

**IN THE MATTER OF THE EFL FINANCIAL REGULATIONS  
IN THE MATTER OF A REFERRAL OF A COMPLIANCE MATTER TO THE CFRP  
AND IN THE MATTER OF WEST BROMWICH ALBION FC**

Before:

Christopher Quinlan KC (CFRP Chair)  
Jonathan Bellamy (CFRP Vice-Chair)  
Dan Jones  
Nick Igoe

**BETWEEN:**

**THE FOOTBALL LEAGUE LIMITED**

and

**WEST BROMWICH ALBION FC LIMITED**

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**DECISION**

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**THE INDEPENDENT EXPERTS**

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ENABLING FAIR PLAY

## **I: THE OPERATIVE DECISION**

1. Following an expedited pre-hearing procedure, the hearing of this matter was conducted on 22 and 23 April 2026. Given the interests of the parties and the wider league, including the potential impact of the Decision at that time on relegation for a number of clubs, an Operative Decision was promulgated on 24 April 2026. That Operative Decision was in these terms:

*“For reasons which will follow in writing in due course, the Club Financial Review Panel (the “CFRP”) has determined that:*

1. *West Bromwich Albion FC exceeded the permitted Upper Loss Threshold of £39million for the three Accounting Reference Periods ending 30 June 2025 and has thereby breached the requirements set out in the Financial Regulations.*
2. *The appropriate sanction is a deduction of 2 points which will take effect immediately on the date of this operative decision.*

*The CFRP directs that The Football League Ltd must publish this decision on its website (www.efl.com) at or before 15.00 today, 24 April 2026.”*

2. This Decision sets out the Panel’s written reasons.

## **II: THE PARTIES**

3. The Football League Limited, trading as the English Football League (“**EFL**”), is responsible for administering and regulating the English Football League.
4. The EFL’s Financial Fair Play Rules are contained in Appendix 5 to its 2025/26 Regulations (the “**2025/26 Regulations**”). Part 1 of the Financial Fair Play Rules contains The Championship Profitability and Sustainability Rules (“**P&S Rules**”) central to this case.



5. The EFL delegates the authority to exercise its rights and powers in respect of the Financial Fair Play Regulations applicable to Member Clubs to the Club Financial Reporting Unit (“**CFRU**”). The CFRU is an internal department of the EFL.
6. West Bromwich Albion Football Club Limited (the “**Club**”) is a Member Club of the EFL and in the 2025/26 season played in the Championship division of the EFL competition.
7. The Club is a wholly owned subsidiary of West Bromwich Albion Group Limited (“**Group**”). Group, rather than the Club, is deemed to be the reporting entity for the purposes of the P&S Rules issued under the EFL Regulations. Notwithstanding this group structure and except where the context requires otherwise, we refer to the respondent throughout this Decision as the ‘Club’.
8. On 28 February 2024, Mr Shilen Patel and his father Dr Kiran Patel acquired an 87.8% majority shareholding of Group, and thereby the Club, through their wholly owned US registered company, Bilkul Football WBA LLC (“**Bilkul**”).

### **III: THE CFRP**

9. The Club Financial Review Panel (“**CFRP**”) is an independent panel constituted in accordance with the 2025/26 Regulations, Appendix 6 (“**Appendix 6**”). It comprises two legally qualified and experienced members (Chair and Vice Chair respectively), two accountancy and audit qualified members and two football administration experienced members.
10. The jurisdiction of the CFRP includes the referral by the CFRU of Compliance Matters, Call-In Reviews initiated by the CFRP and the referral by Clubs of CFRU Decision Reviews<sup>1</sup>. This is a Compliance Matter referred to the CFRP by the CFRU.

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<sup>1</sup> Appendix 6, §3.1.



11. The panel hearing this matter comprised Christopher Quinlan KC (Chair of the CFRP), Jonathan Bellamy (Vice-Chair of the CFRP), Dan Jones (Audit Member) and Nick Igoe (Football Member)<sup>2</sup> (the “**Panel**”). Each was appointed by the CFRP Chair on 9 April 2026.
12. The CFRP sits as an expert panel and not as an arbitral panel or an Applicable Tribunal<sup>3</sup>.

#### **IV: REFERRAL OF A COMPLIANCE MATTER**

13. The CFRU is responsible for referring Compliance Matters to the CFRP<sup>4</sup>. When referring a Compliance Matter to the CFRP, the CFRU is required to submit a report to the CFRP Chair, and the Club concerned, which includes the following as a minimum requirement:
  - a. the CFRU’s results of its review and questions it has put to the Club;
  - b. the Club’s responses to any questions raised by the CFRU; and
  - c. the CFRU’s recommendation<sup>5</sup>.
14. The CFRU sent the Compliance Report and exhibits (the “**Report**”<sup>6</sup>) to the Club on 25 March 2026 and it was sent to the CFRP Chair on 26 March 2026.
15. Thereafter, the Club confirmed that it did not agree with the Report and the recommendations therein. On 8 April 2026 the Club provided the CFRU and the CFRP with its written observations dated 8 April 2026, together with supporting

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<sup>2</sup> Mr Igoe is also a chartered accountant with considerable experience of football finance.

<sup>3</sup> Ibid., §7.3.

<sup>4</sup> Ibid., §4.1.

<sup>5</sup> Ibid., §4.2.

<sup>6</sup> CFRU/A1.



documentation (the “**Response**”<sup>7</sup>). As is its right, the Club also requested a hearing<sup>8</sup>.

## **V: THE COMPLIANCE REPORT**

16. The P&S Rules require clubs to ensure that their Adjusted Earnings Before Tax (“**AEBT**”) across the most recent three accounting reference periods do not exceed the applicable Upper Loss Threshold (“**ULT**”), referred to in the 2025/26 Regulations as the Loss Limit Requirement. In the case of the Club, the ULT for the Accounting Reference Periods 2022/23, 2023/24 and 2024/25 (the “**Relevant Period**”) was £39 million.
17. The Report set out the CFRU’s assessment of the Club’s alleged breaches of the P&S Rules for the Relevant Period. The CFRU considered that the Club exceeded the permitted ULT by a total of £2,055,954. It arrived at that figure by making two adjustments to the Club’s calculation of its AEBT in the Relevant Period, namely a loss of £33,727,070 (£5,272,930 below the ULT). The effect of the two adjustments was to produce a revised loss of £41,055,954 (i.e. £2,055,954 above the ULT).
18. In the Report the adjustments were as follows:
  - a. **Adjustment 1** - an adjustment of £5,207,267 in relation to interest expense recharges to an Associated Party in the respect of the Accounting Reference Periods ending 30 June 2024 and 30 June 2025;
  - b. **Adjustment 2** - an adjustment of £2,121,617 in relation to the Community Development Expenditure (“**CDE**”) addbacks claimed by the Club in the Relevant Period.

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<sup>7</sup> WBA/A1 and exhibits WBA/B1-19.

<sup>8</sup> Ibid., §4.6.



19. At the start of the hearing on 22 April 2026, Counsel for the EFL confirmed the CFRU did not dispute £86,061 of £150,807 identified as actual costs incurred in the period covered by the P&S Calculation. That had the effect of reducing Adjustment 2 to £2,035,556 and producing a revised loss of £40,969,893. Therefore, on the CFRU's revised case, the Club exceeded the ULT by £1,969,893.

