordance with the KSÍ Statutes, and guarantees the clubs full confidentiality with regard to all information provided during the licensing process as defined in Article 11;
  - g) determines whether the licences can be granted.

### **Art. 6 – The licensing administration**

- 6.1 The tasks of the licensing administration include:
- a) preparation, implementation and further development of the *KSI Club Licensing System*;
  - b) providing administrative support to the two decision-making bodies;
  - c) assisting, advising and monitoring the licensees during the season;
  - d) informing UEFA of any event occurring after the licensing decision that constitutes a significant change to the information previously submitted to the licensor;
  - e) serving as the contact point for and sharing expertise with the licensing departments of other UEFA member associations and with UEFA itself.
- 6.2 KSÍ licensing administration includes at least one staff member, the Licensing Manager, who is responsible for the running of the *KSÍ Club Licensing System*. As deemed necessary, the license manager must in addition have access to the services of an external financial adviser with a financial background and a diploma in auditing recognised with a membership in the “Institute of State Authorized Public Accountants in Iceland“. Furthermore the licensing manager must, as deemed necessary, have access to the services of a competent person in infrastructure criteria, the technical director of KSI with regards to sporting criteria, and administrative criteria, and a lawyer with regards to legal criteria.

### **Art. 7 – Decision making bodies**

- 7.1 The decision-making bodies are the First Instance Licensing Body (FILB) and the Appeals Licensing Body (ALB) and must be independent of each other.

- 7.2 The First Instance Licensing Body decides on whether the relevant level of licence should be granted to an applicant on the basis of the documents provided by the submission deadline set by KSÍ, and on whether a licence should be withdrawn.
- 7.3 The Appeals Licensing Body decides on appeals submitted in writing and makes a final and binding decision on whether the level of licence should be granted.
- 7.4 Appeals may only be lodged by:
- a) the licence applicant, who received a refusal from the First Instance Licensing Body;
  - b) the licensee, whose licence has been withdrawn by the First Instance Licensing Body; or
  - c) the KSÍ Licensing Manager, acting on behalf of the licensor
- 7.5 The Appeals Licensing Body makes its decision based on the decision of the FILB and all the admissible evidence provided by the appellant with its written request for appeal and within the deadline determined in the appeal procedure.
- 7.6 The Football Congress appoints 5 members to the First Instance Licensing Body, and 5 members to the Appeals Licensing Body, more precisely a chairman, vice-chairman and three other members for a term of two years. The Football Congress shall also appoint three reserve members for the Appeals Licensing Body, who may be called into the body if principal members are absent or recused because of a conflict of interest.
- 7.7 Members of the decision-making bodies must:
- a) act impartially in the discharge of their duties;
  - b) abstain if there is any doubt as to their independence from the licence applicant or if there is a conflict of interest; for example, their independence is not assured if they or someone close to them (spouse, children, parent or sibling) are a member, an important sponsor, a consultant, business partner or shareholder in the football club applying for a specific licence. This list is illustrative, not exhaustive.
  - c) not act simultaneously as the KSÍ Licensing Manager;
  - d) not belong simultaneously to the administrative staff of KSÍ in case of the Appeals Licensing Body;
  - e) not belong simultaneously to the *KSÍ Disciplinary and Ruling Committee, nor the KSÍ Appeals Court*, nor any other judicial statutory body of KSI;
  - f) not belong simultaneously to any KSÍ statutory decision-making body or committee in case of the Appeals Licensing Body.
- 7.8 The decision-making bodies must have at least one qualified lawyer and an auditor recognised by the *Institute of State Authorized Public Accountants in Iceland* among their members.
- 7.9 The First Instance Licensing Body consists of five members, and a majority of three is necessary to make decisions. The Appeals Licensing Body consists of five members, and the competent decision-making majority is four. The chairman of each body has the casting vote, if votes are even.
- 7.10 The decision-making bodies must operate according to the procedural rules and time limits defined in the KSÍ Core Process (Article 9 and Annex III).

## **Art. 8 – Catalogue of sanctions**

- 8.1 To guarantee an appropriate assessment process, KSI has set up a catalogue of sanctions as defined in articles 40.1 and 40.3 of KSI Statutes for the non-respect of the criteria referred to in articles 16.2 and 16.3. It falls to KSI Disciplinary and Ruling Committee to fix the sanctions against the licence applicants/licensees. Its verdict can be appealed to KSI Appeal Court.
- 8.2 To guarantee an appropriate assessment process, KSI refers to *KSÍ Disciplinary and Ruling Regulations* in respect of all violations of these regulations, except for those mentioned in Par. 1 of this provision”.

## **Art. 9 – The core process**

- 9.1 KSÍ defines the core process for the verification of the club licensing criteria and thus controls the issuance of the relevant level of licence to the licence applicant.

- 9.2 The core process starts with the distribution by the KSI Licensing Manager of a prepared pack of documents to the licence applicants by November 15<sup>th</sup> at the latest and ends on submission of the list of licensing decisions by KSÍ to the UEFA administration within the deadline communicated by the latter (April 30 in principle).
- 9.3 The KSÍ core process is defined in Annex III. That process shall be adhered to.

#### **Art. 10 – Assessment procedures**

- 10.1 The assessment methods are defined by the licensor, except those used to verify compliance with the financial criteria for which specific assessment processes must be followed as set out in Annex VIII.

#### **Art. 11 – Equal treatment and confidentiality**

- 11.1 The licensor ensures equal treatment between all licence applicants during the core process.
- 11.2 The licensor guarantees the licence applicants full confidentiality regarding all information submitted during the licensing process. Anyone involved in the licensing process, or appointed by KSÍ to undertake such work, must sign a confidentiality clause before assuming his tasks.

### **Chapter 2 – Licence Applicant and Licences**

#### **Art. 12 – Definition of licence applicant**

- 12.1 A licence applicant may only be a football club, i.e. a legal entity that is fully responsible for the football team participating in the *Premier Division* or *1<sup>st</sup> Division* of the Icelandic Championship for men and in the UEFA club competitions which is either:
- a registered member of KSÍ, i.e. a member of ÍSÍ (The Olympic and Sports Federation of Iceland) or a football section of such a club; or
  - an operating association / limited liability company with an accredited contractual agreement with a registered member (football company).
- The licence applicant shall have the right to use the club's name and logo, but cannot change the club's name for the purpose of advertising or promotion.
- 12.2 The membership of KSÍ and the contractual agreement must have lasted – at the start of the licence season – for at least three consecutive years. Any alteration to the club's legal form or company structure (including, for example, changing its headquarters, name or club colours, or transferring stakeholdings between different clubs) during this period in order to facilitate its qualification on sporting merit and/or its receipt of a licence to the detriment of the integrity of a competition is deemed as an interruption of membership or contractual agreement within the meaning of this provision.
- 12.3 A club, which was relegated from the *Premier Division* in the last season, shall fulfil the criteria given for participation in the *Premier Division* and then have the status of a reserve club if a licence applicant in the *Premier Division* is not issued the relevant level of licence. A club can formally reject this and if so it must be done in writing. Then this right shall be passed on to the club, which was in third place in the *1<sup>st</sup> Division* at the end of last season, etc.

#### **Art. 13 – General responsibilities of the licence applicant**

- 13.1 The licence applicant must provide the licensor with:
- all necessary information and/or relevant documents to fully demonstrate that the licensing obligations are fulfilled; and
  - any other document relevant for decision-making by the licensor.

- 13.2 This includes information on the reporting entity/entities in respect of which sporting, infrastructure, personnel and administrative, legal and financial information is required to be provided.
- 13.3 Any event occurring after the submission of the licensing documentation to the licensor representing a significant change to the information previously submitted must be promptly notified to the licensor.

#### **Art. 14 – Licences**

- 14.1 The clubs that have won the right to participate in the *Premier Division* of the Icelandic Championship for men, and/or that have qualified for a UEFA club competition based on their sporting results or through the UEFA fair play rankings must obtain the higher level of licence to participate in the *Premier Division* of the Icelandic Championship, issued by KSÍ according to these regulations, except where Article 15 applies. Clubs that have won the right to participate in the *1<sup>st</sup> Division* of the Icelandic Championship for men must obtain the lower level of licence to participate in the *1<sup>st</sup> Division*, issued by KSÍ according to these regulations.
- 14.2 A club that is promoted for the first time to the *1<sup>st</sup> division* after the licensing system has been implemented is given a one year adjustment period to the licensing system. If 5 years or more have passed since the club played in the *1<sup>st</sup> division*, it can also apply in writing for a similar adjustment period.
- 14.3 A licence (both levels) issued by KSI expires without prior notice at the end of the season for which it was issued.
- 14.4 A licence (both levels) issued by KSI cannot be transferred.
- 14.5 A licence (both levels) issued by KSI may be withdrawn by the KSÍ licensing decision-making bodies if:
- a) for any reason a licensee becomes insolvent and enters into liquidation, as determined by applicable Icelandic law (where a licensee becomes insolvent but enters administration during the season, for so long as the purpose of the administration is to rescue the club and its business, the licence should not be withdrawn);
  - b) any of the conditions for the issuing of the licence are no longer satisfied; or
  - c) the licensee violates any of its obligations under the *KSÍ Club Licensing Regulations*.
- 14.6 As soon as a withdrawal of the higher level of licence to participate in the *Premier Division* of the Icelandic Championship for men and in the UEFA club competitions is envisaged, KSÍ must inform the UEFA administration accordingly.

#### **Art. 15 – Special permission to enter the UEFA club competitions**

- 15.1 If a club qualifies for a UEFA club competition based on its sporting results, but has not undergone any licensing process at all or has not undergone the KSÍ licensing process for the *Premier Division* for men because it does not play in the *Premier Division*, or if it has only met the requirements made for the licence to participate in the *1<sup>st</sup> Division* of the Icelandic Championship, KSÍ may - on behalf of the club – request the extraordinary application of the Club Licensing System in accordance with Annex IV.
- 15.2 Based on such an extraordinary application, UEFA may grant special permission to enter the corresponding UEFA club competition. Such permission only applies to that specific applicant and for the season in question.

### **Chapter 3 – Club Licensing Criteria**

#### **Art. 16 – General**

- 16.1 The criteria defined in this chapter must be fulfilled by clubs in order for them to be granted a licence (higher level) for entering the *Premier Division* of the Icelandic Championship for men and UEFA club competitions, on one hand, and a license (lower level) for entering *1<sup>st</sup> Division*

of the Icelandic Championship for men on the other hand, except criteria defined in Par. 2 and 3 below.

- 16.2 The non-fulfilment of the criteria defined in Articles 22, 23, 26, 35, 39, 41, 42 and 43 does not lead to the refusal of a higher level of licence for entering *Premier Division* of the Icelandic Championship for men and UEFA club competitions, but to a sanction defined by the licensor according to Article 8.
- 16.3 The non-fulfilment of the criteria defined in Articles 22, 23, 26, 32, 38, 39, 41, 42 and 43, does not lead to the refusal of a lower level of licence for entering *1<sup>st</sup> Division* of the Icelandic Championship for men, but to a sanction defined by the licensor according to Article 8. Criteria defined in Articles 19, 21, 30, 33, 35, 37 and 52 do not apply to the *1<sup>st</sup> Division*.

## SPORTING CRITERIA

### Art. 17 – Youth development programme

- 17.1 The licence applicant must have in writing a development programme for youth, aged 9 and up, approved by KSÍ.
- 17.2 This education programme must include at least the following:
- Objectives and youth development philosophy;
  - Organisation of youth sector (organisational chart, bodies involved, relation to licence applicant, youth teams, etc.);
  - Personnel (technical, medical, administrative and other staff) and required minimum qualifications;
  - Infrastructure available for the youth sector (training and match facilities, other);
  - Financial resources for the youth sector (available budget, contribution by licence applicant, players or local community, etc.);
  - Football education programme for the different age groups that covers playing skills, technical, tactical and physical;
  - Education programme on the “Laws of the Game”;
  - Education programme on anti-doping;
  - Medical support for youth players as needed (including medical checks);
  - Review of the programme in terms of the results according to the set objectives;
  - Validity of the programme (at least 3 years but maximum 7 years).
- 17.3 The youth development programme must further show the commitment and support for mandatory and complementary school education of youth players:
- The licence applicant ensures that every youth player involved in its youth development programme has the possibility to follow the mandatory school education according to Icelandic law.
  - The licence applicant ensures that every youth player involved in its youth development programme is not prevented from continuing his non-football education (complementary school education or profession).

### Art. 18 – Youth teams

- 18.1 The following youth teams must be within the club’s legal entity or affiliated to its legal entity:
- At least two (only one for *1<sup>st</sup> Division*) youth teams within the age range of 15 to 19 (age categories 2 and 3);
  - At least two youth teams within the age range of 11 to 14 (age categories 4 and 5); and
  - At least one youth team for the age 10 and below (age category 6).
- Affiliation to the club is present if the club gives financial and technical support to its affiliated teams and they are located in the same city/town or rural district as the club.
- 18.2 The teams in age categories 2, 3, 4 and 5 must all participate in youth competitions, which are under the auspices or are recognised by KSÍ. Each youth player must be registered with KSÍ. It is assumed that teams in age category 6 take part in mini-football tournaments as far as circumstances allow.

**Art. 19 – Medical care of players**

- 19.1 The licence applicant in the *Premier Division* must ensure that all its players eligible to play for its first team squad undergo a yearly general medical examination. Confirmation from a medical doctor that a general medical examination has been carried out shall be provided by the licence applicant with the licence application documents.
- 19.2 The licence applicant in the *Premier Division*, which has sportingly qualified for a UEFA club competition, must establish and apply a policy to ensure that all players eligible to play for its first squad undergo a yearly medical examination in accordance with the relevant provisions of the UEFA club competition regulations.

**Art. 20 – Registration of players**

- 20.1 All licence applicant's players, including youth players from the calendar year when they turn 9, must be registered as players with KSÍ in accordance with the relevant provisions of the *KSÍ Regulations on Transfer of Players, Player Contracts, and Status of Players and Clubs* and the *FIFA Regulations on the Status and Transfer of Players*.

**Art. 21 – Written contract with players**

- 21.1 All players of the licence applicant in the *Premier Division for men* must have a written contract with the licence applicant in accordance with the relevant provisions of the *KSÍ Regulations on Transfer of Players, Player Contracts, and Status of Players and Clubs* and the *FIFA Regulations on the Status and Transfer of Players*, and Article 23.4 in the *KSI competition regulations*.

**Art. 22 – Refereeing matters and Laws of the Game**

- 22.1 The licence applicant must prove that at least the captain, the head coach of the first team squad and the head of the youth development programme have attended a session or an event for refereeing matters and Laws of the Game provided by KSÍ during the year prior to the licence season.

**Art. 23 – Racial equality practice**

- 23.1 Each licence applicant must establish and apply a policy to tackle racism in football and every kind of prejudice or discrimination. It must be in line with UEFA's 10-point plan on racism as defined in the *UEFA Safety and Security Regulations*. The policy shall be publicly displayed on the licence applicant's website (and/or by other appropriate means).