## **VI: PROCEDURAL HISTORY**

20. In view of the date the Chair received the Report and the proximity to the end of the 2025/26 playing season, the CFRP has dealt with this matter on an expedited basis. On 1 April 2026 the CFRP Chair issued the following ruling:

*"I have read and considered the relevant correspondence, as well as the Compliance Report (the 'Report'). At this stage, the following requires my determination.*

### **Meaning of 'Days'**

*The relevant procedural regulations are EFL Regulations 2025/26 (the 'Regulations'). They are agreed and voted upon by the member clubs. There is no definition of 'day' in the Definition section of Regulations nor in Appendix 6 thereto ('Appendix 6'). Some assistance is to be found in Regulations, Section 1, General, Definitions ('General Definitions') which provides as follows:*

*'Normal Working Day' means a day (other than a Saturday, a Sunday or a Bank or Public Holiday) on which The League's office is open for normal business.*

*Paragraph 1.3 states:*

*Wherever in these Regulations the computation of time is involved, Sunday is to be reckoned as a day save in respect of the definition of and use of the defined term 'Normal Working Day'.*



*The EFL elected not to use the defined term 'Normal Working Day' in the relevant paragraphs in Appendix 6. Therefore, the word 'day' in Appendix 6 must be interpreted in accordance with paragraph 1.3 of the General Definitions. For the purpose of computing time, 'days' includes Sundays and, by parity of reasoning, days which would otherwise not be days on which the League's office is open for normal business, including Bank Holidays.*

**Scope of Appendix 6, paragraph 7.6**

*Appendix 6, Section 7 is entitled "Hearings". The provisions set out in Appendix 6, section 7 concern matters relating to the timing of, procedure at and the management of hearings.*

*The starting point is paragraph 7.1 which is mandatory in its terms:*

*"Any hearing **must** take place within 28 days of the Chair receiving the Report or the CFRU Decision Review Report" [emphasis added]*

*Paragraph 7.6 states:*

*The Chair will have overall control of the conduct of the hearing and shall decide all procedural matters and will not be bound by any judicial or evidential rules in relation to such matters.*

*That paragraph grants the Chair:*

- *Overall control of the **conduct of the hearing** [emphasis added].*
- *Power to decide all procedural matters...**in relation to such matters** [emphasis added]. In doing so the Chair is not bound any judicial or evidential rules.*

*The power to control is specific: it relates to the conduct of the hearing. It is not a more general power to, for example, control the conduct of the proceedings. Further, the power to decide procedural matters expressly follows (in that sentence), and relates to, controlling "the*



*conduct of the hearing". It is not a more general and wide ranging procedural power. The powers in paragraph 7.6 must be exercised within the procedural framework and timeframe provided by Appendix 6, paragraphs 4.1-4.6 and paragraph 7.1. The latter mandates a hearing within 28 days of the CFRP Chair receiving the Report.*

*It follows that I do not agree with the interpretation of this provision advanced by Mishcon de Reya. For the reasons set out, the provision does not grant me (as Chair) what it describes as a "broad and unqualified grant of procedural authority".*

### **Decision**

*By operation of the relevant provisions in Appendix 6 and in line with my interpretation above, the position is as follow:*

- 1. Within 14 days of receiving the Report, WBA FC must confirm whether it agrees with the Report and any recommendations contained therein or not. The Report was sent to WBA FC on 25 March 2026. Therefore, the fourteenth day is 8 April 2026 (Appendix 6, Paragraph 4.3).*
- 2. If WBA FC does not agree with the Report, it must, within the same time period as (1) above, comply with Appendix 6, paragraphs 4.4 and 4.6.*
- 3. Appendix 6, paragraph 7.1 - any hearing of this matter must take place (or certainly must start) within 28 days of the CFRP Chair receiving the Report. The Report was sent to me on 26 March 2026. Therefore, the twenty-eighth day is 23 April 2026.*

*Once WBA FC has complied with Appendix 6, paragraphs 4.3 and 4.4 I shall address the following:*

- 1. The date of any such hearing of this matter, but it must be, or certainly must start, on or before 23 April 2026.*



*2. Appointment of those who will hear the matter.”*

21. The primary effect of that ruling was to decline the Club’s application for the hearing of this matter to take place after the end of the 2025/26 season, namely during the week commencing 11 May 2026.
22. On 13 April 2026 the CFRP Chair issued the following directions:
  - a. The hearing will be listed for two days with a third in reserve
  - b. The first two days will be 22 and 23 April 2026, with 24 April 2026 in reserve.
  - c. Any reply from the CFRU must be served no later than 16.00 on 15 April 2026.
  - d. Skeleton Arguments must be filed and exchanged no later than 09.00 on 20 April 2026.
23. The CFRU elected not to serve a reply.
24. On 15 April 2026, in exercise of his sole discretion and for reasons he gave, the CFRP Chair declined to order an in-person hearing and directed that the matter proceed by way of a remote hearing<sup>9</sup>.

## **VII: THE PARTIES’ CONTENTIONS**

### **EFL**

#### **Adjustment 1**

25. The central thread of the EFL’s submissions was that the Panel should look at the transactions and events that happened and should dismiss submissions based on theoretical or alternative transactions.

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<sup>9</sup> Ibid., §7.6.

26. The EFL submitted that Group<sup>10</sup> was and remained liable for interest payments due under a Term Loan Agreement dated 21 December 2022 (“the Term Loan Agreement”) until at least 30 June 2025. The Term Loan Agreement was not novated to Bilkul.
27. It submitted the reference in the Share Charge and Receivable Assignment Agreement dated 28 February 2024 (“the **2024 Share Charge Agreement**”) to Bilkul as “*primary obligor*” did not and does not affect Group’s continuing liabilities under the Term Loan Agreement.
28. It was submitted that Group discharged those interest payment obligations from its general funds as they fell due on and for its own account and not on behalf of Bilkul. These funds were a mixture of funds received from Mr Patel and Dr Patel, primarily but not invariably via Bilkul, under the Secure Funding Agreement and from its commercial activities.
29. It was further submitted that, as at 30 June 2025, Bilkul had no liability in respect of interest payments under the 2024 Share Charge Agreement because Group had paid them.
30. It was common ground between the parties that Group and Bilkul were Associated Parties under the P&S Rules and were to be treated as a single entity for the purposes of the Club’s P&S calculation. It was therefore for the EFL to determine under paragraph 2.6 of the P&S Rules whether the consideration for the interest expense recharge evidenced by the invoices issued in September 2025, being an Associated Party Transaction, included in the P&S calculation was recorded at Fair Market Value (“**FMV**”).

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<sup>10</sup> Group, rather than the Club was the named borrower, in the Term Loan Agreement.



31. It was submitted that the FMV of the recharge represented by the invoices was nil, being a gratuitous transfer of value in the sum of £5,207,267, to which no arm's length party would agree.
32. The EFL submitted that the interest expense recharge was an illegitimate attempt to re-write the history of events that had occurred and to attribute for the purpose of the Club's P&S calculation a credit (or "*forgiveness*") of £5,207,267 by way of income to Bilkul's shareholder loan account in Group.
33. The EFL submitted that the Club's losses were understated by £5,207,267 in the P&S calculation and should be adjusted accordingly.

### Adjustment 2

34. Adjustment 2 concerns a sum now of £2,035,556 by which the CFRU stated that the Club incorrectly reduced its reported AEBT losses on the grounds that it constituted CDE.
35. Certain types of costs may be excluded from the Earnings Before Tax ("**EBT**") figures that a club would otherwise have to include. CDE is a type of cost that may be excluded. It is defined in P&S Rule 1.1.7 as including:

*"(a) net expenditure by a Club directly attributable to activities... for the public benefit to promote participation in sport and advance social development; and*

*(b) donations made by the Club (i) to United Kingdom charities in a form recognised by such charities..."*

36. The P&S Rules<sup>11</sup> provide that CDE shall only be excluded from the calculation of AEBT for an Accounting Reference Period if separately disclosed either "*by way of notes to the Annual Accounts*" or "*by way of supplementary information*"

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<sup>11</sup> §1.1.3.

*which [...] reconciles to the Annual Accounts*". The 2025/26 P&S Rules<sup>12</sup> governing the 2025 P&S calculation provide explicitly that the costs must be "*recognised in [the relevant] Accounting Reference Period*".

37. The sum of £2,035,556 excluded in the P&S calculation was a notional sum calculated by the Club by reference to prices it says it would have sought to charge for the services concerned if they had not been provided free as benefits in kind to The Albion Foundation. Therefore, the CFRU submitted that it did not constitute actual "costs" or "expenditure" of the Club. The Club's case was that it was an "opportunity cost", in that it represented value voluntarily given up in providing services for free.
38. The CFRU rejected the Club's contention that Adjustment 2 amounted to an attempt to revisit its previous decision in relation to the 2023/24 P&S Calculation when, in information submitted in respect of that calculation, the Club had calculated a CDE adjustment in the same way.
39. Initially, the CFRU did not accept the Club's alternative calculation of £150,807 said to be costs attributable to the provision of services falling within the definition of CDE. It submitted that those costs had not been identified in the Annual Accounts and there was insufficient evidence to support them. As set out above, on the morning of 22 April 2026 the CFRU accepted £86,061 of the said £150,807.

#### Effective Interest Rate Method

40. In addition to the adjustments, the Club submitted that the P&S calculations should be adjusted in its favour by £255,699 by reason of what it claims was the incompatibility between the P&S Rules and the Effective Interest Rate ("EIR")

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<sup>12</sup> See §80-§93.

Method adopted by its auditors to the recognition and amortisation of player acquisition costs in its Accounts.

41. The CFRU did not accept the Club's submission that the EIR Method was incompatible with the P&S Rules, and that there should be any further adjustment of the P&S Calculation for the three years to 30 June 2025.

### Sanction

42. If the CFRP concluded that the ULT has been exceeded, the EFL's submissions in respect of a sanction were:
  - a. a sporting sanction is in principle appropriate;
  - b. that sanction should be imposed in accordance with the EFL P&S - Sanctioning Guidelines dated 17 September 2018 (the "**Sanctioning Guidelines**").
43. The key features of the Sanctioning Guidelines in the present case are as follows:
  - a. in the case of a loss less than £2 million over the ULT, the deduction is three (3) points.
  - b. that sanction will be reduced by one (1) or two (2) points in the event of a positive financial trend during the Relevant Period: if the loss has reduced across all three Accounting Reference Periods, the sanction is reduced by two (2) points; if the loss has reduced across the second and third Accounting Reference Periods, the sanction is reduced by one (1) point.
44. On this basis, from a points deduction of three (3) points, it is appropriate to make a reduction of one (1) point to reflect the fact that the Club's losses in 2024/25 were lower than its losses in 2023/24;



45. The Sanctioning Guidelines refer to a deduction of points commencing “*in the season following the breach*” and give as an example “*2018/19 for the 3 season period ending in 2018*”. In this matter, the breach relates to the three years 2022/23, 2023/24 and 2024/25, and the Sanctioning Guidelines therefore indicate that the appropriate point at which to deduct points as a result of a breach is in the 2025/26 season.
46. There is no reason in principle why the Decision in this case cannot be issued before 2 May 2026, the end of the 2025/26 season.

## **The Club**

### Generally

47. The Club’s primary position was that the CFRU’s conclusions in the Report were wrong in law and in fact, for the reasons set out in its solicitors’ letter of 20 March 2026 (the “**20 March Letter**”) and the Response. Therefore, it contended that neither Adjustment 1 nor Adjustment 2 should have been made to its 2024/25 P&S Calculation and the Club did not exceed the ULT for the Relevant Period.
48. A constant theme through the Club’s submissions was the assertion that the new ownership had, since its acquisition of the Club in February 2024, been in continuous dialogue with the EFL and has prioritised compliance with the P&S Rules over success on the pitch. It submitted that all material decisions for P&S purposes were taken openly and with the CRFU’s knowledge.
49. The Club submitted that the Regulations that apply to the Club’s 2024/25 P&S Calculation, as a matter of substance, were the 2024/25 Regulations. It submitted that the 2025/26 Regulations are relevant to procedural matters only. It submitted that there are material differences between the 2024/25 Regulations and the 2025/26 Regulations in respect of:



- a. The relevant sections of the Regulations. For example, the Report refers to Annex 2 of the P&S Rules throughout, whereas the relevant annex of the 2024/25 Regulations is Annex 3; and
- b. The relevant definitions used in the Report. In particular: under the 2024/25 Regulations, the definition of Adjusted Earnings Before Tax allows "*costs (or estimated costs as the case may be)*" to be excluded. However, the 2025/26 Regulations inserted the following wording, highlighted in bold: "*costs **recognised in such Accounting Reference Period** (or estimated costs as the case may be)*".

Adjustment 1.<sup>13</sup>

50. The central point of the Club's submissions was that, as a part of the transaction to acquire Group, and therefore the Club, on 28 February 2024, Bilkul was liable under the 2024 Share Charge Agreement for interest payments due under the Term Loan Agreement.
51. The Club submitted that the EFL's case was based on the premise that liability to pay interest to the Lender was on Group alone and was not on Bilkul and that that premise was incorrect because it conflated legal concepts of liability and enforceability in respect of Bilkul's position under the 2024 Share Charge Agreement.
52. The Club accepted that Group was at all material times liable for interest payments to the Lender under the Term Loan Agreement and there was no novation of those obligations to Bilkul but nonetheless submitted that "*Bilkul assumed obligations in respect of the Secured Liabilities (including interest) by virtue of the February 2024 Share Charge Agreement and Consent Letter*".

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<sup>13</sup> For example, Response, §7b.

53. The Club denied that the effect of the interest expense recharge was to convert owner funding into income. It submitted that this exercise “*records the economic reality*” that, during the period from acquisition to 30 June 2025, Bilkul, and not Group, bore the cost of interest payments to the Lender under the Term Loan Agreement. It submitted that “*The recharge invoices formalised the accounting recognition of that pre-existing economic reality*”.
54. In response to the contrary approach taken by Azets, the Club’s independent auditors, to recognise the interest expense recharge as other operating income with a corresponding debit reducing the intercompany loan account, the Club submitted that this demonstrated that “*the correct approach is open to interpretation and is a matter on which reasonable minds can differ*” and that both approaches reflect the “*economic reality*” that Bilkul and not Group bore the “*economic cost*” of the interest payments.
55. As noted above, the Club accepted that the interest expense recharge was an Associated Party Transaction which must be assessed at FMV.
56. The Club challenged the EFL’s case that the FMV was nil on the basis that the interest expense recharge was “*an integral part of, and a condition, of*” the transaction concluded on 28 February 2024 by which Mr Patel and Dr Patel through Bilkul acquired Group, and thereby the Club and the recharge was a “*direct and natural consequence*” of Bilkul’s “*assumption of responsibility*” under the 2024 Share Charge Agreement.
57. The Club submitted that the correct comparator for the FMV analysis was not a club owner who wrote-off a significant shareholder loan but a buyer who assumed the liabilities of a target club as part of an acquisition. It was submitted that, in the latter case, the assumption of existing debt obligations is “*routinely priced at the face value of the liability*”.



58. It submitted that, in the present case, a “*knowledgeable and informed party*” in Bilkul’s position would agree to reimburse that expense and the FMV was the amount of that underlying interest expenses, being £5,207,267.
59. The Club submitted that the Club’s losses were correctly stated in respect of the interest expense recharge invoices in the P&S calculation and should not be adjusted.

#### Adjustment 2<sup>14</sup>

60. The Club submitted that in the P&S calculation the CFRU revisited the content of P&S submissions that have previously been subject to formal decisions and determinations by the CFRU, namely for the period 2023/2024. That was, it argued, impermissible unless “*new information*” had come to light, which it had not. Therefore, it contends, Adjustment 2 is ultra vires and contrary to the Club’s legitimate expectation.
61. The Club also submitted that the CFRU’s conclusion, that the benefits provided by the Club in kind were not “*costs*” and therefore cannot be added-back for the purposes of AEBT, is wrong. It submitted that the Club’s provision of facilities, staff time and resources to The Albion Foundation represented a cost (or an estimated cost) to the Club, irrespective of whether such costs (or estimated costs) were recognised in the Club’s financial statements. It contended that the benefits provided by the Club in kind were within the definition of CDE. Further, the CFRU’s position that these benefits donations were provided at zero cost to the Club is untenable.
62. Further or alternatively, these benefits were opportunity costs and can be established where the provider demonstrates “*that something has actually been foregone that would otherwise have been earned*”.

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<sup>14</sup> For example, Response, §7c.

## EIR Methodology

63. As explained in paragraph 40, the Club submitted that the adjusted loss before tax reported in its P&S Calculation for 2024/25 should be reduced by an amount of £255,699, representing an adjustment to its accounts recommended by Azets by applying the EIR Method in relation to the accounting treatment of player registrations and the associated liability where the acquisition of those registrations was on deferred payment terms.
64. Azets' adjustment involved the separate recognition in the accounts of a notional finance charge within the consideration paid by the Club for acquiring certain player registrations on deferred payment terms. The Club submitted that this accounting treatment was incompatible with relevant provisions of the EFL Regulations which require clubs to "*capitalise the costs of acquiring a Player's registration as an intangible asset*". It submitted that the definition of "Acquiring Registration Costs" within the Regulations did not allow for the separate accounting treatment of any notional finance cost.