**INFRASTRUCTURE CRITERIA****Art. 24 – Stadium for the Icelandic Championship for men and UEFA club competition**

- 24.1 Based on the level of license, the licence applicant must have a stadium available for the Icelandic Championship for men and for UEFA club competitions, which fulfils all minimum criteria according to the *KSÍ Regulations on Football stadia* and to the *UEFA Stadium Infrastructure Regulations*. Furthermore, it must be based within the territory of KSÍ, and be approved by KSÍ.
- 24.2 If the licence applicant is not the owner of the stadium, it must provide a written contract with the owner of the stadium, which it intends to use.

- 24.3 It must be guaranteed that the stadium (stadia) can be used for the applicant's home matches in the appropriate division and in UEFA club competitions during the licence season.
- 24.4 The stadium that a club uses for competition (its own or a rented/borrowed stadium) must fulfil the criteria set in the *KSÍ Regulations on Football Stadia*. For use in the *Premier Division* and in European Club competitions, the stadium must fulfil the criteria according to KSÍ category B (UEFA category 2). For use in the *1<sup>st</sup> Division* it must fulfil the criteria according to KSÍ category C.
- 24.5 If the licence applicant's stadium does not fulfil the requirements for the UEFA club competitions (e.g. if temporary exemptions from the criterion on spectator capacity result in the club's own stadium not being satisfactory for such games, or if greater attendance is expected than the seating capacity of the club's own stadium allows, and therefore a large stadium preferred, etc.), then the club must have access to another stadium for UEFA matches. The contract with the owner must guarantee that the stadium can be used for home matches in the UEFA club competition, for which the licence applicant has qualified in sporting terms for the licence season. The stadium must fulfil all criteria defined in the *KSÍ Regulations on Football Stadia* according to KSÍ category B (UEFA category 2). For evening games, when daylight is insufficient, the stadium must be equipped with floodlight installations complying with the standard values set by UEFA.
- 24.6 KSÍ will guarantee that Laugardalsvöllur Stadium fulfils all requirements and criteria for KSÍ stadium category A (UEFA category 3). KSÍ offers the use of it to all clubs finding themselves in the situation of needing another stadium for UEFA club competitions games, and as such it will serve as a permanent reserve stadium in the UEFA club competitions.

#### **Art. 25 – Training facilities - availability for club**

- 25.1 The licence applicant must have training facilities available throughout the year.
- 25.2 If the licence applicant is not the owner of the training facilities, it must provide a written contract with the owner(s) of the training facilities.
- 25.3 It must be guaranteed that the training facilities can be used by all the club's teams during the licence season, taking into account its youth development programme.

#### **Art. 26 – Training facilities – satisfactory for all teams**

- 26.1 The licence applicant must have adequate training infrastructure approved by KSÍ, taking into account the requirements of the approved youth development programme (Article 17). This must ensure satisfactory training facilities for all the teams through the whole year, and the facilities shall be described in the licence application (buildings/fields and number of training sessions).
- 26.2 The following must be seen as minimum requirements, guaranteed for each age category, from which exceptions are though possible in very special cases with the agreement of KSÍ:
- in wintertime at least 2 training sessions per week indoors in a sports hall measuring at least 15 × 30 square metres and floor with linoleum, parquet, football turf or other approved material.
  - in summertime at least 3 training sessions per week outdoors on a field, which measures not less than half a field of play, with grass or football turf (if conditions allow), or else on a good gravel field.
  - Dressing room facilities must suffice for those training with the club in the respective age category, but dressing rooms shall, generally, not be less than 20 square metres, and with at least 5 showers.
  - A requirement is made of minimum first-aid equipment, such as a cabinet for medicine, stretchers, blankets, pillows and common first-aid material.
  - A medical room must be available inside the training facilities.

## **PERSONNEL AND ADMINISTRATIVE CRITERIA**

### **Art. 27 – Club secretariat**

- 27.1 The licence applicant in the *Premier Division* must have an office, at least 10 square metres, for the general manager/employee and others, such as the administration, coaches, players and other administrative staff. The office must be equipped with the necessary technical infrastructure to communicate with KSÍ, the public and others. Necessary equipment includes a telephone, cell phone, telefax, e-mail address, web page, etc. The office shall normally be open at least 4 hours a day in the summer and 2 hours a day in the winter, so that the service is sufficient. The licence applicant in the *Premier Division* must have appointed an adequate number of skilled secretarial staff according to its needs to run its daily business.
- 27.2 The licence applicant in the *1<sup>st</sup> Division* must have an office for the general manager / employee and others, such as the administration, coaches, players and other administrative staff. The office must be equipped with the necessary technical infrastructure to communicate with KSÍ, the public and others. Necessary equipment includes a telephone, cell phone, telefax, e-mail address, web page, etc. The office shall normally be open at least 2 hours a day in the summer and at least 4 hours a week in the winter.

### **Art. 28 – General manager / Employee**

- 28.1 The licence applicant for the *Premier Division* must have a general manager / employee working full-time throughout the year that is employed by the club's board of directors. He must be responsible for running the club's daily business. The rights and duties of the general manager shall be described in an agreement on job conditions, including the mandate necessary for him to represent the club.
- 28.2 The licence applicant in the *1<sup>st</sup> Division* must have an employee that is employed by the club's board of directors. He must be responsible for running the daily business of the club. The rights and duties of the employee shall be described in an agreement of job conditions, including the mandate necessary for him to represent the club. The employee does not have to be employed full-time. It is recommended that he is at least employed part-time, but it is also possible for a volunteer to do the job.

### **Art. 29 – Finance officer**

- 29.1 The licence applicant must have appointed a finance officer / treasurer who is responsible for the club's finances (book-keeping, preparation of documents for the financial criteria, etc.).
- 29.2 The finance officer must have a financial background and know-how, and must hold one of the following qualifications:
- a) diploma of certified public accountant;
  - b) diploma of qualified auditor;
  - c) “recognition of competence” issued by KSI based on practical experience in financial matters of at least three years.
- 29.3 The finance officer can be either:
- a) A member of the club administration, or
  - b) An external person/partner/company, who is appointed by the club through a written contract for the defined tasks.

### **Art. 30 – Media officer**

- 30.1 The licence applicant in the *Premier Division* must have appointed a media officer who is responsible for media matters. He must be available for the media at all the club's home matches. This does not have to be a paid position and the incumbent is not necessarily a public spokesperson for the club.

- 30.2 It is required that the media officer fulfils at least one of the following conditions regarding education or media experience:
- Has a diploma in media studies (e.g. diploma in journalism);
  - Has attended and successfully concluded a course in media services with KSÍ or a party recommended by KSÍ;
  - Has a “recognition of competence” approved by KSÍ, based on at least one year practical experience in such matters.
- 30.3 His tasks could be the following (examples):
- Distribute information about both teams before, during and after matches (team sheets, results, goal scorers, etc.).
  - Organise interviews with players and coaches after the match.
  - Organise regular press conferences before and during the season.
  - Organise simultaneous translation for press conferences for international matches.
  - Provide regular media releases about the club to the local media.

### **Art. 31 – Medical doctor**

- 31.1 The licence applicant must retain the services of at least one doctor who is responsible for the medical support and advice during matches and training, as well as for the use of medication and outlining of the club’s doping prevention policy.
- 31.2 The doctor must be recognised and certified by the Directorate of Health.
- 31.3 The doctor must be duly registered with KSI.

### **Art. 32 – Physiotherapist**

- 32.1 The licence applicant must retain the services of at least one physiotherapist who is responsible for medical treatment and massages for the first team squad during training and the club’s matches.
- 32.2 The physiotherapist must be recognised and certified by the Directorate of Health.
- 32.3 The physiotherapist must be duly registered with KSI.

### **Art. 33 – Security officer**

- 33.1 The licence applicant in *the Premier Division* must have appointed a security officer that is responsible for the security and surveillance matters in the club’s home matches. This does not have to be a paid position.
- 33.2 The security officer must hold as a minimum one of the following qualifications:
- Has a diploma as a policeman or a general surveillant in accordance with Icelandic law;
  - Has attended and successfully concluded a course on security and surveillance matters with KSÍ or a State-recognised organisation;
  - Has “recognition of qualifications” approved by KSÍ, based on participation in a course on security and surveillance given by KSÍ and at least one year practical experience in security and surveillance matters.
- 33.3 The security officer's tasks could be the following (examples):
- Draw up the basic security principles.
  - Maintain close contact with club supporters and familiarise himself with their customs and preferences.
  - Co-operate with the local police and other authorities in security/safety and surveillance matters.
  - Compile a list of all known troublemakers.
  - Liaise with fellow security officers of other clubs, supporters' clubs, police authorities, etc. in connection with matches played at home and abroad.
  - Be responsible for the evacuation plan and the safety and security strategy of the club in collaboration with the local authorities.

- Be responsible for organisation of emergency medical assistance and hospitals including regular testing of the organisation, with an independent review and report.
- Development of Crisis Management Plans.
- Regular independent testing and review of all security standards.
- Responsibility for the appointment and training of stewards.

#### **Art. 34 – Stewards**

- 34.1 The licence applicant must have appointed a sufficient number of qualified stewards or security personnel to ensure safety and security when home matches take place. KSÍ and the local police authorities, in collaboration with the club's security officer, fix the number of stewards and the necessary qualifications.
- 34.2 Stewards' tasks and duties include the following:
- Conduct pre-event safety checks on behalf of the security officer.
  - Notify the security officer of any apparent visible defects or conditions that may affect the safety of the stadium.
  - Control and direct spectators who are entering or leaving the ground so that an even flow of people into and out of the stadium is assured safely.
  - Staff employee entrances, exits, grounds and other areas as required for the control of spectator entry and exit.
  - Monitor for and respond to crowd conditions including stress, and surges, so as to ensure the safe dispersal of spectators and prevent overcrowding.
  - Assist the emergency services as required.
  - Provide basic emergency first aid until a qualified paramedic/doctor is available.
  - Respond to an incident, investigative request or emergency, raise the alarm and take the necessary immediate action as ordered by the security officer.
  - Perform specific duties in an emergency or as directed by the security officer or appropriate emergency service.

#### **Art. 35 – Supporter liaison officer**

- 35.1 The licence applicant must have appointed a liaison officer to act as the key contact point for supporters.
- 35.2 The supporter liaison officer must regularly attend meetings with the club's management and must collaborate with the security officer on safety and security-related matters.

#### **Art. 36 - Head coach of first team squad**

- 36.1 The licence applicant must have appointed a Head coach being responsible for football matters of the first team squad. He carries the professional responsibility of the work and results of the team.
- 36.2 He must hold at least one of the following minimum coaching qualifications:
- a) KSÍ A (UEFA A) coaching diploma; or
  - b) Valid non-KSÍ coaching diploma which is equivalent to the one required under a) above and recognised by UEFA as such.

#### **Art. 37 - Assistant coach of first team squad**

- 37.1 The licence applicant in *the Premier Division for men* must have appointed an assistant coach of the first team squad who assists the head coach in the football management of the club's first team.
- 37.2 He must hold at least one of the following minimum coaching qualifications:
- a) KSÍ B (UEFA B) coaching diploma

- b) Valid non-KSÍ coaching diploma which is equivalent to the one required under a) above and recognised by UEFA as such.

#### **Art. 38 – Head of youth development programme**

- 38.1 The licence applicant must have appointed a head of the youth development programme that is responsible for the football training of the club's youth teams, including running the daily business and the technical aspects of the youth sector.
- 38.2 He must hold at least one of the following coaching qualifications:
  - a) Have at least KSÍ A (UEFA A) coaching diploma; or
  - b) Valid non-KSÍ coaching diploma which is equivalent to the one required under a) above and recognised by UEFA as such.

#### **Art. 39 – Youth coaches**

- 39.1 The licence applicant must at least have one coach per age category aged over 12 at the club, i.e. age categories 2, 3 and 4, who holds the KSÍ B (UEFA B) coaching diploma and is responsible for its age category and its football education. The coach of age category 2 must in addition have completed KSÍ level V. Other coaches that are involved in the training of these age categories must at least have completed KSÍ level II.
- 39.2 The club must also have at least one coach per age category aged 12 and under, i.e. age categories 5 and 6. The coaches in age categories 5 and 6 must at least have completed KSÍ level II. Other coaches that are involved in the training of these age categories must at least have completed KSÍ level I.
- 39.3 Generally, it is not acceptable that one coach can be responsible for more than two age categories.

#### **Art. 40 – Common provisions applicable to Articles 36, 37 and 38**

- 40.1 A holder of the required KSÍ (UEFA) coaching diploma within the meaning of Articles 36-38 is considered a coach who, in accordance with the UEFA implementation provisions of the *UEFA Coaching Convention*, has:
  - a) been issued a UEFA coaching diploma by a UEFA member association; or
  - b) has completed at least half of the courses that belong to the relevant coaching diploma and is to attend necessary additional courses with KSÍ to be able to complete it as soon as possible, considering the availability of KSÍ courses.
- 40.2 All qualified coaches and the Head of the youth development programme must be duly registered with KSI.

#### **Art. 41 – Rights and duties**

- 41.1 The rights and duties of the personnel defined in Articles 28-39 must be defined in writing.

#### **Art. 42 – Duty of replacement during the season**

- 42.1 If a function defined in Articles 28-39 becomes vacant during the licence season, then the licensee must ensure that, within a period of a maximum of 60 days, the function is taken over by a person who holds the necessary qualification.
- 42.2 If a function defined in Articles 28-39 becomes vacant during the licence season due to illness or accident, the licensor may grant an extension to the 60-day period only if reasonably satisfied that the person concerned is still medically unfit to resume his duties.
- 42.3 The licensee must promptly notify KSÍ of any such replacement, and not later than a week after.

**Art. 43 – Web page and its development**

- 43.1 The licence applicant must be professional and modern in its administration. Therefore, it must operate a web page where the most important information on the club and its operations is available, and necessary service with members and other supporters of the club. The web site must be accessible to everybody that needs this service. Furthermore, there must be a person under its auspices, who is responsible for the development and running of the web page.