## Sanction

65. The Club's case was that the appropriate sanction was a financial penalty and that the imposition of a sporting sanction for what it submitted was a minor breach of the P&S Rules would be disproportionate. It submitted that the Panel was not bound to follow the Sanctioning Guidelines. It pointed out that the Sanctioning Guidelines were drafted as a directive from the EFL Board setting out the sanction the Board should seek in the case of a breach, not what an independent decision-making panel should award.
66. The Club relied upon the following features, which it contended mitigated any breach the Panel found established:



- a. the positive trend across the second and third Accounting Reference periods, namely that the Club's losses in 2024/25 were significantly less than in 2023/24;
  - b. its cooperation with the CFRU which it characterised as "*exceptional*";
  - c. the Club had committed no prior breach of the P&S Rules;
  - d. the Club's application of the EIR Method at the direction of its auditors;
  - e. what it submitted was the CFRU's change of approach in respect of the CDE;
  - f. the Club's new ownership which it submitted had "*worked tirelessly to transform the Club's position and, even on the CFRU's best case, have reduced the Club's losses from around £30m in excess of the ULT to around £2m*".<sup>15</sup>.
67. The Club submitted to the Panel a tabular analysis of a number of decisions on sanctions under the Premier League ("**PL**") and EFL P&S Rules. That supplemented the Panel's own analysis of those decisions.
68. It further submitted that, if a sporting sanction was imposed, it should be suspended and take effect in the 2026/27 season. It submitted that the CFRU failed to act earlier, when it could and should have done. Further, any points deduction should not have the effect of relegating the Club.
69. The Club submitted that the Panel should not issue its Decision before 2 May 2026 being the end of the Club's season (given its position in the Championship.<sup>16</sup>).

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<sup>15</sup> Response, §141.

<sup>16</sup> It would not be participating in the Play-Offs.



## **VIII: THE HEARING**

70. The hearing of this matter was conducted by remote video conference on 22 and 23 April 2026. The EFL was represented by Adam Lewis KC, Tom Cleaver and Northridge Law LLP solicitors. The Club was represented by Jane Mulcahy KC, Femi Adekoya and solicitors Mishcon de Reya LLP and Three Points Law.
71. On 22 April 2026 the Panel heard evidence from the following, which supplemented their written evidence provided in advance:
- a. Shilen Patel, Chairman and (with his father, Dr Kiran Patel) owner of the Club through Bilkul;
  - b. Mark Miles, Executive Director of the Club;
  - c. John Pelling, from 1 October 2025, Senior Director of Football Finance at the Club; and
  - d. Robert Lake, Director of The Albion Foundation.
72. There is no need or useful purpose in adding to the length of this decision by repeating at any length the evidence each witness gave. The Panel had appropriate regard to the written and oral evidence of each witness. Further, the Panel had the advantage of a live transcription of the evidence on 22 April and a full transcript of the hearing. Insofar as it is necessary to refer to any of the witness evidence to explain the Panel reasoning, that has been done in the Analysis sections below.
73. Shilen Patel's witness statement<sup>17</sup> and his oral evidence addressed the acquisition of the Club and funding arrangements. He also spoke to the benefits provided by the Club to The Albion Foundation, the official charity partner of the

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<sup>17</sup> WBA/B/1.

Club, and the improvements in the Club's finances since his and his father's acquisition in February 2024 ("**the Acquisition**").

74. Mark Miles's witness statement<sup>18</sup> and his oral evidence addressed the background to the Acquisition. He gave evidence in respect of Bilkul's assumption, as the Club argued it was, of the Term Loan Agreement. He also addressed what was said to be the CFRU's change of position in relation to The Albion Foundation 'issue'.
75. John Pelling's witness statement<sup>19</sup> and evidence covered the Interest Expense Recharge point and the effect of the EIR adjustment. He also covered The Albion Foundation issue.
76. Robert Lake gave evidence about his work for The Albion Foundation, the in kind benefits provided by the Club to the foundation and its use of the facilities at the Club's home ground.
77. Thereafter, the Panel heard expert accountancy evidence on behalf of the EFL, from Simon Parrott, a partner of Ernst & Young LLP, and on behalf of the Club, from David Dearman FCA, Senior Managing Director at Ankura. The Club also relied upon a legal Opinion from Andreas Gledhill KC.
78. Insofar as is necessary, the accounting evidence is discussed in the Analysis sections below. However, it should be remembered that the Panel is an expert panel. Two of its members are highly experienced accountants, with deep knowledge and experience of football finance and the associated financial regulations. Each is independent of the parties.
79. The Panel found the accountancy evidence from the parties to have added limited value to its own expertise. The Panel feels constrained to observe further that there was considerable force in Mr Lewis's observation that at times Mr

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<sup>18</sup> Ibid/2.

<sup>19</sup> Ibid/3.



Dearman appeared to be arguing the case rather than giving independent expert evidence.

## **IX: ANALYSIS - THE APPLICABLE REGULATIONS**

80. It was common ground between the parties that the correct procedural regulations are the 2025/26 Regulations. The Panel agrees.
81. The Club submitted that the relevant Regulations that apply to the Club's 2024/25 P&S calculation, as a matter of substance, are the 2024/25 Regulations. The EFL disagreed.
82. This point can be answered shortly. P&S Rule 1.1 contains the following definitions for present purposes:

*"P&S Calculation' is defined by Rule 1.1.15 as "the aggregation of a Club's Adjusted Earnings Before Tax for T-1, T-2 and T-3, calculated using its Annual Accounts for each of T-1, T-2 and T-3."*

*"Adjusted Earnings Before Tax" is defined by P&S Rule 1.1.3 as "in respect of an Accounting Reference Period, Earnings Before Tax for such Accounting Reference Period adjusted to exclude [certain specified matters]"*.

*"Earnings Before Tax" is defined by P&S Rule 1.1.9 as "in respect of any Accounting Reference Period, profit or loss after depreciation and interest but before tax for such Accounting Reference Period."*

83. Under P&S Rule 2.1, the Club's obligation is to ensure that it complied with the Loss Limit Requirement in the Relevant Period. The Loss Limit Requirement is defined as the obligation for the AEBT in a P&S calculation not to exceed the ULT. Pursuant to P&S Rule 2.4, the P&S calculation must be submitted no later than 31 December following 30 June at the end of the Relevant Period. The P&S



calculation must be accompanied by the annual accounts for the third Accounting Reference Period.

84. Therefore, the P&S obligation does not arise until 31 December after the end of the three-year period. That means the Club's obligation was by 31 December 2025, to file a P&S calculation for the three years to 30 June 2025. The regulations in force when that obligation arose were the 2025/26 Regulations. They are the relevant regulations.
85. Further the Panel agrees with the EFL that any other approach would require the CFRU and the CFRP to apply four different sets of rules: one set for each of the three Accounting Reference Periods comprising the Relevant Period, and a subsequent set of rules relating to the point in time when the Club submits its P&S calculation. That cannot be what was intended by the P&S Rules and, in any event, does not accord with the Panel's interpretation of the P&S Rules.
86. In any event, application of the 2024/25 Regulations and not the 2025/26 Regulations makes no difference.
87. The Club submitted that any difference between the 2024/25 and 2025/26 Regulations was relevant only to Adjustment 2. It submitted further that the relevant rules should be those that were in place at the start of the 2024/25 season<sup>20</sup>.
88. So far as relevant to Adjustment 2, P&S Rule 1.1.3 of the 2025/26 Regulations states that AEBT Tax means:

*“...in respect of an Accounting Reference Period, Earnings Before Tax for such Accounting Reference Period adjusted to exclude*

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<sup>20</sup> Note – the 2024/2025 Regulations were amended in April 2025.

*(a) costs recognised in such Accounting Reference Period (or estimated costs as the case may be) in respect of the following...*

*(v) Community Development Expenditure ...”*

89. Rule 1.1.3 states further that CDE:

*“...shall only be excluded from the calculation of [AEBT] for such Accounting Reference Period if separately disclosed:*

*i. by way of notes to the Annual Accounts and Forecast Annual Accounts for such Accounting Reference Period; or*

*ii. by way of supplementary information which:*

*1) has been identified and calculated in accordance with such guidance as issued by The League;*

*2) reconciles to the Annual Accounts and Forecast Annual Accounts for such Accounting Reference Period; and*

*3) if requested by the League, has been subject to an independent audit.”*

90. P&S Rule 1.1.7, states that CDE means:

*“(a) net expenditure by a Club directly attributable to activities (whether in the United Kingdom or abroad) for the public benefit to promote participation in sport and advance social development; and*

*(b) donations made by the Club:*

*(i) to United Kingdom charities in a form recognised by such charities; and/or*



(ii) for foreign charitable purposes in a form which (had the donations been made to registered United Kingdom charities) would have been recognised as charitable.”

91. The 2024/25 P&S Rules were very similar save that in Rule 1.1.7 they did not include references to the “Accounting Reference Period”. The text below shows the differences between the main provisions, with the additions in the 2025/26 Regulations marked with red text:

“Adjusted Earnings Before Tax means, *in respect of an Accounting Reference Period*, Earnings Before Tax *for such Accounting Reference Period* adjusted to exclude (a) costs *recognised in such Accounting Reference Period* (or estimated costs as the case may be) in respect of the following... (v) Community Development Expenditure...”

“[CDE] shall only be excluded from the calculation of [AEBT] *for such Accounting Reference Period* if separately disclosed:

- (i) by way of notes to the Annual Accounts and Forecast Annual Accounts *for such Accounting Reference Period*; or
- (ii) by way of supplementary information which:
  - 1) has been identified and calculated in accordance with such guidance as issued by The League;
  - 2) reconciles to the Annual Accounts and Forecast Annual Accounts *for such Accounting Reference Period*; and
  - 3) *if requested by the League*, has been subject to an independent audit.”

92. The Panel accepts the EFL’s submission that, on their correct construction, the 2024/25 Rules provided that CDE could only be excluded “*if separately disclosed by way of notes to the Annual Accounts*” or “*by way of supplementary*



*information*” satisfying the requirements set out above. The changes in the 2025/26 Regulations simply make clear that, when considering the calculation of AEBT in any given Accounting Reference Period, the relevant costs are those recognised in that Accounting Reference Period, rather than in any other period. The definition of CDE is the same in both sets of rules.

93. It follows that all references to the Regulations and to the P&S Rules are to the 2025/26 edition unless otherwise expressly stated.

### **X: ANALYSIS - BREACH**

94. This analysis does not address every argument, only those necessary to determine the issues. It is necessarily a summary. However, the Panel had regard to the entirety of the voluminous documents, materials, submissions and authorities placed before it, whether or not expressly referred to herein.

95. This was a legally and factually complicated case. The Panel repeats the gratitude expressed at the conclusion of the hearing to the parties for their diligent and helpful preparation and to Counsel for the conspicuous skill with which they presented the competing cases.

### **Adjustment 1**

#### **Documentation and evidence**

96. Adjustment 1 made by the CFRU to the Club’s P&S calculation was in the sum of £5,207,267. The EFL submits, in general terms, which are disputed by the Club, that this adjustment is required to rectify the effect of a *“transaction by which the Club has incorrectly attempted to convert £5,207,267 of what was previously acknowledged to be a shareholder loan into income”*.
97. On 21 December 2022, and under previous ownership, Group and the Club entered the Term Loan Agreement in the sum of £20 million with the Lender. The Group contracted as Borrower and the Club as Original Guarantor. The purpose



of the term loan was for “*general corporate and/or working capital purposes of the Group in connection with the operation of the Club...*”.

98. A central obligation of Group, guaranteed by the Club, was to pay the interest due under the Term Loan Agreement quarterly in cash.
99. When questioned at the hearing, Mr Patel accepted that, when the Term Loan Agreement was made, Group was under the legal obligation to pay interest due. However, he described that as a “*technical structure*” and said that one can “*look at loans taken by ownership*”.
100. The Term Loan Agreement prohibited Group and the Club from assigning, novating or transferring all or any part of its obligations under it without the prior written consent of the Lender.
101. By a written agreement dated 22 November 2023, the Term Loan Agreement was amended and restated to increase the loan facility to £28 million. By this agreement, Group and the Club confirmed, among other things, that the amendment and restatement did not constitute a novation of the Term Loan Agreement or any obligation thereunder.
102. In accordance with the EFL Regulations on acquisition of control, on 28 February 2024 Mr Patel and Dr Patel entered into a Secure Funding Agreement with the Club to ensure the source and sufficiency of funding to support the Club for the period to at least 30 June 2025. Under the Secure Funding Agreement Mr Patel and Dr Patel committed to provide the Club until at least 30 June 2025 with such funds as were necessary to enable it to continue to trade, to discharge all liabilities to Football Creditors and fulfil all its fixture and other obligations to the EFL and Football Association up to a maximum aggregate amount equal to £[REDACTED] million, being a figure significantly higher than the sums borrowed under the Term Loan Agreement whether in its original form or as restated. Clause 2.3 of the Secure Funding Agreement stated that “*Any payment under this deed shall be*



*made without deduction, set-off, abatement or counterclaim whatsoever save as required by law.”*

103. As a part of this acquisition, and by a consent letter dated 28 February 2024, signed by among others, the Lender, Group, the Club and Mr Patel on behalf of Bilkul, the Lender agreed, among other things, that the acquisition transaction was not a Change of Control Event under the Term Loan Agreement and each of the parties agreed that the variation, amendment and restatement of the Loan Agreement contained in the letter did not constitute a novation of the Term Loan Agreement.
104. As a further part of this acquisition, and by a Share Charge and Receivables Assignment Agreement dated 28 February 2024 (the “**2024 Share Charge Agreement**”) made between Bilkul, as Chargor, and the Lender, in its capacity as Security Trustee for among others itself, Bilkul assumed responsibility as “*primary obligor... that it will on demand pay the Secured Liabilities when they fall due for payment*”. The Secured Liabilities included sums due, and therefore interest payments, under the Term Loan Agreement. The 2024 Share Charge Agreement limited the recourse of the Lender against Bilkul to enforcement of its security over the Charged Property, being its shareholding of Group, and limited the liability of Bilkul to the proceeds of any such enforcement.
105. As required by the Secure Funding Agreement, in the period following acquisition of the Club and to at least 30 June 2025, Mr Patel and Dr Patel, primarily but not invariably through Bilkul, provided general working capital funding to Group to permit the Club to continue to trade. Mr Miles, said this was approximately £20 million per year, part of which enabled Group to make the interest payments under the Term Loan Agreement. For the Club to continue to trade, Group was required to discharge its obligations to pay quarterly interest as it fell due to the Lender under the Term Loan Agreement. Mr Patel, and also Mr Miles, accepted when questioned that during this period Group had been able to pay interest



under the Term Loan Agreement as it fell due from funds provided under the Secure Funding Agreement.

106. Mr Pelling accepted, when questioned by the Panel about a schedule of amounts injected into the Club, that funds occasionally came directly from Mr Patel and Dr Patel, rather than via Bilkul<sup>21</sup>.
107. The Club's evidence was that Mr Patel and Dr Patel, via Bilkul, were the only source of funds available to discharge its financial obligations and to enable it to continue to trade. Mr Patel said that the figure stated in the Secure Funding Agreement included interest due under the Term Loan Agreement and repayment of that loan. He said those obligations were "*baked in*". Mr Pelling's evidence set out in the preceding paragraph indicates that not all funding provided to the Club by Mr Patel and Dr Patel was necessarily routed via Bilkul.
108. Mr Miles and Mr Pelling accepted further, when questioned by the Panel, that Group discharged that interest liability from a general account fed by various sources of income, including the Club's footballing operating income, and that they were not able to say what part of the interest payments was paid using funds provided by Mr Patel and Dr Patel, either directly or via Bilkul.
109. Mr Patel's evidence was that, from the date of acquisition to 30 June 2025, the funding provided via Bilkul was made by way of shareholder loans and in accordance with the Secure Funding Agreement. This remained the position after 30 June 2025 and to date.
110. The evidence from Mr Patel and Mr Miles when questioned was that, as at 30 June 2025, Group had paid all sums due under the Term Loan agreement and Bilkul had no financial exposure or risk by way of recourse under the 2024 Share Charge Agreement.

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<sup>21</sup> Transcript Day 1 P136 (13-16).

111. Group did not issue an interest expense recharge invoice on or about 30 June 2024, being the end of the second Accounting Reference Period in the Relevant Period, in respect of interest paid in the period 28 February 2024 to 30 June 2024.
112. Mr Patel gave evidence that “*in or around mid-2025*” the Club had sought discussions with the Lender with a view to novating the Term Loan Agreement. Those discussions were unsuccessful because novation was subject to the Lender’s consent which it withheld for its own commercial and security reasons. Mr Patel accepted when questioned that Group’s obligations under the Term Loan Agreement were not novated and that it continued to be obliged to the Lender under that agreement, including in relation to interest payments.
113. It was the failure of those discussions with a view to novation that Mr Patel said led to what he described in his evidence as “*the invoicing mechanism*”.
114. Mr Patel also explained in his evidence that he considered discharging through Bilkul the principal sum due under the Term Loan Agreement but decided for commercial reasons that this was not the appropriate approach at that time. He said in terms that through Bilkul he intends to discharge the outstanding principal in December 2026.
115. The Club’s evidence from Mr Pelling was that on an unspecified date in September 2025 Group issued two invoices addressed to Bilkul requesting payment by way of “*recharge*” for the interest payments under the Term Loan Agreement made by Group from the date of acquisition on 28 February 2024 to 30 June 2025.
116. One invoice bore the date 30 June 2025 and claimed an amount of £1,462,619, described as “*MSD Interest Post Acquisition*”, in respect of the period 28 February 2024 to 30 June 2024, being from the date of acquisition to the end of

the second Accounting Reference Period. This invoice referred to an account numbered B0224 and set out Group's bank details, apparently for payment.