**LEGAL CRITERIA****Art. 44 – Declaration in respect of the participation in UEFA club competitions**

- 44.1 The licence applicant must submit a legally valid declaration confirming the following:
- a) It recognises as legally binding the statutes, rules, regulations, directives and decisions of FIFA, UEFA and KSÍ, and furthermore recognises the authority of the Court of Arbitration for Sport in Lausanne (CAS), as specified in relevant articles of the *UEFA Statutes*;
  - b) At Icelandic level it will play in competitions that are endorsed or recognised by KSÍ;
  - c) At international level it will participate in competitions recognised by UEFA or FIFA. To avoid any doubt, this provision does not relate to friendly matches;
  - d) It will promptly inform the licensor about any significant change, event or condition of major economic importance;
  - e) It will abide by and observe the *KSÍ Club Licensing Regulations*;
  - f) It will abide by and observe the *UEFA Club Licensing and Financial Fair Play Regulations*;
  - g) All documents submitted to KSÍ are complete and correct;
  - h) It authorises the competent KSI licensing administration and club licensing decision-making bodies, the UEFA administration, the *Club Financial Control Panel* and the UEFA Organs for the Administration of Justice to examine any relevant documents and seek all information from any relevant public authority or private body according to Icelandic law;
  - i) It acknowledges that UEFA reserves the right to execute compliance audits in Iceland according to Article 66 of these regulations.
- 44.2 This declaration must be executed by an authorised signatory no more than three months prior to the deadline for its submission to the licensor.

**Art. 45 – Minimum legal information**

- 45.1 The licence applicant must provide the licensor with a copy of its current valid statutes. The statutes are also to be published on the licence applicant's website.
- 45.2 The licence applicant must further submit an extract from a public register or an extract from KSÍ/ÍSÍ's club register containing the following information on the club:
- a) Name;
  - b) Address of headquarters;
  - c) Legal form;
  - d) List of authorised signatories (full name and home address); and
  - e) Type of signature required for legal validation (individual, collective, etc.).

**Art. 46 – Written contract with a football company**

- 46.1 If the licence applicant is a football company, as defined in Par. 12.1b, with which the club / football section has made an agreement in writing regarding the running of the first team, this written agreement regarding the running of the first team must be provided to the licensor.
- 46.2 The following minimum content must be included in the abovementioned agreement:
- a) The football company must comply with the applicable statutes, rules, regulations, directives and decisions of FIFA, UEFA and KSÍ, as accepted from time to time.

- b) The football company must not further assign its right to participate in competitions on national or international levels to a third party.
  - c) The right of the football company to participate in such competitions ceases to apply if the assigning club's membership of KSÍ/ÍSI ceases.
  - d) Confirmation (e.g. share register) of the fact that the registered member of KSÍ has the majority of the voting rights of the football company, according to the KSÍ statutes. Moreover, the football company may not be owned directly or indirectly by anyone who also has a decisive influence over another registered member or company entitled to participate in the same division.
  - e) If the football company is put into bankruptcy or enters into liquidation, the right to apply for the relevant level of licence to enter a national and/or international competition reverts to the registered member of KSÍ. Should the licence already have been granted to the football company, then it cannot be transferred from the football company to the registered member of KSI; only the right to apply for the relevant level of licence the following season reverts to the registered member of KSI.
  - f) KSÍ reserves the right to approve the name under which the football company participates in the national competitions.
  - g) The football company must, on request of the competent national or international arbitration tribunal or CAS, provide documents, information and views, as well as necessary documents on matters regarding the football company's participation in the national and/or international competition.
- 46.3 The written agreement between the parties (football company and registered member of KSI/ISI) and any amendment to it must be approved by the KSÍ Executive Board, or a body selected by the KSÍ Board, to become valid. The written agreement is also governed by article 43 of KSI Statutes.

## FINANCIAL CRITERIA

### Art. 47 – Reporting entity and reporting perimeter

- 47.1 The licence applicant must provide the licensor with the overall legal group structure, presented in a chart, duly approved by the management. This chart must include information on any subsidiary (if existing), any associated entity and any controlling entity up to the ultimate parent company and ultimate controlling party. Any associated company or subsidiary of such parent must also be disclosed.
- 47.2 The legal group structure must clearly identify the entity which is the member of KSI and also mention the following for any subsidiary of the licence applicant:
- a) name of legal entity;
  - b) type of legal entity;
  - c) information on main activity and any football activity;
  - d) percentage of ownership interest (and, if different, percentage of voting power held);
  - e) share capital;
  - f) total assets;
  - g) total revenues;
  - h) total equity.
- 47.3 The licence applicant determines the reporting perimeter, i.e. the entity or combination of entities in respect of which financial information has to be provided. Generally, it is not expected that a licence applicant in Iceland is in control of a subsidiary / subsidiaries. However, if the licence applicant has control of any subsidiary, then consolidated financial statements must be prepared and submitted to the licensor as if the entities included in the reporting perimeter were a single company. A subsidiary may be excluded from the reporting perimeter only if:
- a) the subsidiary is immaterial compared with the overall group made by the licence applicant;
- or
- b) the subsidiary's activity is clearly and exclusively not related to football.

If a subsidiary is excluded from the reporting perimeter, the management of the licence applicant must justify its decision to the licensor in detail.

If the licence applicant is controlled by a parent which has been included in the reporting perimeter, consolidated financial statements must be prepared and submitted to the licensor as if the entities included in the reporting perimeter were a single company.

If the licence applicant is a football company as per Article 12.1b), it must provide the licensor with the financial information of the football company and the registered member of KSÍ (e.g. combined or consolidated financial statements as if they were a single company).

- 47.4 All compensation paid to players arising from contractual or legal obligations, all costs/proceeds of acquiring/selling a player's registration and all revenues arising from gate receipts must be accounted for in the books of one of the entities included in the reporting perimeter.

#### **Art. 48 – Annual financial statements**

- 48.1 Regardless of the legal structure of the licence applicant, annual financial statements in respect of December 31 prior to the deadline for submission of the application to KSI (February 20 and April 5 for the financial criteria) and prior to the deadline for submission of the list of licensing decisions to UEFA (April 30) must be prepared according to Icelandic legislation with details relating to football-specific requirements according to these regulations and must be submitted to the licensor. The financial year shall coincide with the calendar year.

For clubs in the *Premier Division*, the annual financial statements must be audited in accordance with the International Standards on Auditing and the auditor's report must include a statement confirming that the audit was conducted in accordance with the International Standards on Auditing and Icelandic auditing legislation.

For clubs in *I<sup>st</sup> Division*, a review of the annual financial statements and a report based on Icelandic legislation and the requirements of ISRE 2410 is sufficient.

- 48.2 The annual financial statements must be audited/reviewed by an independent auditor as defined in Annex V and definitions in the Icelandic law on auditors, no. 79/2008.

- 48.3 The audited annual financial statements must consist of:

- a) A profit and loss account;
- b) A balance sheet;
- 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.

- 48.4 The annual financial statements must meet the minimum disclosure requirements and accounting principles, as set out in Annex VI. Comparative figures in respect of the prior statutory closing date must be provided. KSI will provide templates for the annual financial statements, which must be used by the license applicant.

- 48.5 If the minimum requirements for the content and accounting as set out in Paragraph 48.4 are not met in the annual financial statements, then the licence applicant must prepare the necessary supplementary information before the given deadline, in order to meet the minimum information requirements that must be assessed by an independent auditor as defined in Annex V.

#### **Art. 49 – No overdue payables towards football clubs**

- 49.1 The licence applicant must prove that as at 31 December of the year preceding the licence season it has no overdue payables (as defined in Annex VII) that refer to transfer activities that occurred at or prior to 31 December.

- 49.2 On the 1 April the licensee/licence applicant must also submit to KSÍ the necessary documentary evidence showing that as at March 31 preceding the licence season it has no overdue payables (as defined in Annex VII) that refer to transfer activities that occurred at or prior to 31 December.

- Due to this requirement, the granting of a licence to a club in March is to be looked at as a non-binding and preliminary act, which needs to be confirmed with the fulfilment of the criterion.
- 49.3 The payables defined in Article 49 are those amounts due to football clubs as a result of transfer activities. These include training compensation and solidarity contributions as defined in the *FIFA Regulations on the Status and Transfer of Players*, as well as any amount due upon fulfilment of certain conditions.
- 49.4 The licence applicant must prepare and submit to the licensor separate transfer payables table and transfer receivables table. They must be prepared even if there have been no transfers/loans during the relevant period. KSI will provide templates for these tables, which must be used by the licence applicant.
- 49.5 The transfer payables/receivables tables must disclose all transfer activities (including loans) of the licence applicant undertaken up to 31 December, irrespective of whether there is an amount outstanding to be paid at 31 December. In addition, the licence applicant must disclose all transfers subject to a claim pending before the competent authority under national law or proceedings pending before a national or international football authority or relevant court of arbitration.
- 49.6 The transfer payables/receivables table must contain a separate entry in respect of each player transfer (including loans). The following information must be given as a minimum for each entry:
- Player's name and identification number;
  - Date of the transfer/loan agreement;
  - The name of the football club that formerly held the registration;
  - Transfer (or loan) fee paid and/or payable (including training compensation and solidarity contribution);
  - Other direct costs of acquiring the registration paid and/or payable;
  - Total amount settled and payment date;
  - The balance payable at 31 December in respect of each player transfer, detailed by due date(s) for each unpaid element of the transfer payables;
  - Any payable as at 31 March (rolled forward from 31 December) including the due date for each unpaid element, together with explanatory comment; and
  - Conditional amounts (contingent liabilities) not yet recognised in the balance sheet as of 31 December.
- 49.7 The total liability as per the transfer payables table must be reconciled with the corresponding figure in the annual financial statements balance sheet for 'Liabilities from player transfers'. The licence applicant is required to report in this table all payables even if payment has not been requested by the creditor.
- 49.8 The transfer tables 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.
- 49.9 The transfer tables must be confirmed by the auditor who audited the annual financial statements of the licence applicant.

#### **Art. 50 – No overdue payables towards employees and social/tax authorities**

- 50.1 The licence applicant must prove that as at 31 December preceding the licence season it has no overdue payables (as defined in Annex VII) towards its employees or social and tax authorities arising from contractual and legal obligations towards its employees that arose at or prior to 31 December.
- 50.2 On the 1 April the licensee/licence applicant must also submit to KSÍ the necessary documentary evidence showing that as at 31 March preceding the licence season it has no overdue payables (as defined in Annex VII) towards its employees or social and tax authorities arising from contractual and legal obligations towards its employees that arose at or prior to 31 December.
- Due to this requirement, the granting of a licence to a club in March is to be looked at as a non-binding and preliminary act which needs to be confirmed with the fulfilment of the criterion.
- 50.3 The payables defined in article 50 are those amounts due to employees or social and tax authorities in respect of contractual or legal obligations with the employees. Amounts payable

- to people who, for various reasons, are no longer employed by the applicant fall within the scope of this criterion and must be settled within the period stipulated in the contract and/or defined by law, regardless of the way such payables are accounted for in the financial statements.
- 50.4 The term ‘employees’ includes the following persons:
- a) All professional players according to the applicable *FIFA Regulations on the Status and Transfer of Players* and all players with amateur contracts according to the *KSÍ Regulations on transfers, contracts and the status of players and club*.
  - b) The administrative, technical, medical and security staff specified in Articles 28-33 and Articles 35-39.
- 50.5 The licence applicant must prepare a schedule showing all employees who were employed at any time during the year up to the 31 December preceding the licence season; i.e. those employees who remain at the end of the year and those who quit earlier. The schedule must be submitted with the licensing documents to KSÍ.
- 50.6 The schedule of employees must as a minimum include the following information, in respect of each employee:
- a) Employee’s name and identification number;
  - b) Position/Function of the employee;
  - c) Start date;
  - d) Termination date (if applicable);
  - e) The balance payable as at 31 December, including the due date for each unpaid element; and
  - f) Any payable as at 31 March (rolled forward from 31 December), including the due date for each unpaid element, together with explanatory comment.
- 50.7 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.
- 50.8 The licence applicant must reconcile the total liability as per the employee schedule to the figure in the annual financial statements balance sheet for “Accounts payable towards employees”.
- 50.9 The licence applicant must submit to the auditor and to KSÍ the necessary documentary evidence showing the amount payable (if any), as at 31 December preceding the licence season as well as any payable as at 31 March (rolled forward from 31 December), to the competent social/tax authorities in respect of contractual and legal obligations towards its employees.
- 50.10 The schedule of employees and the status of payables towards social / tax authorities must be confirmed by the auditor who audited the annual financial statements of the licence applicant.

#### **Art. 51 – Written representation prior to the licensing decision**

- 51.1 Within the seven days prior to the start of the period in which the licensing decision is to be made by the First Instance Licensing Body, the licence applicant must make written representations to the licensor.
- 51.2 The written representations must state 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.
- 51.3 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.
- 51.4 Approval by management must be evidenced by way of a signature on behalf of the executive body of the licence applicant.

#### **Art. 52 – Future financial information**

- 52.1 The licence applicant in the *Premier Division* must prepare and submit future financial information. If the licence applicant has breached any of the indicators defined in the next paragraph (52.2), it must prepare and submit revised 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.
- 52.2 If a licence applicant exhibits any of the conditions described by *Indicators 1 or 2* below, the licence applicant is considered in breach of the indicator(s):
- a) *IND. 1: Going concern*  
The auditor's report in respect of the audited annual financial statements submitted in accordance with Article 48 includes an emphasis of matter or a qualified opinion/conclusion in respect of going concern.
- b) *IND. 2: Negative equity*  
The audited annual financial statements (including the supplementary information, if required) submitted in accordance with Article 48 disclose a net liabilities position that has deteriorated relative to the comparative figure contained in the previous year's annual financial statements.
- 52.3 The future financial information must cover the period commencing immediately after the statutory closing date of the annual financial statements, and it must cover the entire licence season.
- 52.4 The future financial information consists of:
- a) A budgeted profit and loss account with comments, with comparative figures for the immediately preceding financial year;
- b) A budgeted cash flow with statements, with comparative figures for the immediately preceding financial year; and
- c) Further explanatory notes, including a brief description of each of the significant assumptions (with reference to the relevant aspects of historic financial and other 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.
- 52.5 Future financial information must be prepared, as a minimum, on a quarterly basis.
- 52.6 The future financial information must be prepared on a consistent basis with the audited annual financial statements and follow the same accounting principles 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.
- 52.7 The future financial information must meet the minimum disclosure requirements as set out in Annex VI. Additional line items or notes must be included if they provide clarification and/or if their omission would make the future financial information misleading. KSI provides templates for the future financial information, which must be used by the license applicant.
- 52.8 The future financial information, together with the assumptions upon which they are based, must be approved by management with a brief statement and signature on behalf of the executive body of the reporting entity.

### **PART III – UEFA CLUB MONITORING**

*(Part III in these KSÍ Club Licensing Regulations, Version 2.1, is only descriptive and not legally binding as such, as the UEFA Club Licensing and Financial Fair Play Regulations (version 2010) include the legally binding text on the subject.)*

## **Chapter 1 – Rights, Duties and Responsibilities of Parties Involved**

### **Art. 53 – Responsibilities of the Club Financial Control Panel**

- 53.1 *The Club Financial Control Panel:*
- a) selects, conducts and/or decides on compliance audits as defined in Article 66;
- b) governs the club monitoring process as defined in Article 54 and in particular assesses the information prepared by the licensee and submitted by the licensor, considers whether this is appropriate and determines whether each monitoring requirement has been met and what further information, if any, is needed;

- c) carries out all other tasks as specified in the relevant articles of the *UEFA Organisational Regulations*.
- 53.2 In carrying out these responsibilities, the *Club Financial Control Panel* ensures equal treatment of all licensees and guarantees full confidentiality of all information provided.
- 53.3 *The Club Financial Control Panel* will at all times bear in mind the overall objectives of these regulations, in particular to defeat any attempt to circumvent these objectives.