117. The second invoice also bore the date 30 June 2025 and claimed an amount of £3,744,648, described as "*MSD Interest FY2425 Recharge*", in respect of the period 30 June 2024 to 30 June 2025, being the third Accounting Reference Period. This invoice also referred to the same account number and set out Group's bank details, apparently for payment.
118. It was noted on behalf of the EFL during the hearing that on issue in September 2025 the invoices were backdated to the end date of the Relevant Period.
119. Mr Patel accepted when questioned that Bilkul did not pay Group money against the invoices and that Bilkul credited the amount of the invoices against Bilkul's shareholder loan account in Group.
120. The full amount of the sum recharged by the invoices was recorded in Group's accounts for the period 2024/25 as "*other operating income*" on the basis that it arose from "*a separate transaction*" with Bilkul under which economic benefits flowed to Group.
121. In response to the EFL's case that this approach was to convert into income funds provided to Group by way of shareholder loan, Mr Patel's response was that the recharge was "*the culmination of a series of efforts to align the loan with our philosophical treatment of the loan*".
122. Mr Patel accepted when questioned by the Panel that he did not recall whether thought had been given at the time to whether the interest expense recharge was contrary to cl.2.3 of the Secure Funding Agreement prohibiting, among other things, abatement of sums paid under it.
123. Mr Patel gave evidence that what he described as "*the invoicing approach*" recognised the "*reality*" that Bilkul had funded the interest payments due under



the Term Loan Agreement and that this approach had the advantage of, among other things, not over-diluting minority shareholder interests by the accumulation of shareholder loans. Mr Patel also explained that this approach had tax advantages to Bilkul, and therefore to him and Dr Patel, in the United States.

124. In his evidence Mr Patel described the interest expense recharge invoicing undertaken in September 2025 as *“merely the accounting formalization [sic] of that pre-existing economic reality; it did not create the obligation or initiate the flow of funds”*.
125. It was apparent from evidence given by Mr Pelling, supported by the opinion evidence of Mr Dearman, that the Club considered that the interest expense recharge was part of, or at any rate associated with, the transaction by which Mr Patel and Dr Patel acquired the Club in February 2024. When it was suggested to Mr Pelling on behalf of the EFL that the interest expense recharge was *“an attempt to re-write history”*, he denied this saying that the Club *“was writing into the books what was agreed in February ‘24”*.
126. The documentary record included a memorandum of advice dated 2 February 2026 from Azets, the Club’s independent auditors, who advised Mr Josh Bentley, Finance Director of the Club, who remains employed by the Club but was not called to give evidence before the Panel, as follows in relation to the recognition of income arising from the interest recharge invoices under the title *“The reasons why all revenue was recognized [sic] in the period ending 30 June 2025 and not in earlier or later years or via a restatement in reserves”*:

*“Azets have also challenged management as to whether a prior year adjustment is necessitated, however we concur with management that this is not the case. The recharges do not arise from an agreement or contract that was present at 30 June 2024 and had not been subject to due diligence or raised until June 2025. Under FRS102, an entity shall recognise income when it is probable that the economic benefits*



*associated with the transaction will flow into the entity and the amount can be measured reliably. It is our understanding that due diligence on the recharges and agreement between Bilkul/WBA was in Spring/Early Summer 2025.”*

127. The Club entered into the documentary record a legal Opinion dated 2 April 2026 from Andreas Gledhill KC in relation to a number of questions asked by the Club’s solicitors in respect of the 2024 Share Charge Agreement. Mr Gledhill was provided with a copy of the Term Loan Agreement but not asked to advise on its terms. The Opinion contained no reference to the factual history, including of interest payments made by Group under the Term Loan Agreement. It was based on the reported understanding that the EFL’s position was that, as a result of cl.1.7 of the 2024 Share Charge Agreement, Bilkul had no liability to the Lender in respect of the interest agreed payable under the Term Loan Agreement. For that reason, Mr Gledhill’s Opinion therefore focused on the abstract question of the effect of that clause of the 2024 Share Charge Agreement and the recognised distinction at law between liability and enforceability. Mr Gledhill made the equally well-recognised point that it is a question of construction of an agreement whether a party’s liability is co-extensive with another party’s enforceable rights. On the information made available to him, Mr Gledhill concluded that Bilkul made interest payments under the Term Loan Agreement in discharge of a legal liability owed by it to the Lender.
128. The Club also entered into the documentary record an expert accountancy report dated 8 April 2026 from Mr David Dearman FCA.
129. On the question of FMV for the interest expense recharge, Mr Dearman referred to the text of the definition of FMV in the EFL Regulations and focused on the word “could” in that definition:

*“Fair Market Value means the amount for which an asset, right or other subject matter of a transaction could be sold, licensed or exchanged,*



*a liability settled, or a service provided, between knowledgeable, willing parties in an arm's length transaction."*

130. Mr Dearman's opinion was based expressly on the responses from Mr Gledhill in his Opinion to the questions he was asked by the Club's solicitors in relation to the 2024 Share Charge Agreement. Mr Dearman's position was that "Any accounting opinion on whether or not the FMV of the Interest Expense recharge is £5,207,267, reflecting the Interest Expense of the same sum, or £nil is based on whether or not Bilkul has a legal obligation to pay the Interest Expense. This is a matter of law which is outside my expertise."

131. He summarised his opinion in the following terms:

*"If Bilkul has no legal obligation to pay the Interest Expense and the obligation rests solely with the Club, I agree... that the FMV of the Interest Expense Recharge is £nil. However, if Bilkul does have a legal obligation to pay the Interest Expense the FMV will not be £nil but £5,207,267...."*

132. Mr Dearman accepted when questioned that he had not considered the Term Loan Agreement, which was a legal matter.

## Discussion

### *Interest expense recharge*

133. The Panel accepts the EFL's submission that it should determine this Adjustment by reference to transactions and events that happened and not on theoretical or alternative transactions. One of the transactions that took place was, of course, the acquisition of Group and therefore the Club, on 28 February 2024 by Mr Patel and Dr Patel.

134. A central point in relation to Adjustment 1 is that from 21 December 2022 Group was liable under the Term Loan Agreement to the Lender for interest payments.



That position did not change on 28 February 2024 following Mr Patel's and Dr Patel's acquisition of Group, and therefore the Club. There was no novation of Group's obligations under the Term Loan Agreement as part of the acquisition transaction. There was no novation during the Relevant Period before 30 June 2025 and there has been no novation to date. The reasons why the Lender declined to consent to a novation and the decision by Mr Patel and Dr Patel not to redeem and thereby terminate the Term Loan Agreement are in each case commercially understandable but do not affect the legal position.

135. This legal position is not affected or changed by the opinion of the Club's witnesses that it did not reflect the "*economic reality*" of the situation whereby Mr Patel and Dr Patel, primarily but not invariably through Bilkul, were providing significant working capital funds to Group during the Relevant Period to enable it to continue to trade and discharge its liabilities, including Group's liability to the Lender for interest payments under the Term Loan Agreement. At all material times, Group has been liable at law under the Term Loan Agreement to the Lender for interest payments.
136. Bilkul's covenant in the 2024 Share Charge Agreement with the Lender, in its capacity as Security Agent, that as primary obligor it will pay on demand the Secured Liabilities, including interest payments due under the term Loan Agreement, does not affect this legal position. It did not constitute a de facto or "commercial" novation of Group's liability to the Lender in this respect. It provided the Lender with additional limited recourse security in the event that Group did not discharge its liability to make interest payments.
137. The evidence set out in paragraphs 96 to 132 above, establishes the following:
  - a. at all material times from Mr Patel's and Dr Patel's acquisition of the Club on 28 February 2024 to the end of the financial reporting period on 30 June 2025, Group discharged its liability for interest payments under the Term Loan Agreement from its own funds;



- b. Group's funds were a mixture of funds received from its commercial football operations and funds received from Mr Patel and Dr Patel, primarily but not invariably through Bilkul, under the Secure Funding Agreement;
- c. the funds received by Group from Mr Patel and Dr Patel or Bilkul were received and recognised as shareholder loans;
- d. Group was not able to say what part of the funds paid in discharge of its liability for interest payments under the Term Loan Agreement were from its football operating income and what part was from funds received from Mr Patel and Dr Patel directly or through Bilkul under the Secure Funding Agreement;
- e. at all material times Group discharged its liability for interest payments under the Term Loan Agreement as those payments fell due. More specifically and relevantly, as at 30 June 2025, being the end of the financial reporting period (and the date stated on the interest expense recharge invoices), Group had discharged its liabilities;
- f. as at 30 June 2025 Bilkul was under no financial exposure or risk of liability or enforcement under the 2024 Share Charge Agreement;
- g. Bilkul did not pay either of the invoices issued in September 2025. Instead, Bilkul credited the aggregate sum claimed by those invoices against its shareholder loan account with Group.

138. The Panel does not accept the Club's case that the interest expense recharge invoicing in September 2025 was part of the transaction by which Mr Patel and Dr Patel acquired the Club and Group through Bilkul on 28 February 2024. This conclusion is consistent with the overall chronology of events set out in paragraphs 96 to 132 above (including the absence of an interest expense recharge invoice on or about 30 June 2024) and the absence of a novation of Group's liabilities under the Term Loan Agreement to Bilkul. The Panel considers



that Azets, the Club's independent auditors, were correct in their opinion dated 2 February 2026 that the interest expense recharge did not arise from an agreement or contract existing as at 30 June 2024. The Panel has concluded that the interest expense recharge exercise initiated in September 2025 was a separate transaction intended to assist the Club in the presentation to the CFRU of its P&S calculation for the financial reporting period ending 30 June 2025.

139. The Panel has concluded further that Bilkul's credit of the aggregate sum claimed by those invoices against its shareholder loan account with Group had the effect of seeking to convert into income the sum of £5,207,267 received by Group as shareholder loans.
140. The Panel did not receive submissions from either the EFL or the Club as to whether the interest expense recharge invoicing and resulting offset against Bilkul's shareholder loan account with Group constituted an abatement of the sums provided by Mr Patel and Dr Patel to Group under the Secure Funding Agreement contrary to clause 2.3 of that agreement and, for that reason, does not express a conclusion on that point, which would in any event be unnecessary.
141. This position is not affected by the legal Opinion of Mr Gledhill who was asked to give his opinion on a number of questions concerning the 2024 Share Charge Agreement, and not the Term Loan Agreement, and was asked to advise in the abstract without reference to the factual background set out in paragraphs 96 to 132 above. Issues of liability and enforceability in relation to Bilkul's position under the 2024 Share Charge Agreement do not arise.
142. The position is also not affected by the accountancy evidence from Mr Dearman which was, as he recognised in his evidence, properly directed on this Adjustment to the question of FMV and not legal liabilities.



143. In view of the Panel's conclusion, it sees no need or merit in going on to consider the EFL's further submission that Bilkul fell within the reporting perimeter for the Relevant Period.

### FMV

144. The Panel has concluded that the FMV for the interest expense recharge exercise is nil. It accepts the EFL's submission that Bilkul's offset of the aggregate sum claimed by those invoices against its shareholder loan account with Group was a gratuitous transfer of value in the sum of £5,207,267 to which no arm's length party would agree. The Panel has concluded that the interest expense recharge was not part of the transaction by which Mr Patel and Dr Patel acquired the Club on 28 February 2024 and rejects the Club's submission that the recharge was part of, or a consequence of, that transaction. It has concluded that the recharge was driven not by the acquisition on 28 February 2024 but by the presentation to the CFRU of the Club's P&S calculation for the financial reporting period ending 30 June 2025.

145. This conclusion is not affected by the accountancy evidence from Mr Dearman referred to at paragraphs 128 to 132 above. Mr Dearman did not address the position where, in the absence of a novation, as a matter of law, Group remained liable under the Term Loan Agreement for interest payments and, as a matter of fact, had by 30 June 2025 discharged that liability from its funds.

146. Accordingly, the Panel's concludes that in the P&S calculation the Club's losses were understated by £5,207,267 and should be adjusted accordingly.

### Adjustment 2

147. Unlike the Club, the Panel considered the merits first.

148. As set out above, the EFL accepted £86,061 of the £150,807 claimed in costs in the period covered by the P&S Calculation. The Panel accepted that concession.



That had the effect of reducing Adjustment 2 to £2,035,556 and the loss to £40,969,893. Therefore, the following reasons address the EFL's revised case excluding the figure of £86,061.

## Merits

149. The key to this, on the merits, is the definition of AEBT in the P&S Rules. Rule 1.1.3 defines AEBT as:

*“Adjusted Earnings Before Tax means, in respect of an Accounting Reference Period, **Earnings Before Tax for such Accounting Reference Period adjusted to exclude:***

*(a) **costs recognised in such Accounting Reference Period** (or estimated costs as the case may be) in respect of the following...*

*(v) **Community Development Expenditure...**” [emphasis added]*

150. The Panel accepts the EFL's submission that the P&S Rules are clear – for CDE to be added back or excluded as part of the calculation of AEBT under P&S Rule 1.1.3, it must first be:

- a. a cost within the EBT;
- b. recognised in the relevant Accounting Reference Period; and
- c. “Expenditure”.

151. The position is no different whether it is net expenditure or a donation to a charity. In this case, there has been no cost or expenditure within the meaning of those words in the P&S Rules. No such costs or expenditure were included or recognised in the Club's Annual Accounts. Provision of an in kind benefit of the type claimed cannot be a cost within the calculation of AEBT. Something that does not cost a club in monetary terms is not a cost and, if the party does not spend anything, there is no expenditure by it.



152. In his report, Mr Parrott stated:

*“In relation to the in-kind donations referred to by WBA in this case, it would appear that they do not meet the criteria to be recognised as costs in the Club’s financial statements (due to there being no decrease in economic benefits during the reporting period in the form of outflows or depletions of assets or incurrences of liabilities). This is consistent with the Club’s stated position that it has not recorded these in-kind donations as costs in the Club’s accounts.”<sup>22</sup>*

153. Consistent with the relevant accounting guidance benefits in kind are not considered as costs in the accounts, and they would also not fall within the definition of “*net expenditure*”. As the Panel understood his evidence, Mr Dearman accepted this.

154. The Club argued, that as defined in the P&S Rules, CDE includes non-cash donations<sup>23</sup>. Even if that were right, the argument fails in this instance because the donations must still be expenditure to be a cost and so to be included in the Annual Accounts as such. That did not happen in this instance. A donation, whether or not made in cash, can only qualify if it involves an identifiable outflow of economic benefit for which the donor is required to record in its Annual Accounts.

155. Further, and in addition, the value of the benefits has not been recognised by The Albion Foundation in its Financial Statements. It appears that the draft financial statements for the year ended 31 August 2025 (and not the year ending 30 June 2025) contained a note, within the Trustees’ Report, saying that The Albion Foundation’s management had assessed the value of “*services and benefits received from the Club*” as £738,926, but with no such amount being reflected in the income or expenditure figures. At best, therefore, The Albion

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<sup>22</sup> CFRU/56/§57.

<sup>23</sup> P&S Rule 1.1.7(b).

Foundation intended to record in its Financial Statements a notional figure representing its assessment of the value of services and benefits received from the Club. That does not assist the Club in establishing an actual cost.

156. The Panel rejects the Club's argument that the donations amounted to "opportunity costs". In his expert report Mr Dearman stated:

*"4.4.7 I agree with Mr Parrott that an opportunity cost is not explicitly recorded in the financial statements. An opportunity cost is the financial outcome that was foregone because the business decided to go with a different option. In other words, it is the cost of choosing one alternative over another.*

*4.4.8 Furthermore, I agree that evidencing an opportunity cost would also require demonstrating the alternative outcome...*

*...if the definition of AEBT is limited to costs recognised during the Accounting Reference Period (which I understand is in dispute between the Parties), then the In-Kind Benefits would not constitute a "cost" eligible for adjustment under the EFL rules. However, if the definition of AEBT does not limit costs to those recognised in the Accounting Reference Period, the Club's opportunity cost (i.e. not charging The Albion Foundation or a third party for the use of its facilities) would be a proxy for the costs relating to the provision of the In-Kind Benefits."<sup>24</sup>*

157. Mr Dearman did not resile from that opinion in his evidence. Opportunity costs do not fall to be included in any calculation of Earnings Before Tax.

158. Since the Club, in the Panel's judgement, lost on the merits, it is necessary to look at its other submissions.

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<sup>24</sup> WBA/5/§4.4.7-4.4.8, 4.4.11.