#### **Art. 54 – Monitoring process**

- 54.1 The monitoring process starts on submission by the licensor of the list of licensing decisions to the UEFA administration and ends at the end of the licence season.
- 54.2 It consists of the following minimum key steps:
- a) issuing of the monitoring documentation to the licensor and licensee;
  - b) return of the required completed monitoring documentation by the licensee to the licensor;
  - c) assessment and confirmation of the completeness of each licensee's documents by the licensor;
  - d) submission of the validated documentation by the licensor to the *Club Financial Control Panel*;
  - e) assessment of the documentation by the *Club Financial Control Panel*;
  - f) if appropriate, request for additional information by the *Club Financial Control Panel*;
  - g) decision by the *Club Financial Control Panel* as specified in the relevant provisions of the *UEFA Organisational Regulations*.
- 54.3 The deadlines for the above monitoring process steps are communicated to the licensors in a timely manner by the UEFA administration.

#### **Art. 55 – Responsibilities of KSÍ**

- 55.1 KSÍ must:
- a) communicate the deadlines of the monitoring process to the licensee;
  - b) cooperate with the *Club Financial Control Panel* in respect of its requests and enquiries;
  - c) assess and confirm to the *Club Financial Control Panel* that in respect of the break-even information, all information submitted by the licensee is complete and corresponds to the information previously submitted for club licensing purposes;
  - d) assess and confirm to the *Club Financial Control Panel* that the selected reporting entity/entities is/are the same as those that fulfilled the club licensing criteria and is/are appropriate for club monitoring purposes;
  - e) inform the *Club Financial Control Panel* of any relevant information submitted by the licensee in respect of club monitoring requirements and any event occurring after the licensing decision that constitutes a significant change to the information previously submitted by the licensee.
- 55.2 In carrying out these responsibilities, the KSÍ ensures equal treatment and guarantees full confidentiality of all information provided.

#### **Art. 56 – Responsibilities of the licensee**

- 56.1 The licensee must:
- a) cooperate with the licensor and the *Club Financial Control Panel* in respect of their requests and enquiries;
  - b) provide KSÍ and the *Club Financial Control Panel* with all necessary information and/or relevant documents to fully demonstrate that the monitoring requirements are fulfilled, as well as any other document requested and deemed to be relevant for club monitoring decision-making (the reporting entity or combination of entities in respect of which information is required to be provided must be the same as for club licensing);

- c) promptly notify KSÍ in writing about any subsequent events that constitute a significant change to the information previously submitted to KSÍ.

## Chapter 2 – Monitoring Requirements

### Art. 57 – Clubs that are bound by the *UEFA Club Monitoring system*

- 57.1 All licensees that have qualified for a UEFA club competition must comply with the *UEFA Club Monitoring System* monitoring requirements, i.e. with the break-even requirement in Article 58 (referring though specially to Article 57.2), and with the other monitoring requirements (Articles 59-63).
- 57.2 The following clubs are exempt from the break-even requirement:
- a) a club that qualifies for a UEFA club competition on sporting merit and is granted special permission as defined in Article 15;
  - b) a licensee that demonstrates it has relevant income and relevant expenses below EUR 5 million in respect of each of the two reporting periods ending in the two years before commencement of the UEFA club competitions. Such an exemption decision is taken by the *Club Financial Control Panel* and is final.
- 57.3 On deciding the amounts in the annual financial statements of Icelandic clubs, the relevant figures must be converted into euros at the average exchange rate of the reporting period, as published by the European Central Bank.

### Art. 58 – Break-even requirement

- 58.1 For all Icelandic clubs the income and expenses of football activity are way below set limits, i.e. way below 5 million Euros, and they are therefore all exempt from the requirement of break-even as defined by UEFA. If a change is foreseen in this and an Icelandic club may go above this limit, as defined in Article 57.2b, the relevant articles in Part III and Annexes X and XI in the *UEFA Club Licensing and Financial Fair Play Regulations* must be adhered to.

### Art. 59 – Future financial information - Enhanced

- 59.1 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit enhanced future financial information, if it has breached Indicators 1 and/or 2, as defined in Article 52.2;
- 59.2 The enhanced future financial information must cover the 12 month period commencing immediately after the statutory closing date of the reporting period T, hereinafter: reporting period T+1.
- 59.3 The enhanced future financial information must consist of:
- a) a budgeted profit and loss account, with comparative annual figures for the reporting period T (if applicable);
  - b) a budgeted cash flow, with comparative annual figures for the reporting period T;
  - c) a budgeted balance sheet, with comparative annual figures for the reporting period T; and
  - d) explanatory notes, including assumptions that are not unreasonable, risks and a comparison of budget and actual figures.
- 59.4 In addition, the provisions of Articles 52.4 to 52.7 apply by analogy to the enhanced future financial information.

### Art. 60 – No overdue payables towards football clubs - Enhanced

- 60.1 The licensee must prove that as at 30 June of the year in which the UEFA club competitions commence it has no overdue payables (as defined in Annex VII) towards other football clubs as a result of transfer activities undertaken up to 30 June.

- 60.2 Payables are those amounts due to football clubs as a result of transfer activities, including training compensation and solidarity contributions as defined in the *FIFA Regulations on the Status and Transfer of Players*, as well as any amount due upon fulfilment of certain conditions.
- 60.3 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit a transfer payables table, even if there have been no transfers/loans during the relevant period.
- 60.4 The licensee must disclose all transfer activities (including loans) undertaken up to 30 June, irrespective of whether there is an amount outstanding at 30 June. In addition, the licensee must disclose all transfers subject to legal proceedings before a national or international sporting body, arbitration tribunal or state court.
- 60.5 The transfer payables table must contain the following information as a minimum (in respect of each player transfer, including loans):
- 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 and solidarity contributions);
  - e) Other direct costs of acquiring the registration paid and/or payable;
  - f) Amount settled and payment date;
  - g) Balance payable at 30 June in respect of each player transfer;
  - h) Due date(s) for each unpaid element of the transfer payables; and
  - i) Conditional amounts (contingent liabilities) not yet recognised in the balance sheet as of 30 June.
- 60.6 The licensee must reconcile the total liability as per the transfer payables table to the figure in the financial statements balance sheet for “Accounts payable relating to player transfers” (if applicable) or to underlying accounting records. The licensee is required to report in this table all payables even if payment has not been requested by the creditor.
- 60.7 The transfer payables 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 licensee.
- 60.8 If the licensee has payables overdue by 30 June due to transfer activities, as defined by Paragraph 60.1 above, then it must again prove that, as at the following 30 September, it has no overdue payables (as specified in Annex VII) towards other football clubs as a result of transfer activities undertaken up to 30 September. Paragraphs 60.2 to 60.7 above apply accordingly.

#### **Art. 61 – No overdue payables towards employees and/or social/tax authorities – Enhanced**

- 61.1 The licensee must prove that as at 30 June of the year in which the UEFA club competitions commence it has no overdue payables (as specified in Annex VII) towards its employees and/or social/tax authorities (as defined in paragraphs 50.3 and 50.4) that arose up to 30 June.
- 61.2 By the deadline and in the form communicated by the UEFA administration, the licensee must prepare and submit a declaration confirming the absence or existence of overdue payables towards employees and social/tax authorities.
- 61.3 The following information must be given, as a minimum, in respect of each overdue payable towards employees, together with explanatory comment:
- a) Name of the employee;
  - b) Position/function of the employee;
  - c) Start date;
  - d) Termination date (if applicable); and
  - e) Balance overdue as at 30 June, including the due date for each overdue element.
- 61.4 The following information must be given, as a minimum, in respect of each overdue payable towards social/tax authorities, together with explanatory comment:
- a) Name of the creditor;
  - b) Balance overdue as at 30 June, including the due date for each overdue element.
- 61.5 The declaration 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 licensee.

61.6 If the licensee has payables overdue by 30 June towards its employees and/or social/tax authorities, as defined in paragraphs 61.1 above, then it must again prove that, as at the following 1 October, it has no overdue payables (as specified in Annex VII) towards employees and/or social/tax authorities that arose up to 30 September. Paragraphs 61.2 to 61.5 above apply accordingly.

#### **Art. 62 – Duty to notify subsequent events**

62.1 The licensee must promptly notify KSÍ in writing about any significant changes including, but not limited to, subsequent events of major economic importance until at least the end of the licence season.

62.2 The information prepared by the 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.

#### **Art. 63 – Common provisions**

63.1 If one of the other monitoring requirements as defined in Articles 59 to 62 is not fulfilled, then the *Club Financial Control Panel* may refer the case to the *Organs for Administration of Justice*, which will take the appropriate measure(s) without delay in accordance with the procedure defined in the *UEFA Disciplinary Regulations* for urgent cases.

### **PART IV – FINAL PROVISIONS**

#### **Art. 64 – Authoritative text and language of correspondence**

64.1 If there is any discrepancy in the interpretation of the Icelandic and English versions of these regulations, the English text shall prevail.

64.2 All correspondence between UEFA and KSÍ and/or the licensees must be in English and UEFA may ask KSÍ and/or licensees for a certified translation of documents at their expense.

#### **Art. 65 – Annexes**

65.1 All Annexes to the present regulations form an integral part thereof.

#### **Art. 66 – Compliance audits**

66.1 UEFA and/or its nominated bodies/agencies reserve the right to, at any time, conduct compliance audits of KSÍ and, in the presence of KSÍ, of the licence applicants/licensees.

66.2 Compliance audits aim at ensuring that KSÍ as well as the licence applicants/licensees have fulfilled their obligations, and that the relevant levels of licence were correctly awarded at the time of the final decision of KSI.

66.3 For the purpose of the compliance audits by UEFA, in the event of any discrepancy in the interpretation of these regulations between their English and Icelandic versions, the English version is authoritative.

#### **Art. 67 – Disciplinary procedures**

67.1 Any breach of these regulations may be penalised by the KSI Disciplinary and Ruling Committee (see Article 8 of these regulations).

**Art. 68 – Implementing provisions**

68.1 KSÍ shall take the decisions and adopt, in the form of directives, circular letters or any other relevant documents, the detailed provisions necessary for implementing these regulations.

**Art. 69 – Adoption, abrogation, amendments and entry into force**

69.1 These regulations were adopted at the Meeting of KSÍ Board, held on 27. October, 2011, referring to Article 35 in the KSÍ Statutes.

69.2 These regulations replace the *KSÍ Club Licensing Regulations, Version 2*.

69.3 These regulations cannot be amended during the licensing process, unless duly approved by UEFA.

69.4 These regulations come into force immediately after their adoption by the KSI Board.

## **Annex I: Exception Policy**

### **A – Principle**

1. The UEFA Administration may grant in accordance with Article 4 an exception on the following matters:
  - a) Non-applicability of a minimum requirement concerning the decision making bodies or process defined in Article 7 due to national law or other valid reason;
  - b) Non-applicability of a minimum requirement concerning the core process defined in Article 9 due to national law or other valid reason;
  - c) Non-applicability of a minimum assessment procedure defined in Article 10 due to national law or other valid reason;
  - d) Non-applicability of the three-year rule defined in Par. 12.2 in case of change of legal form of the licence applicant on a case by case basis;
  - e) Non-applicability of a certain criterion defined in Chapter 3 in Part II due to national law or other valid reason;
  - f) Extension of the introduction period for the implementation of a criterion or a category of criteria defined in Chapter 3 in Part II.
2. Exceptions related to items a), b), c), e) and f) will be granted to the member association, i.e. KSÍ, and apply to all clubs which are members of KSÍ and submit a licence application to play in the *Premier Division* for men in the Icelandic Championship, and can, thus, qualify for a European Club competition based on sporting results for the coming season. Exceptions related to item d) will be granted to the individual club that applies for a licence.
3. Under specific circumstances, UEFA reserves the right not to apply exceptions granted to the member association to a specific individual club (e.g. club participating in the UEFA club competitions on a regular basis).
4. The exception period granted is one season. Under specific circumstances this period may be extended and the member association, i.e. KSÍ, may be placed on an improvement plan.
5. A renewal of the exception is possible upon a new request.

### **B – The process**

1. The UEFA Administration acts as the first instance decision-making body on exception requests.
2. An exception request must be in writing, clear and well-founded.
3. Exceptions related to items defined under A.1 (a, b, c, e and f) must be submitted by the member association to the UEFA Administration within the deadline communicated by the latter.
4. Exceptions related to the item defined under A.1d) can be submitted at any time. The licensor concerned by a reorganisation or a restructuring of an affiliated club (e.g. change of legal form, merger of clubs, split of club, liquidation or bankruptcy) is responsible for notifying the UEFA Administration accordingly as soon as it becomes aware of it.
5. The UEFA Administration shall use the necessary discretion to grant any exception within the limits of these regulations.
6. The status and situation of football within the territory of the member association will be taken into account when granting an exception. The situation encompasses, for example:
  - a) size of the territory, population, geography, economic background;
  - b) size of the member association (number of clubs, number of registered players and teams, size and quality of the administration of the association, etc.);
  - c) the level of football (professional, semi-professional or amateur clubs);
  - d) status of football as a sport within the territory and its market potential (average attendance, TV market, sponsorship, revenue potential, etc.);
  - e) UEFA coefficient (association and its clubs) and FIFA ranking;
  - f) stadium ownership situation (club, city/community, etc.) within the association;
  - g) support (financial and other) from the national, regional and local authorities, including the national sports ministry.

7. The decision will be communicated to KSÍ. The decision must be in writing and state the reasoning. The member association must then communicate it to all licence applicants concerned.
8. Appeals can be lodged against decisions made by the UEFA Administration or, if applicable, the UEFA Executive Committee in writing before the Court of Arbitration for Sport (CAS) in accordance with the relevant provisions laid down in the *UEFA Statutes*.

## **Annex II: Integration of the UEFA Club Licensing and Financial Fair Play Regulations into the KSÍ Club Licensing Regulations**

### **A – Principle**

1. These *KSÍ Club Licensing Regulations* specify in Part II appropriate definitions of the relevant parties (the licensor/KSÍ, the licence applicant (licensee/club), licensing committees), their rights and duties, criteria and necessary processes in accordance with Part II of the *UEFA Club Licensing and Financial Fair Play Regulations*, so that the right to participate in UEFA club competitions is obtained. Part III in the *KSÍ Club Licensing Regulations* only describes the criteria in Part III of the UEFA Regulations, which deal with the UEFA Club Monitoring, and apply for Icelandic clubs, but with regard to information on other requirements reference is made to the UEFA regulations. However, here the legally binding text is in the UEFA regulations, and the monitoring and the decision-making is in the hands of the *Club Financial Control Panel*, which is an independent panel established by UEFA.
2. All clubs that participate in the UEFA club competitions must adhere to the articles on the UEFA Club Monitoring system, and this applies also to Icelandic clubs. The duties of the Icelandic clubs are though at a relatively low level, due to their minor financial size.

### **B – The Process**

1. KSÍ finalises the wording of the *KSÍ Club Licensing Regulations* and sends it, translated into English, to the UEFA Administration for review within the deadline communicated by the latter.
2. KSÍ is responsible for ensuring, and must demonstrate to the UEFA Administration, that all applicable provisions of Part II of the *UEFA Club Licensing and Financial Fair Play Regulations* have been integrated in the *KSÍ Club Licensing Regulations*. Exceptions may be granted by the UEFA Administration according to Article 4 of both regulations.
3. KSÍ is free to increase minimum criteria in the *KSÍ Club Licensing Regulations* or introduce additional criteria for the purpose of entering the *Premier Division* or *1<sup>st</sup> Division* of the Icelandic Championship for men. Increased requirements must be introduced no later than at 1<sup>st</sup> November to be enforced for the next season.
4. Where introduced by KSÍ in the *KSÍ Club Licensing Regulations*, any increased or additional minimum criteria will apply *mutatis mutandis* to entry in the UEFA club competitions. An example of this is the provision of running a website which is not found in the UEFA regulations but is requested in the KSÍ regulations (Article 43).
5. KSÍ must confirm to the UEFA Administration that all provisions contained in the *KSÍ Club Licensing Regulations* are in compliance with the applicable Icelandic law.
6. The UEFA Administration reviews the final version of the *KSÍ Club Licensing Regulations* and confirms in writing to KSÍ that:
  - a) the applicable provisions of the *UEFA Club Licensing and Financial Fair Play Regulations* for the purpose of entering the UEFA club competitions are integrated in the *KSÍ Club Licensing Regulations*;
  - b) the licence issued by the competent bodies KSÍ according to *KSÍ Club Licensing Regulations* is based on the minimum criteria set out in Part II in the *UEFA Club Licensing and Financial Fair Play Regulations*.
7. *KSÍ Club Licensing Regulations* must be approved by the KSÍ Executive Board and communicated to the licence applicants before the start of the licensing process (1<sup>st</sup> November). They cannot be amended during the latter process, unless duly approved by UEFA.
8. KSÍ has decided to apply the same licensing system to govern participation in its domestic competitions, as for participation in the UEFA club competitions, but with two levels, for the *Premier Division* and UEFA club competitions, and for the *1<sup>st</sup> division*.
9. *The KSÍ Club Licensing regulations* have also been adapted to specific Icelandic conditions, where consideration has been given to:
  - a) KSÍ's goals and priorities;
  - b) KSÍ's statutes and current regulations;
  - c) national law; and
  - d) the flexibility allowed by UEFA.

## **Annex III: The Core Process**

### **A – Introduction**

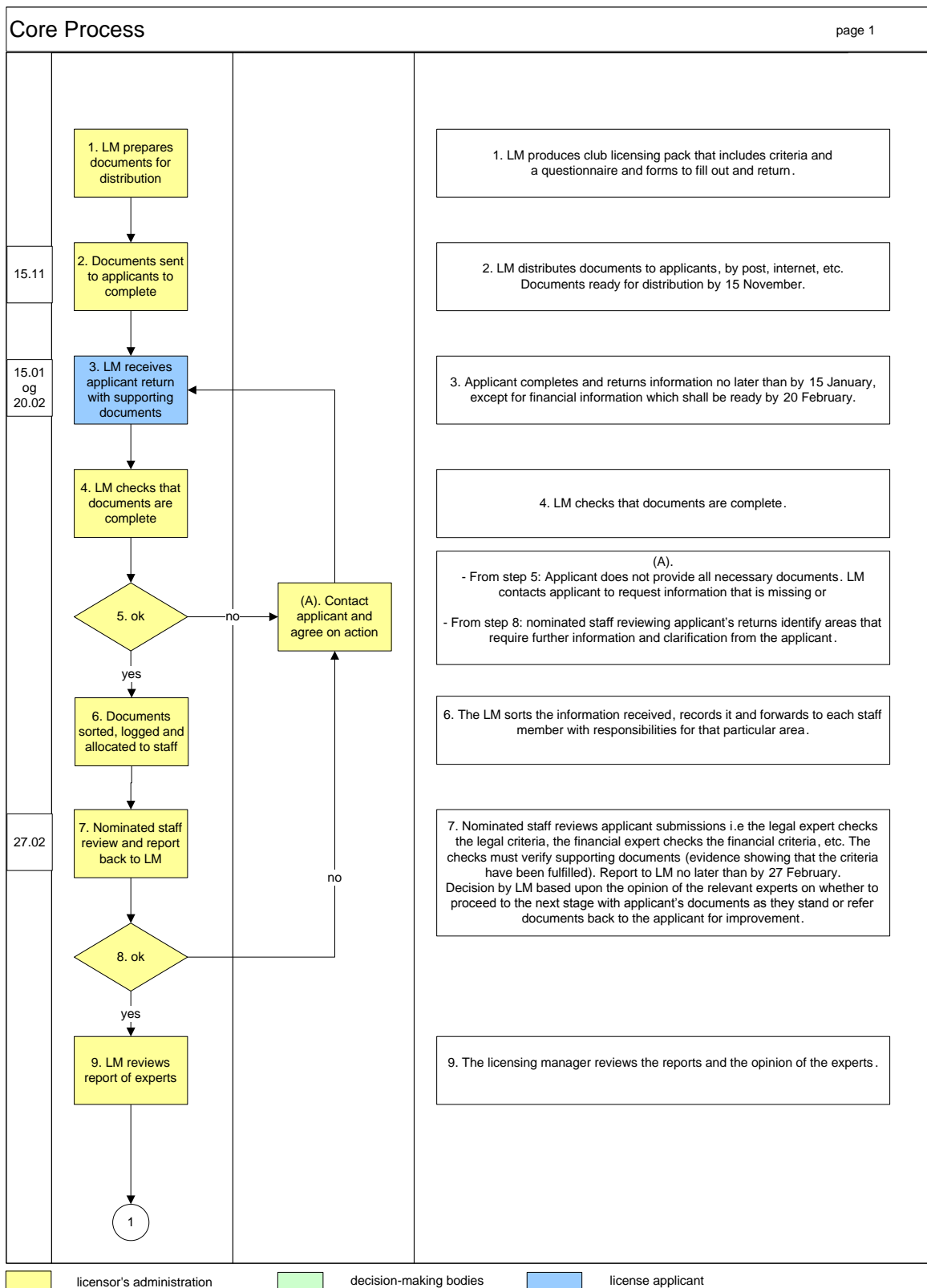
1. This Annex defines the assessment process, hereafter named core process, of the KSÍ Club Licensing System. The core process describes the minimum requirements that KSÍ has to follow to verify the club licensing criteria described in Chapter 3 of Part II of these regulations and thus control the issuance of the level of licence to a licence applicant.
2. During the whole licensing process the principle of equal treatment must be safeguarded according to the KSÍ Statutes and to Article 11 of these regulations. During the licensing process, if requested within proper time limits as defined in Article 9 and in the Core Process here in Annex III, the licence applicant shall have the right to present all necessary evidence and reasoning to the decision-making bodies in written form and issue a request based on submitted evidence. Upon request, KSÍ shall allow any licence applicant or its representative (legal or other) to submit its case in a special hearing held by KSÍ. Decisions of both decision-making bodies shall be in writing and with reasoning based on the *KSÍ Club Licensing Regulations*. All cost by KSÍ due to the licensing procedure shall be paid by KSÍ.
3. In an appeal process, the license applicant has the burden of proof with respect to any decision or grounds made by the First Instance Licensing Body or the Licensing Manager. The formal appeal shall be in writing and shall include the decision and the grounds of the First Instance Licensing Body or the Licensing Manager, the grounds of the Appellant and other documents or evidence supporting the Appellant's plea. In the pleading the Appellant shall disclose whether he wishes for an oral deliberation or whether the pleading shall be decided on written documents alone. The Appeals Licensing Body can on its own initiative decide on an oral deliberation.

### **B – Core steps**

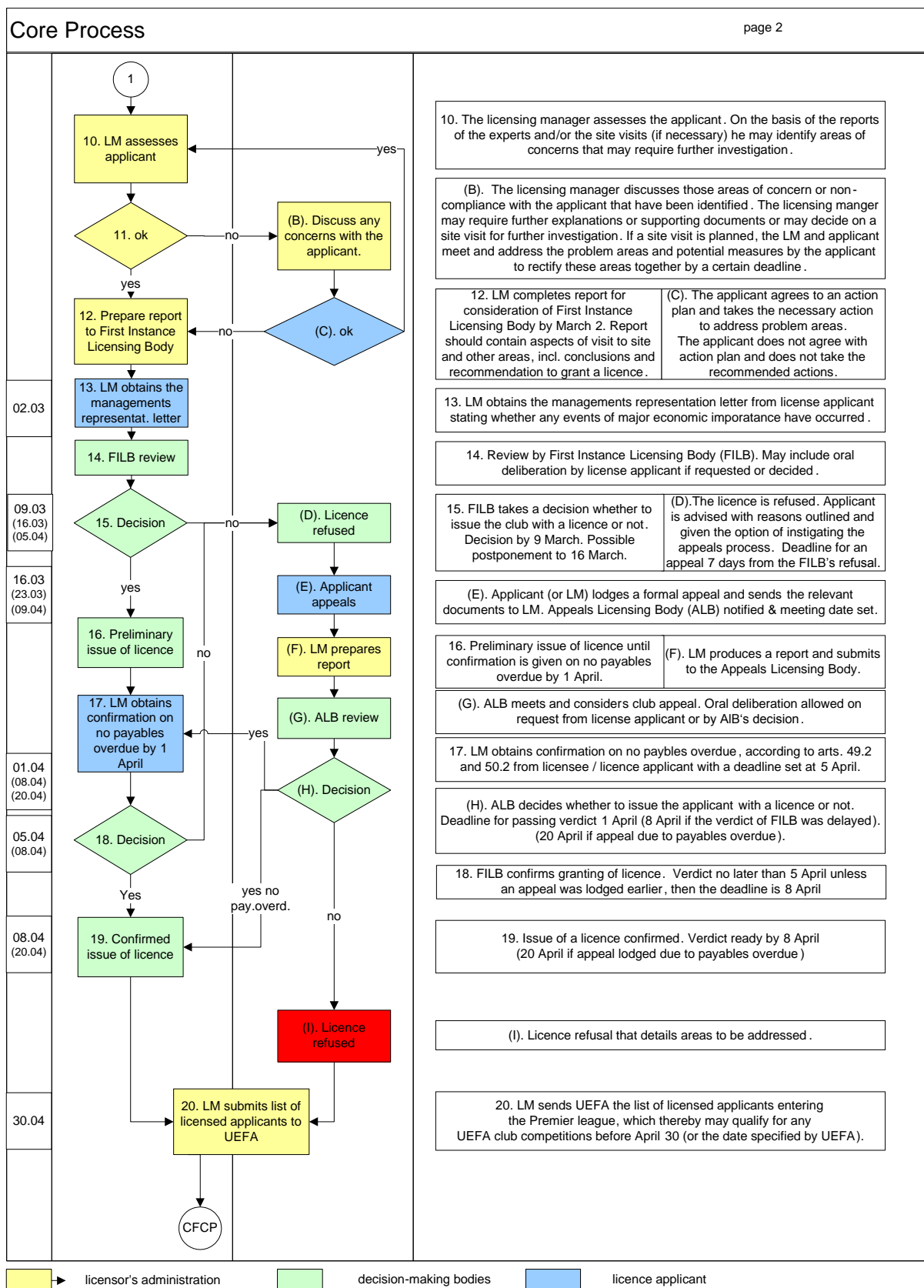
1. The steps in the core process as defined by the KSÍ Club Licensing System are described in the chart on two of the following pages:
  - The numbers in the chart detail in logical order the steps to be taken in terms of processing a club licence on behalf of the licence applicants. The chart follows the sequence of numbers from 1 to 20 (left column). These are the steps to follow where no issues arise, and a licence applicant meets all the requirements.
  - The letters in the chart refer to the issues that may or are likely to arise in the process and must be dealt with appropriately. The chart follows the sequence of letters from (A) to (I) (central column). The right column provides a short description of each step.
2. Further explanation:
  1. Well prior to the deadline for submission of the application, the Licensing Manager produces the documents on club licensing with the criteria, questionnaires and forms to be filled out.
  2. The Licensing Manager distributes the prepared pack of documents to the licence applicants; this prepared pack of documents includes a copy of these regulations. The information may be mailed, faxed, displayed on the Internet, etc. The Licensing Manager can request confirmation of receipt. This information shall be ready and distributed no later than by November 15<sup>th</sup>.
  3. The licence applicant fills out the information, other than financial (questionnaires, forms, etc.) and returns it to the Licensing Manager no later than January 15<sup>th</sup>. Financial information (except those related to the overdue payables) shall be returned to the Licensing Manager no later than February 20<sup>th</sup>. These documents can be returned by mail, faxed, emailed, etc. Supporting documents can be enclosed if required.
  4. The Licensing Manager checks upon reception that the documents returned by the licence applicant are complete and that they are returned by the agreed deadline.
  5. Decision. Two alternatives: Step 6 or step (A).
  6. If the documents are complete and sent by the deadline, the Licensing Manager sorts the information received, records it and forwards it to the appointed experts with responsibilities

for that particular area for review (i.e. legal documents will be forwarded to the legal expert, financial information to the financial expert, etc.).

- The nominated experts receive the licence applicant's documents from the Licensing Manager, review them, check whether the club fulfils the criteria and then report back to the Licensing Manager no later than by February 27<sup>th</sup> according to prepared forms (checklists, reports, etc.). The checks have to be confirmed by supporting documents (evidence that the criteria have been fulfilled).



8. Decision. Two alternatives: Step 9 or step (A).
9. The Licensing Manager verifies that the reports of the experts are complete and turned in by the agreed deadline. The Licensing Manager reviews the reports and the opinion of the experts.
10. The Licensing Manager assesses the licence applicant. On the basis of the reports of the experts, he may identify areas of concern that may require further investigation.
11. Decision. Two alternatives: Step 12 or step (A).



12. If the Licensing Manager does not identify any area requiring further review, he prepares the report for consideration for the First Instance Licensing Body, and the report shall be ready no later than by March 2<sup>nd</sup>. This report will contain aspects of the review (analysis of the documents received and, if performed, information on site visits).
13. Seven days prior to the meeting of the First Instance Licensing Body during which the licensing decisions are made, the Licensing Manager obtains the management representation letter from the licence applicant stating whether or not any events of major economic importance have occurred. This is included in his report. According to the results of the review the report will include the recommendation to grant or to refuse the relevant level of licence.
14. The First Instance Licensing Body receives the report of the Licensing Manager by the agreed deadline, reviews it, asks the Licensing Manager for further explanations and documents if necessary, allows an oral deliberation by the license applicant if requested, and convenes to take the decision whether to grant the relevant level of licence or not. The First Instance Licensing Body shall fulfil the requirements of qualification, confidentiality and independence according to these regulations (Article 7).
15. Decision. Two alternatives: Step 16 or step (D). The First Instance Licensing Body shall pass its verdict no later than by March 9<sup>th</sup>. It is permitted to postpone a verdict for one week if the First Instance Licensing Body believes this to be necessary, but no longer.
16. After a careful review of the licence applicant's documents and the report of the Licensing Manager, the First Instance Licensing Body issues a licence of the relevant level. Its issuance is subject to the condition that the licence applicant fulfils all criteria as defined in Article 16 of these regulations. The licence may or may not detail areas for the licence applicant's future attention. At this stage the issuance of the licence is a non-binding, preliminary act, until documents have been sent confirming that amounts payable by 31<sup>st</sup> March are not overdue, according to point 17 below. However, for clubs that do not have any such payables due in this period, till 31 March, the issuance is binding.
17. The Licensing Manager receives documents with confirmation on no overdue payables as at April 1<sup>st</sup>, according to Articles 49.2 and 50.2 of these regulations, from licence applicant / licensee. The absolute deadline for handing in these documents is April 5<sup>th</sup>.
18. Decision. Two alternatives: Step 19 or step (D). The First Instance Licensing Body issues the relevant level of licence. The verdict shall be passed no later than by April 5<sup>th</sup>, unless the issuance of the licence has earlier gone through an appeal and been passed by the Appeals Licensing Body, then it shall be passed no later than by April 8<sup>th</sup>.
19. Issuance of the relevant level of licence is confirmed if the documents from the licence applicant/licensee are satisfactory, regarding no overdue payables as at April 1<sup>st</sup>, in accordance with Articles 49.2 and 50.2 of these regulations.
20. The Licensing Manager receives the report of the First Instance Licensing Body and/or Appeals Licensing Body. On the basis of the decision taken by the FILB/ALB, he prepares a list of the licence applicants authorized to enter the *Premier Division*. He also prepares the list of licensing decisions, which must be sent to UEFA before April 30<sup>th</sup>.
  - (A) From step 5:
    - If the documents are not complete, or if they are not sent by the agreed deadline, the Licensing Manager contacts the licence applicant in order to agree on the next actions to be taken (e.g. to request information, supporting documents, questionnaire or a missing form).
  - (B) From step 8:
    - If the KSÍ licensing expert identifies areas requiring further information, he contacts the licence applicant to discuss any issue requiring clarification and try to reach an agreement with the applicant on the actions to be taken.
    - If the Licensing Manager identifies areas requiring further review (non-compliance with certain criteria, errors, lack of information, etc.), he contacts the licence applicant to discuss any concerns. The Licensing Manager may require further explanations or supporting documents or may decide to visit a site for further investigation. If a site visit is planned, the Licensing Manager and/or the experts meet with the licence applicant and address the problem areas. They identify potential actions by the club to rectify these areas together with appropriate time limit.
  - (C) Decision. Two alternatives:

- If the licence applicant agrees with the Licensing Manager on the actions to be taken, then go back to step 10.
  - If the licence applicant does not agree with the Licensing Manager's report and refuses to deliver new information or to take the necessary actions, then go back to step 12.
- (D) After careful review of the licence applicant's documents and the report of the Licensing Manager, the First Instance Licensing Body refuses to grant the relevant level of licence. The refusal details the areas to be addressed, and the licence applicant is given the chance to lodge an appeal with the Appeals Licensing Body. The Licensing Manager can also lodge an appeal, if he believes the decision of FILB is wrong. The deadline for an appeal is 7 days after the First Instance Licensing Body's verdict on refusal of licence. The appeal automatically has a delaying effect on the decision of the First Instance Licensing body to refuse to grant the license. If an appeal is lodged due only to a negative verdict in respect of overdue payables on April 1<sup>st</sup>, according to criteria in Articles 49.2 and 50.2, the deadline for appeal is only 4 days.
- (E) The appellant lodges the formal appeal to KSÍ, and sends the relevant documents to the Licensing Manager. The Appeals Licensing Body is notified, and the meeting date is set.
- (F) The Licensing Manager produces a report and delivers it to the Appeals Licensing Body within the deadline set by the ALB. The report details areas of concern and the reasons for the refusal.
- (G) The Appeals Licensing Body meets and considers the appeal. It shall only consider grounds for complain that are based on data or information that were available for the the First Instance Licensing Body. The Appeals Licensing Body may require further information and/or supporting documentation from the appellant. Any further evidence submitted to the Appeals Licensing Body at a later stage than allowed by ALB shall not be taken into account. In the case of an oral hearing, the deliberation shall take place at a place decided by the Appeals Licensing Body and at a time informed to the Appelant by at least 48 hour notice. The Appeals Licensing Body convenes and listens to the arguments of the Appellant, following that the Appeals Licensing Body reviews the appeal and passes its verdict. In the case of a no-oral hearing the Appeal Licensing Body convenes to review the appeal and pass its verdict.
- (H) Decision. Two alternatives: Step 17 (or19) or step (I). The Appeals Licensing Body shall pass its verdict no later than by April 1<sup>st</sup> (April 8<sup>th</sup> if the decision of the First Instance Licensing Body was delayed). If an appeal is lodged only due to Articles 49.2 and/or 50.2, regarding no overdue payables as at April 1<sup>st</sup>, it shall pass its verdict as soon as possible and no later than by April 20<sup>th</sup>.
- (I) After careful review of the licence applicant's documents and the report of the Licensing Manager, the Appeals Licensing Body refuses to grant the relevant level of licence. The report of the Appeals Licensing Body details the reasons for the refusal and the areas to be addressed.
3. If a licence is withdrawn during the season by the First Instance Licensing Body with reference to Article 14.5, the licensee can appeal to the Appeals Licensing Body. The process shall be similar to the one defined above from item (E).

#### **Annex IV: Extraordinary application of the club licensing system**

##### **Process for a club that has not gone through the KSÍ club licensing process for the Premier Division but earns the right to enter a UEFA club competition on the basis of its sporting results**

1. The UEFA administration defines the minimum criteria for the extraordinary application of the club licensing system as specified in Article 15.1 and communicates them to KSÍ at the latest by 31 August of the year preceding the licence season.
2. KSÍ must notify the UEFA administration of such extraordinary application requests in writing, by 15 April at the latest, stating the name of the club concerned. The club could be the winner or runner-up in the Icelandic Cup competition, but playing below the *Premier Division* where lower criteria apply.
3. The UEFA administration defines the necessary deadlines and forwards these to KSÍ.
4. KSÍ is responsible for submitting the criteria to the club concerned for the assessment for the extraordinary procedure at national level. It also has to take immediate action with the club concerned for the preparation of that procedure.
5. The club concerned must provide the necessary documentary proof to KSÍ. The licensor (KSÍ) will assess the club against the fixed minimum standards and forward the following documentation in English to the UEFA administration within the deadline communicated by the latter:
  - a) a written request to apply for special permission to enter the corresponding UEFA club competition;
  - b) a recommendation by the licensor (KSÍ) based on its executed assessment (including the dates and names of the persons having assessed the club);
  - c) all documentary evidence provided by the club and the licensor (KSÍ) as requested by the UEFA administration;
  - d) any further document requested by the UEFA administration during the extraordinary procedure.
6. The UEFA administration bases its decision on the received documentation and grants special permission to enter the UEFA club competitions if all the set criteria are fulfilled and if the club ultimately qualifies on the basis of its sporting results. The decision will be communicated to KSÍ, which has to forward it to the club concerned.
7. If such a club is eliminated on sporting merit during this extraordinary procedure, KSI has to notify the UEFA administration immediately, and this procedure is immediately terminated, without further decision. Such a terminated procedure cannot be restarted at a later stage.
8. Appeals can be lodged against decisions made by the UEFA administration in writing before the Court of Arbitration for Sport (CAS) in Lausanne (Switzerland) in accordance with the relevant provisions laid down in the *UEFA Statutes*.

## **Annex V: Determination of the Auditor and Auditor's Assessment Procedures**

### **A - Principle**

1. The licence applicant selects an independent auditor in accordance with the law on auditors. The auditor must be independent in compliance with the *Code of Ethics* accepted by the *Institute of State Authorized Public Accountants in Iceland* (FLE) based on the International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. The auditor must be a member of the Institute of State Authorized Public Accountants in Iceland (FLE).
2. The licence applicant and the auditor agree upon the working procedures on the club's annual financial statements (see Article 48). The model given in Section C here below is illustrative for such an engagement letter, and other engagements by an auditor.

### **B – Assessment procedures**

1. The annual financial statements must be audited in accordance with the International Standards on Auditing and the relevant Icelandic legislation and furthermore consider football-specific requirements according to these regulations. The auditor's report must include a scope paragraph describing the nature of the audit and a statement that the audit was conducted in accordance with the International Standards on Auditing. The auditor's report must be submitted to the licensor together with the financial statements to form a basis for the licensing decision.
2. If the annual financial statements are in accordance with Icelandic legislation and meet the minimum requirements for content and accounting according to these regulations, then further supplementary information does not need to be provided, unless KSI considers this to be necessary.
3. If the annual financial statements do not meet the requirements for content and accounting, then the licence applicant must prepare supplementary information (Article 48.5). The supplementary information must be assessed by the auditor according to agreed-upon procedures, as given by the International Standard on Related Services (ISRS) 4400. The auditor will then provide a report of the factual findings of this assessment. The assessment shall, as a minimum, include:
  - a) Reading the supplementary information prepared by management,
  - b) Making enquiries of management regarding the compilation of the information, and
  - c) Comparing the supplementary information to the sources from which it was obtained.The auditor's report of factual findings must include a statement that the assessment was conducted by way of agreed-upon procedures according to ISRS 4400 and be submitted to the licensor together with the supplementary information to form a basis for the licensing decision.
4. Financial information other than the financial statements may be assessed by an auditor. If an auditor is used, then his report of factual findings must:
  - a) Include a statement confirming that the assessment was conducted by way of agreed-upon procedures defined according to *International Standard on Related Services* (ISRS) 4400, 'Engagements to Perform Agreed-upon Procedures Regarding Financial Information', which 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.
  - b) Be submitted to the licensor together with the relevant documentation to form the basis for the licensing decision.

### **C – Auditor's engagement letter**

1. The following letter is illustrative for an engagement of an auditor by a club to audit the club's annual statements and other engagements performed by the auditor.

---

(Letterhead)

**-Signature, Ltd., Auditors.-**

(Place, date)

**The Football Club Balls,**

Footballground 11,

145 Ballwick

**Engagement letter because of the auditing of annual financial statements and the implementation of agreed upon procedures**

The Football Club Balls, here after called the Club, has requested that we assist in the making of the annual financial statements, auditing of the club's annual financial statements and implementing of agreed upon procedures because of specific financial criteria for the year 201X. The annual financial statements shall be prepared according to the Icelandic law on annual financial statements, no. 3/2006 and with details relating to football-specific requirements according to the *KSÍ Club Licensing Regulations*. These shall be audited according to Icelandic legislation and as set by international auditing standards. The licensing regulations also cover other financial criteria that must be met.

With this letter we would like to confirm that it is our pleasure to accept the project and state that we are aware of what the project entails. The objective of the audit is for us to express our opinion of the annual financial statements.

Our task is defined in the *KSÍ Club Licensing Regulations* and covers the following factors:

The annual financial statements at the end of the year, for the calendar year 201X, consisting of a profit and loss account, a balance sheet, a cash flow statement, explanatory notes and a financial review by management (Article 48 in the regulations).

A transfer payables table and a transfer receivables table (Article 49).

Payables towards employees and public authorities / tax authorities (Article 50).

A budgeted profit and loss account with explanatory notes and a budgeted cash flow (if necessary and requested according to Article 52).

The audit will be conducted in accordance with international standards, domestic laws and regulations on auditing. It entails making sure that the audit provides adequate assurance that the annual financial statements contain no substantial errors or misstatements. The audit will sample and examine the documents and the basis for the amounts and other information in the annual financial statements. The audit method used will be evaluated and also the main assessment procedures of the management. The presentation of the annual financial statements as a whole will be evaluated.

We want to make it clear that the making of the annual financial statements is the responsibility of the club's management. This means that sufficient records must be kept and internal inspection must be conducted. It also means that the choice and usage of auditing methods and keeping of the club's properties must also be adequate. Part of our auditing will be to get written confirmations from management regarding the information that we have received because of the auditing.

It has also been requested of us to assist in the making of the club's annual financial statements for the year 201X. We confirm that we accept the project but we iterate, as has been stated before, that the responsibility for the annual financial statements lies with the management.

Finally, it has been requested that agreed-upon procedures be implemented for the transfer payables table and the transfer receivables table (Article 49), payables towards employees and public authorities / tax authorities (Article 50), and a budgeted profit and loss account with explanatory notes, as well as a budgeted cash flow (Article 52). We confirm that we accept the project and will in our audit opinion confirm whether the criteria are met according to the *KSI Club Licensing Regulations*, see ISRS 4400 (agreed-upon procedures).

Due to testing and other limitations, that are unavoidable in auditing or in implementing agreed-upon procedures, along with the restraints that might exist regarding the information system and internal inspection, it is always possible that some substantial errors or misstatements might go unnoticed. If we come across such incidences we will inform you of these.

Besides auditing the annual financial statements, with reference to paragraph 48.1 in the *KSI Club Licensing Regulations*, it is our intention to submit an auditing report when the auditing and implementation of agreed-upon procedures are complete. There, the appropriate information, as described in the *KSI Club Licensing Regulations*, will be presented to the licensor.

We expect good cooperation with your staff and we trust that they will provide us with all the reports, documents and other information that is necessary in preparing the annual financial statements, carrying out the auditing and other work. The fee for our services will be determined by the actual time required by our assigned staff and further agreement.

Ethically and professionally we are bound by confidentiality and we cannot reveal information we come across in our work and we are also ethically and professionally required to be independent and impartial towards our clients. We are obliged to confirm our independence towards KSI, as is described in the *KSI Club Licensing Regulations*, every year in writing and within set time limits.

Please sign and send back the enclosed copy of this letter to indicate your acceptance of the terms of this project, including the special tasks that we have agreed to perform.

Sincerely,

**Signature Ltd., Auditors,**

(Signatures)

Confirmed and agreed on behalf of the Football Club Balls

(Place, date)

(Signatures)

## **Annex VI: Minimum Disclosure Requirements and Basis for the Preparation of Financial Statements**

### **A – Principle**

1. The annual financial statements as defined in Article 48 must be based on the accounting standards required by Icelandic legislation for incorporated companies, regardless of the legal structure of the licence applicant.
2. Notwithstanding the requirements of the relevant Icelandic legislation, the financial information to be provided by the licence applicant must be made with details relating to football-specific requirements according to Articles 48 and 52 of these regulations.
3. Each component of the financial statements must be identified clearly. The following information must be displayed prominently, and repeated where necessary within the financial statements, for a proper understanding of the information presented:
  - a) The name (and structure 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 a description of the structure and composition of any such group or combination;
  - c) Information on the management of the licence applicant, stating function, full name and residential address.
  - d) The statutory closing date and the period covered by the financial information (for both current and comparative information), i.e. the calendar year, and the period used for comparison; and
  - e) The currency of the annual financial statements.
4. Rules that apply on the presentation of annual financial statements must follow certain main principles:
  - a) *Going concern:* Annual financial statements are prepared on the assumption that the licence applicant is a going concern, meaning it will continue in operation for the foreseeable future. It is assumed that the licence applicant has neither the intention nor the necessity to go into liquidation, cease trading or seek protection from creditors pursuant to laws or regulations.
  - b) *Fair presentation and separate presentation of each material class of items.*
  - c) *Accrual basis of accounting:* Transactions and events are recognised when they occur (although payment will be made later), and they are recorded in the accounting records and reported in the annual financial statements of the period to which they relate.
  - d) *Consistency of presentation:* The presentation and classification of items in the annual financial statements should be retained from one period to the other.
  - e) *Offsetting:* Assets and liabilities, on the one hand and income and expenses on the other hand shall not be offset (not net figures).
  - f) *Relevance:* The annual financial statements provide information that is relevant to the decision-making needs of users.
  - g) *Reliability:* Annual financial statements represent the result and the financial position of the licence applicant, reflect the economic substance of events and transactions and not merely the legal form, are neutral (free from bias) and are prudent and complete in all material aspects.
5. Information regarding the required financial criteria assumes that the annual financial statements are prepared according to Icelandic legislation, which will not be further described in these regulations. In the following sections, football-specific requirements are defined, that have to be fulfilled. The minimum disclosure requirements for the annual financial statements are set out below. The annual financial statements must disclose the figures for the previous year. KSI provides templates for the annual financial statements, which must be used by the license applicant.

**B – Profit and loss**

1. Revenue must be divided into the following main groups: Ticket sale, sponsorship and advertising, broadcasting rights, profit from transfer of players, commercial goods and refreshments, rental income and other operating income.
2. Expenses must be divided into the following main groups: Product use, cost of sales/materials, salary and benefits (including payments to contractors) and salary related expenses, depreciation and amortisation, impairments of fixed assets, and other operating expenses.
3. Finally, the following must be listed: financial revenue, profit/loss on disposal of assets, finance costs, tax expense, and profit or loss after taxation.

**C – Balance sheet**

1. The balance sheet must clearly give information about the following:
  - a) *Non-current assets*: Intangible assets for players, other intangible assets, tangible fixed assets, venture capital and long-term accounts receivable, investments.
  - b) *Current assets*: Inventories, accounts receivable from group entities and other related parties, accounts receivable from player transfers, other accounts receivable, securities, and cash and cash equivalents.
  - c) *Current liabilities*: Bank overdrafts and loans, accounts payable relating to player transfers, accounts payable to group entities and other related parties, accounts payable to employees, business and other liabilities, tax liabilities for the year, short-term provisions.
  - d) *Non-current liabilities*: Long-term bond, bank and other loans, other long-term liabilities, income tax liabilities, and long-term provisions.
  - e) *Net assets/liabilities*: The net assets/liabilities figure, being the aggregate of total assets less total liabilities, is used to determine whether or not the licence applicant is in breach of indicator 2 described in Article 52.
  - f) *Equity*: Share capital, treasure shares, issued share capital and reserves, special review account of players' values and other equities shall be specifically listed.
2. Further information regarding the preparation of the balance sheet is given below.
  - a) *General rule*: Individual items that amount to more than 20% of the total assets or liabilities shall be disclosed individually in the notes.
  - b) *Accounts receivables from player transfers*: Total receivables from player transfers are to be disclosed separately in the balance sheet. Player transfers are defined as sales or loans of players to third parties. Further information about accounting principles regarding player transfers and assessment of their value can be found in Section H here below.
  - c) *Capitalisation of the name*: In general the name of the licence applicant cannot be capitalised in the balance sheet. However, if the name and/or the logo of the licence applicant have been acquired from third parties, the amount paid may be capitalised as cost and written off on a straight-line basis over a maximum depreciation period of 20 years. The book value has to be reviewed annually for any value impairment.
  - d) *Accounts payables from player transfers*: Total payables from player transfers are to be disclosed separately in the balance sheet. Player transfers are defined as transfers or loans of players to third parties. Further information about accounting principles regarding player transfers and assessment of their value can be found in Section H.
  - e) *Other accrued expenses and prepaid income*: The following information needs to be disclosed separately in notes:
    - Performance bonuses to players and employees.
    - Profit-sharing agreements.
    - Related social security costs.
    - Severance and redundancy payments.

## D – Cash flow statement

1. The cash flow statement encompasses the same period of time as the profit and loss account (and comparatives for the previous financial period). The "cash and cash equivalent" serves as a basis for the cash flow statement. The term "cash" comprises *cash on hand*.
2. Cash equivalents are short-term, highly liquid monetary investments and are subject to an insignificant risk of changes in value. An investment (e.g., fixed-term deposit investment, etc.) is only a cash equivalent if it has a remaining maturity period of no more than three months. The structure of the cash flow statement must be based on the general classification of the following activities:
  - a) *Cash flow from operating activities:*  
This category includes all the principal revenue-producing activities of the entity and other activities that are not investing or financing activities. Therefore, they generally result from the transactions and other events that enter into the determination of net profit or loss, including changes in current assets and liabilities and paid taxes.
  - b) *Cash flow from investing activities:* This category includes acquisitions and disposals of long-term assets (including player registrations) and other investments not included in cash equivalents. The entity must report separately major classes of gross cash receipts and gross cash payments arising from investing activities.
  - c) *Cash flow from financing activities:* This category is about activities that results in changes in the size and composition of the contributed equity share capital and borrowings of the entity. The entity must report separately major classes of gross cash receipts and gross cash payments arising from financing activities.
  - d) *Other cash flows:* This category includes cash flows from interest and dividends received and paid that must each be disclosed separately. Each must be disclosed in a consistent manner from period to period as operating, investing or financing activities.  
Cash flows arising from taxes on income must be disclosed separately and classified as cash flows from operating activities unless they can be appropriately and specifically identified as financing and investing activities.
3. The components of cash and cash equivalents must be disclosed and a reconciliation of the amounts in the cash flow statement presented, with the equivalent items reported in the balance sheet.

## E – Notes to the financial statements

1. The notes form part of the annual financial statements and must be presented in a systematic manner according to the Act on annual financial statements in Iceland. Each item on the face of the balance sheet, profit and loss account and cash flow statement must be cross-referenced to any related information in the notes. If needed, additional items can be added into the notes. Individual sub-items that amount to more than 20% of total amount of the relevant item are to be disclosed separately in the notes.
2. The minimum requirements for disclosure in notes are as follows:
  - a) *Accounting policies*  
The basis of preparation of the financial statements and a summary of the significant accounting policies used.
  - b) *Estimates and judgments*  
Information shall be given on the valuation methods applied to the individual items in the annual accounts, including the methods employed in calculating value adjustments and depreciation relating to fixed assets. If the amounts of annual accounts are expressed in foreign currency on the accounting date the rate of exchange used shall be indicated.
  - c) *Changes in activities*  
If the composition of the business activities of a company changes during the financial year, information shall be provided on the change. If it is impossible to adjust figures in the annual accounts of a preceding year, this shall be adequately explained in the notes.
  - d) *Salary expenses*

Information shall be given on total salary expenses and the average number of persons employed during the financial year. Corresponding information shall be provided for the preceding financial year.

e) *Tangible fixed assets*

Each class of tangible fixed asset must be disclosed separately (e.g. property, stadium and equipment).

The following information must be disclosed for each class of tangible fixed asset:

- i) the gross carrying amount and the accumulated depreciation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
- ii) a reconciliation of the carrying amount at the beginning and the end of the period, showing additions, disposals, increases or decreases during the period resulting from revaluations, impairment losses recognised in the profit and loss account during the period (if any), impairment losses reversed in the profit and loss account during the period (if any) and depreciation.

The depreciation methods and useful lives (or depreciation rates) used must be disclosed in the accounting policy notes. The last real estate assessment value shall be specified. The same applies to the insurable value of tangible fixed assets.

f) *Intangible fixed assets*

Each class of intangible fixed asset must be disclosed separately (e.g. player registrations, goodwill, other intangible assets).

The following information must be disclosed for each class of intangible fixed asset:

- i) the gross carrying amount and the accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period; and
- ii) a reconciliation of the carrying amount at the beginning and the end of the period, showing additions, disposals, decreases during the period resulting from impairment losses recognised in the profit and loss account during the period (if any) and amortisation.

g) *Pledged assets and assets under reservation of title*

The existence and amounts of restrictions on title and property, stadium and equipment pledged as security for liabilities or guarantees, must be disclosed.

The existence and carrying amounts of intangible assets whose title is restricted and the carrying amount of intangible assets pledged as security for liabilities must be disclosed.

h) *Investments*

Investments must include investments in subsidiaries, jointly controlled entities and associates. In respect of investments in subsidiaries, jointly controlled entities and associates, the following information must be disclosed as a minimum for each investment:

- i) 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) description of the method used to account for the investments.

i) *Bank overdrafts and loans*

For each class of financial liability the following must be disclosed:

- i) information about the extent and nature of the financial instruments, including amounts and duration and any significant terms and conditions that may affect the amount, timing and certainty of future cash flows; and
- ii) the accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied.

Information shall be provided on the part of the amounts owed by the company becoming due and payable each year for the next five years from the end of the financial year and on the part of the amounts owed by the company becoming due and payable later.

j) *Provisions*

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

For each class of provision, the carrying amount at the beginning and end of the period, the amount utilised and any amount released, or credited, in the period must be disclosed.

k) *Issued capital and reserves*

Share capital, other reserves and retained earnings must be disclosed separately.

i) Share capital.

In relation to share capital issued during the current year the following must be disclosed:

- Number and type of shares issued;
- Share premium (if applicable) arising on the shares issued;
- Total amount raised as a result of the issuing of shares;
- Reason for the issuing of new shares.

ii) Other reserves.

Where items of property, stadium and equipment are stated at revalued amounts, the revaluation surplus, indicating the change for the period and any restrictions on the distribution of the balance to shareholders, must be disclosed.

iii) Retained earnings.

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

l) *Controlling party*

When the reporting entity is controlled by another party, the related party relationship and the name of that party must be disclosed and, if different, that of the ultimate controlling party. This information must be disclosed irrespective of whether any transactions have taken place between the controlling parties and the reporting entity.

m) *Related party transactions*

If there have been transactions between related parties during the periods covered by the financial statements, the reporting entity must disclose the nature of the related party relationship, as well as information about those transactions and outstanding balances, including commitments, necessary for an understanding of the potential effect of the relationship on the financial statements. Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the reporting entity.

As a minimum, disclosures must include for each related party:

i) The amount and the nature of the transactions;

ii) The amount of outstanding balances, including commitments, 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.

The disclosures required must be made separately for each of the following categories:

- the parent;
- entities with joint control or significant influence over the reporting entity;
- subsidiaries;
- associates;
- joint ventures in which the reporting entity is a venturer;
- key management personnel of the entity or its parent; and
- other related parties.

Confirmation that related party transactions were made on terms equivalent to those that prevail in arm's length transactions must be made if such terms can be substantiated.

n) *Contingent liabilities*

Unless the possibility of any outflow in settlement is remote, the reporting entity must 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.
- o) *Events after the balance sheet date*  
Material non-adjusting events after the balance sheet date must be disclosed (the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made). Examples of such events are:
- i) fixed-term borrowing approaching maturity without realistic prospects of renewal or repayment;
  - ii) substantial operating losses;
  - iii) discovery of material fraud or errors that show the financial statements are incorrect;
  - iv) management determining that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to so do;
  - v) player transactions where the amounts paid or received are significant;
  - vi) transactions relating to property – for example, in relation to the club’s stadium.
- p) *Other disclosures*
- i) Agents’ fees.  
The total amount of payments made to or for the benefit of an agent must be disclosed.
  - ii) Tax expense.  
The components of tax expense must be disclosed separately. That is, the aggregate amount included in the determination of net profit or loss for the reporting period in respect of current and/or deferred tax.
  - iii) Miscellaneous.

Any additional information or disclosure that is not presented on the face of the balance sheet, profit and loss account or cash flow statement, but is relevant to an understanding of any of those statements and/or is required to meet the minimum financial information requirements, must be disclosed.

## **F – Financial review by management**

1. The annual financial statements must include a financial review by management that describes the management’s evaluation of the annual financial statements. It must describe and explain the main features of the reporting entity’s financial position and performance during the financial year, and the principal risks and uncertainties that it faces. The annual financial statements must also include the names of the executive board members and of the members of the supervisory bodies of the reporting entity during the year. The club’s management shall sign the review and thereby show that it accredits the club’s annual financial statements.
2. The club’s executive body must also provide a duly signed statement on the annual financial statements being prepared according to Icelandic accounting principles, so that it clearly approves them and describes the running, financial position of the club and any change in its cash on hand, and that sufficient information is included in the notes. A statement shall also follow about the club’s financial status not having changed significantly from the start of the year to the signing.

## **G – Future financial information**

Future financial information shall be made on the same basis as the annual financial statements. KSÍ provides templates with the minimum requirements for the disclosure of the future financial information, and these must be used by the license applicant.

## **H – Accounting requirements for player registrations**

These regulations include specific accounting requirements for player registrations carried as intangible fixed assets as set out in articles 48 and 52.

1. Paid costs for acquiring a player's registration must be capitalized separately in the balance sheet as intangible fixed assets written off on a straight-line basis over the contract period taking into account the estimated value of a player (coefficient), according to the following:
  - a) The total value of players according to the estimate shall be capitalized as intangible asset under non-current assets. Review of player's value is listed on a special review account under equity (not on the profit and loss account).
  - b) If a club buys a player for a higher price than the coefficient states, the player shall be assessed on the buying price and the difference between the buying price and the coefficient shall be written off on a straight-line basis over the contract period of the player (that depreciation shall be listed in the profit and loss account).
  - c) If the club sells a player for a higher price than the coefficient states (or higher than the carrying amount), the difference shall be shown as profit in income statement during the year of the sale.
  - d) All capitalized player values must be reviewed annually (value impairment). If the recoverable value for a player is lower than the carrying value on the balance sheet this value must be adjusted. However, if this value impairment relates to the review of transfer coefficient values (as defined in the *KSÍ Regulations on Transfer of Players, Player Contracts, and Status of Players and Clubs*), then it is not to be shown on the profit and loss account.
2. Contract players brought up through the club's youth system must be capitalized using their value according to the coefficient system with annual value impairment relating to the review of the transfer coefficient values. The value impairment is not to be shown on the profit and loss account.
3. Evidence to support the carrying amount for capitalized players must be available for review and audit annually, establishing a correlation between the carrying amount and the actual or estimated recoverable amount. In the event of injury, depleted performance etc., the value must be reconsidered and, if necessary, adjusted accordingly. The carrying amount is the amount at which an asset is recognized in the balance sheet after deduction of any accumulated depreciation and any accumulated impairment losses.

## **I – Player identification table**

1. Licence applicants must prepare a player identification table, which must be provided to the independent auditor in charge of auditing the annual financial statements of the licence applicant.
2. The player identification table must contain information about all those players whose registration has been held by the licence applicant at any time during the period, and in respect of whom some direct acquisition cost has been incurred (at some point in time in the period or prior periods). Players playing for the licence applicant but hired from others, as well as players lent to others, must be listed separately in the player identification table. The contractual partners and the annual rental fee have to be disclosed.
3. The minimum information for the content of the player identification table in respect of each relevant player's registration held up to December 31 preceding the licence season must be as follows, as a minimum:
  - 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) value of player according to the coefficient system at the start of the period and at the end of the period;

- i) net book value (carrying amount); and
  - j) profit/(loss) from disposal of player's registration
4. 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 with/be reconciled to the 'Amortisation of player registrations' (disclosed on the face of, or in a note to, the profit and loss account for the period);
  - b) The aggregate of impairment provisions made in the current period as shown in the player identification table must agree with/be reconciled to the 'Impairment of player registrations' (disclosed on the face of, or in a note to, the profit and loss account for the period);
  - c) The aggregate of profit/(loss) on disposal of player registrations in the player identification table must agree with/be reconciled to the 'Profit/(loss) from disposal of player registrations' (disclosed on the face of, or in a note to, the profit and loss account for the period);
  - d) Results of the review of the estimated value of a player which is only based on the coefficient system shall not be shown in the profit and loss account.
  - e) The aggregate of the net book value of player registrations in the player identification table must agree with/be reconciled to the figure for 'Intangible assets – players' in the balance sheet (on the face or in the notes thereto) for the period end. Reviewed values of players based on the coefficient system shall be treated in line with Part H of this Annex.
5. For licence applicants who have restated player accounting figures to meet the accounting requirements of these regulations, these aggregate figures from the player identification table must agree with / be reconciled to the restated figures in the supplementary information.
6. KSÍ provides a template for the Player Identification Table which must be used by the license applicant.

## **J – Management's statement letter**

1. The following letter is illustrative for the management's statement letter on the annual financial statements.

---

(Letterhead)  
***(The Football Club Balls)***

Reykjavík, February 15<sup>th</sup> 201Y

Signature Ltd., auditors,  
Footballground 11,  
145 Ballwick.

This letter is written because of your auditing of the annual financial statements of the Football Club Balls for the year 201X, which shows the results of the profit and loss account to be ISK \_\_\_\_\_, total assets ISK \_\_\_\_\_, and equity ISK \_\_\_\_\_, and work according to agreed-upon procedures.

We confirm that the following statements are true to the best of our knowledge:

- We realize that management is responsible for making the annual financial statements and the financial review. We believe that the annual financial statements are in accordance with international auditing standards and the relevant Icelandic legislation and that satisfactory information is included in the notes. We also believe that the annual financial statements give

a clear view of the running and financial position of the club, and any change in its cash on hand.

- The financial review by the management contains all the information that it is required to contain, according to law. It also gives further information to evaluate the profit and financial status of the year.
- We confirm that we are responsible for the design and implementation of the internal inspection to prevent and detect fraud.
- We have not come across any significant items that could indicate fraud or arouse suspicion of fraud that could be related to (i) management; (ii) employees that work on important issues that have a bearing on internal inspection; or (iii) other parties, that could have a significant impact upon the annual financial statements.
- The annual financial statements contain no substantial misstatements.
- We have granted access to all of our accounting documents and other supplementary documents and written records of board meetings.
- The Football Club Balls has enforced all important issues in the contract that could have a significant impact upon the annual financial statements in case of breach of contract.
- All assets of the Football Club Balls are included in its balance sheet. All the properties exist and belong to the club. The properties have been evaluated in a reliable manner and sufficient depreciation has been recorded and the risk associated with the property taken into account.
- No encumbrance or hypothecation is on the properties other than those reported in the annual financial statements.
- All accrued and conditional liabilities and undertakings are stated in the annual financial statements. These liabilities are all evaluated in an acknowledged way.
- There are no damage claims, litigation, tax claims or other claims such as pension claims, leases or other financial obligations other than those stated in the annual financial statements that could significantly impact the financial status of the club.
- Football Club Balls has no plan of action that can significantly change the way its properties and liabilities are evaluated or categorised in the annual financial statements.
- The club has insurances that are thought to be adequate to cover possible losses the club might incur.
- All transactions that have taken place in the course of the year have been due to normal business reasons.
- Since the beginning of this year no information or incident has surfaced that could change considerably the results or the evaluation stated in the financial review by management or the annual financial statements.
- Finally, further reports, tables and information have been made in full unison with the requirements to such documents in the *KSI Club Licensing Regulations*.

***The Football Club Balls***

President (signature)

Treasurer (signature)

Managing director (signature)

**Annex VII: Notion of “Overdue Payables”**

1. Payables are considered as overdue if they are not settled according to the agreed terms.
2. For the purpose of the KSI Club Licensing System, payables, as defined in Articles 49 and 50, are not considered as overdue if the licence applicant (i.e. debtor club) is able to prove that:
  - a) by 15 February it has fully settled, i.e. paid in full, all payables which were due by 31 December, and that by 1 April it has fully settled, i.e. paid in full, all payables that were due by 31 March, based on commitments existing on 31 December, rolled forward from that date (Articles 49 and 50); or
  - b) it has concluded a written agreement with the creditor to extend the deadline of the payment beyond March 31 (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
  - c) legal claims or proceedings have been launched and deemed admissible by the competent authority, according to “*KSI Regulations on Transfer of Players, Player Contracts, and Status of Players and Clubs*” or under national law, or the dispute has been directed to a court of arbitration according to Act no. 53 from 1989 on agreement-based arbitration, or proceedings have been opened with an international body, such as UEFA or FIFA, or the Court of Arbitration for Sport in Lausanne, contesting liability in relation to the overdue payables; However, if the decision-making bodies of the licensor consider that such legal claims or proceedings have been launched by the licence applicant with the sole purpose of avoiding the applicable deadlines set out in these regulations (i.e. in order to ‘buy time’), the relevant amount will still be considered as an overdue payable; or
  - d) it has contested a claim which has been brought or proceedings which have been opened against it by a creditor in respect of overdue payables and is able to demonstrate to the reasonable satisfaction of the relevant decision-making bodies of the licensor that the claim which has been brought or the proceedings that have been opened are manifestly unfounded.

## **Annex VIII: Licensor's Assessment Procedures for the Financial Criteria and Requirements**

### **A – Principle**

1. The assessment processes to check compliance with the financial criteria set out in Article 10 refer to specific assessment steps that must be followed by the licensor as set out below.

### **B – Assessment of the auditor's report on the annual financial statements**

1. In respect of the annual financial statements, the licensor must perform the following minimum assessment procedures:
  - a) Assess whether the selected reporting entity/entities is appropriate for club licensing purposes.
  - b) Assess the submitted information (annual financial statements that may also include supplementary information) to form the basis for the licensing decision.
  - c) Read and consider the annual financial statements and the auditor's report thereon.
  - d) Address 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 according to Par. 2 below.
2. Having read the auditor's report on the annual financial statements, the licensor must assess it according to the following items:
  - a) If the auditor's report has an unqualified opinion, without any modification, this provides a satisfactory basis for granting the relevant level of licence.
  - b) If the auditor's report has a disclaimer of opinion or an adverse opinion, the relevant level of licence must be refused, unless a subsequent audit opinion without disclaimer of opinion or adverse opinion is provided (in relation to another set of annual financial statements for the same financial year that meet the minimum requirements) and the licensor is satisfied with the subsequent audit opinion.
  - c) If the auditor's report has, in respect of *going concern*, either an emphasis of matter or a qualified 'except for' opinion, the licensor must refuse to grant the relevant level of licence, 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 licence season has been provided to, and assessed by, the licensor to its satisfaction. The additional documentary evidence includes, but is not necessarily limited to, the information described in Article 52 (future financial information).
  - d) 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 relevant level of 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.
3. If the licence applicant provides supplementary information, the licensor must additionally assess the auditor's report on the agreed-upon procedures in respect of the supplementary information. If the report includes reference to errors and/or exceptions found, the relevant level of licence may be refused.

### **C – Assessment of overdue payables towards other clubs**

1. Assessment of overdue payables towards other clubs shall be assessed by the auditor who carried out the audit of the annual financial statements by way of agreed upon procedures. The

- contents of the transfer payables and transfer receivables tables shall also be confirmed by the auditor. As a minimum, the following steps must be performed by the auditor:
- a) Agreeing the total in the transfer payables table with the 'Accounts payable relating to player transfers' amount in the annual financial statements as at 31 December.
  - b) Checking the arithmetical accuracy of the transfer payables and receivables tables.
  - c) Selecting a sample of player transfers/loans, comparing the corresponding agreements with the information contained in the transfer payables table and highlighting the selected transfers/loans.
  - d) Selecting a sample of transfer payments, comparing them with the information contained in the transfer payables and receivables tables and highlighting the selected payments.
  - e) If, according to the transfer payables table, there is an amount due as at 31 March, that concerns a transfer that occurred before 31 December of the previous year, examining that by 31 March at the latest:
    - i) an agreement has been reached as per Annex VII (2b); or
    - ii) a dispute has arisen as per Annex VII (2c or d).
  - f) If applicable; obtaining and examining documents, including agreements with the relevant football club(s) and/or correspondence with the competent body, in the support of e (i) and/or e (ii) above.
2. The licensor, as part of its assessment, must read the information in respect of payables towards other clubs and also review the auditor's report thereon and, in particular, verify that the sample selected by the auditor is satisfactory, and it may carry out any additional assessment it believes necessary, i.e. extend the sample and/or request additional documentary evidence from the licence applicant.
3. The relevant level of licence must be refused:
- a) If the information in respect of payables towards other clubs is not submitted to KSÍ within the defined deadline.
  - b) If the licence applicant submits in due time information that does not meet the minimum disclosure requirements.
  - c) If, as at 31 March preceding the licence season, the licence applicant has overdue payables towards other clubs that refer to transfer activities that occurred prior to the previous 31 December.

#### **D – Assessment of overdue payables towards employees and social/tax authorities**

1. The independent auditor of the club's annual financial statements shall carry out the assessment procedures in respect of the payables towards employees and social/tax authorities. This work shall be performed according to agreed upon procedures.
2. The assessment of overdue payables towards employees must include the following steps:
  - a) Obtaining the list of employees prepared by management.
  - b) Agreeing the total payable in the list of employees with the 'Accounts payable to employees' amount in the annual financial statements as at 31 December.
  - c) Obtaining and inspecting at least a randomly selected sample of employee confirmation letters and comparing the information to that contained in the list of employees.
  - d) If, according to the licensor, there is an amount due as at 31 March that refers to payables in respect of contractual and legal obligations towards its employees that arose before the previous 31 December, examining that, by 31 March at the latest:
    - i) an agreement has been reached as per Annex VII (2b); or
    - ii) a dispute has arisen as per Annex VII (2c or d).
  - e) Examination of a selection of bank statements in support of payments.
  - f) If applicable: examination of documents, including agreements with the relevant employee(s) and/or correspondence with the competent body, in support of the representations under d (i) and/or d (ii) above.
3. All supporting documents in respect of payables to social and tax authorities in respect of contractual and legal obligations towards the licence applicant's employees must be examined by the auditor. The assessment must include the following steps:

- a) Agreeing the recorded balance of payroll taxes as at 31 December to the payroll records of the club.
  - b) If there is an amount due as at 31 March that arose before the previous 31 December, examining that, by 31 March at the latest:
    - i) an agreement has been reached as per Annex VII (2b); or
    - ii) a dispute has arisen as per Annex VII (2c or d).
  - c) If applicable: examination of documents, including agreements with the tax/social authorities and/or correspondence with the competent body, in support of the representations under b (i) and/or b (ii) above.
4. The licensor must, as part of its assessment, read the information in respect of overdue payables towards employees and social/tax authorities, and also review the auditor's report thereon and, in particular, verify that the sample selected by the auditor is satisfactory, and it may carry out any additional assessment it believes necessary, i.e. extend the sample and/or request additional documentary evidence from the licence applicant.
5. The relevant level of licence must be refused:
- a) If the information in respect of payables towards employees and social/ tax authorities is not submitted to KSÍ within the defined deadline.
  - b) If the licence applicant submits in due time information that does not meet the minimum disclosure requirements.
  - c) If, as at 31 March preceding the licence season, the licence applicant has overdue payables towards its employees or social/tax authorities as a result of contractual and legal obligations towards its employees that arose prior to the previous 31 December.

#### **E – Assessment of the written representation letter**

- 1 In respect of the written representations submitted by the licence applicant, the licensor will carry out the minimum assessment procedures. The licensor will evaluate if any events or conditions of major economic importance may have occurred that might warrant a need for further evaluation. If so, it may request the auditor selected by the licence applicant to audit the preceding annual financial statement to carry out further assessment procedures to evaluate the situation and give an opinion on the status.
- 2 The licensor must read and evaluate the information in respect of any event or condition of major economic importance, in connection with the latest annual financial statements, future financial information and any additional documentary evidence provided by the licence applicant.
- 3 The relevant level of licence must be refused:
  - a) If the management representations letter is not submitted to KSÍ within the defined deadline.
  - b) If it is the opinion of the licensor, based on the financial information assessed, that the applicant may not be able to continue as a going concern until at least the end of the licence season.

#### **F – Assessment of the future financial information**

1. In respect of the future financial information, the licensor must assess whether or not an indicator as defined in Article 52 has been breached. If any indicator has been breached, the licensor must assess the future financial information as defined in Par. 2 below.
2. Generally, the licensor will perform any reasonable assessment procedures it believes are appropriate. 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; these minimum 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, determine 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; and
  - d) Check that the future financial information has been formally approved by the executive body of the licence applicant.
2. The licensor must assess the club's ability to continue as a going concern until at least the end of the licence season; i.e. the relevant level of licence must be refused if, based on the financial information that the licensor has assessed, in its judgement, the licence applicant may not be able to continue as a going concern until at least the end of the licence season.