## Ultra vires

159. This submission can only apply to the Club's 2023/24 P&S Calculation as it did not include in-kind benefits addbacks in its 2022/23 P&S Calculation.
160. The Panel rejects the Club's submission that in its decision in respect of the 2024/25 P&S calculation the CFRU revisited a previous "*decision*" or "*determination*" in respect of the content of the 2023/24 P&S calculation. Consistent with the P&S Rules, the CFRU assessed the correctness of the Club's P&S Calculation for the three years to 30 June 2025. That P&S Calculation necessarily involved a consideration of cumulative AEBT across three financial years. In conducting that exercise, the CFRU made a new and different decision as to the P&S result for the three years to 30 June 2025. It is correct that the CFRU looked again at the treatment of benefits in kind incurred in 2022/23 and 2023/24, as it was obliged to do. There is no impediment to it doing so.
161. Further, the P&S Rules do not limit the CFRU's powers to considering only information relating to the most recent financial year. The P&S Rules do not prevent a club changing its approach to CDE in different P&S calculations and the Panel sees no reason why such a prohibition should apply unilaterally to the CFRU. The Panel noted that notional costs of in-kind benefits provided to The Albion Foundation were included for the first time in the Club's P&S calculation for the three years ending on 30 June 2024 (and not for the three years ending on 30 June 2023), even though two of the annual periods included in those calculations (2021/22 and 2022/23) were the same. It would indeed, as the EFL submitted, be perverse if the CFRU was bound by the figures submitted in previous years but the Club was not.
162. Therefore, the Panel rejects the ultra vires submission.



## Legitimate expectation

163. The evidential foundation for this argument is said to be the CFRU's P&S letter to the Club dated 5 August 2024<sup>25</sup> (the "**Letter**"). This was headed "*Championship Profitability & Sustainability (P&S) Calculation 2023/24*".

164. The penultimate paragraph of that letter stated:

*"This letter (in its entirety) and communication of the CFRU's view as to the Club's P&S Result in the attached Appendix should be viewed as a single decision for the purposes of Appendix 6 of the EFL Regulations and a determination for the purposes of P&S Rule 2.12. A copy of this letter will be provided to the Club Financial Review Panel under P&S Rule 2.11 to enable it to decide whether it wants to exercise powers relating to a 'Call-in Review'".*<sup>26</sup>

165. The reference to it being a single decision accords with the Panel's reasoning in respect of the ultra vires point. It also makes clear that the CFRU was not making a decision in respect of any individual submission or entry in the Club's P&S Calculation. It does not offer a "*stake in the ground*" as the Club's witnesses put it on any particular element, whether of CDE or otherwise.

166. The Letter identified five adjustments, none of which related to the provision of in-kind benefits as CDE. The Panel accepts the EFL's submission that the letter did not contain any clear or unequivocal representation that the CFRU had considered and approved the Club's approach to in-kind benefits. The high point is only that the CFRU did not challenge or comment on the Club's treatment of the provision of in-kind benefits in 2023/24. It is noteworthy that at that time the Club was not close to the ULT. Silence, when taken with the express content of the Letter was not, and could not sensibly have been, understood by the Club to be an unequivocal assurance that the CFRU would not inquire into those figures

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<sup>25</sup> WBA/19.

<sup>26</sup> Ibid.

in a later P&S calculation. Therefore, the Letter did not contain any representation capable of giving rise to a legitimate expectation, whether reasonably or at all.

167. In any event, the Letter makes clear that whatever the CFRU's position, there was still the prospect of its approach being challenged. It states in terms that the CFRP has the power under P&S Rule 2.16 to 'call in' a decision and review, among other things, a failure by the CFRU to adjust a P&S Calculation.

168. Further, and in any event the antepenultimate paragraph expressly stated that the CFRU may revisit its decision in respect of the 2023/24 P&S calculation in light of new of information. It stated:

*"... However, the CFRU reserves the right to revisit its assessment should it become aware of new information or reasons which suggest that a material adjustment is required or the Club's confirmed results for 'T' indicate that it has breached the Upper Loss Threshold."<sup>27</sup>*

169. The CFRU did not know until February 2026 that the Club's Annual Accounts did not recognise the in-kind benefits. Accordingly, its knowledge after that date was new information. The Panel accepts the EFL's submission that the document which Mr Pelling contended made that clear (a spreadsheet attached to an email) did no such thing. It did no more than distinguish between cash and in kind donations.

170. Therefore, the Letter did not contain any representation capable of giving rise to a legitimate expectation. Should the Panel be wrong about that, it also considered whether there was any evidence of actual reliance by the Club on the claimed representation necessary to make good the claim. The Club was unable

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<sup>27</sup> Ibid/p543.

to identify any evidence or document materially showing any step taken or not taken that would not otherwise have been done. That also defeats the argument.

171. In relation to the Club's case on reliance on communications with [Ex-Employee], then a CFRU Financial Reporting Manager, the Panel heard no direct supportive evidence from the Club. However, even viewed in the light most favourable to the Club, nothing therein amounts to a representation that the CFRU had accepted the Club's approach to the calculation of CDE, such as to bind it in future years.
172. There are also good reasons of policy and fairness why this argument should not succeed, even if a legitimate expectation had been established on the evidence. In *EFL v Derby County FC*<sup>28</sup> the Disciplinary Commission rejected a legitimate expectation argument, observing that, even if there had been such a legitimate expectation, it would have been fair for the EFL to depart from it, because

*“Under the P&S Rules all Clubs are subject to the same requirements and should be treated equally... Fairness requires a consideration not just of the relationship between the EFL and the Club, but also the relationship between the EFL and the other Championship clubs as well as the relationships between the Championship clubs inter se. To have required the EFL to be stuck with using a Fair Market Value – even in subsequent years, when the 2017/18 financial year had become T-1 and T-2 – that it considered to be wrong in light of the information then before it, and so to be permitting the Club to continue to benefit from an unjustified competitive advantage resulting from it having spending ‘headroom’ to which it was prima facie not entitled – would offend such principles of equality and fairness, and would have justified a departure from any legitimate expectation that the Club might otherwise have had.”<sup>29</sup>*

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<sup>28</sup> 24 August 2020.

<sup>29</sup> §155.

173. The Panel agrees with those sentiments. Indeed, it considers that there is considerable force in the EFL's submission that there is a material difference between a genuine public authority whose retreat from a representation affects only the person to whom the representation was made and the situation in this case. This matter concerns a private law joint-venture football league, which the CFRU is required to enforce the clubs' compliance with the EFL's P&S Rules to ensure fair competition and competitive balance. It does that to protect the collective product of the competition. Every decision in respect of one club affects others in the same league. In such circumstances a panel or tribunal should be slow to conclude that an expectation arises or that it is fair and appropriate to allow it to be relied upon.

174. For all those reasons, this argument fails.

#### Actual costs adjustment

175. This concerns the £150,807 of which £86,061 is conceded by the CFRU. There is simply no sufficient supportive evidence to include the balance of £64,746, in the P&S Calculation. This figure was, in any event, not recorded in the Club's Annual Accounts.

#### Conclusion

176. For all of those reasons the provision of benefits in kind to The Albion Foundation including free access to its facilities is not a cost or expenditure qualifying as CDE for accounting purposes and cannot be "*added back*" under P&S Rule 1.1.3.

177. The Panel adds that its decision on this Adjustment is based on the financial nature of the P&S Rules and the CDE permitted as an addback under those rules. It is not part of the Panel's function to assess the clear and obvious value to The Albion Foundation, and therefore the local community of the Club, provided by the in-kind benefits, the subject matter of this Adjustment.



## **XI: ANALYSIS - EFFECTIVE INTEREST RATE ADJUSTMENT**

178. The Club submits that the adjusted loss before tax reported in its P&S Calculation for 2024/25 should be reduced by an amount of £255,699, representing an adjustment to the 2024/25 accounts recommended by Azets. The adjustment relates to the accounting treatment of player registrations and the associated liability where the acquisition of those registrations had been on deferred payment terms.
179. Azets recommended the adjustment to ensure compliance with the relevant provisions of Financial Reporting Standard (“FRS”) 102. It is an obligation of all limited companies to comply with applicable provisions as borne out by note 1.1 of both the Club’s and Group’s 2024/25 accounts which states the following.

*“These financial statements have been prepared in accordance with FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (“FRS 102”) and the requirements of the Companies Act 2006.”*

180. Paragraph 11.13 of FRS 102, under the heading “*Initial Measurement*”, states as follows:

*“...An arrangement constitutes a financing transaction if payment is **deferred beyond normal business terms** or is financed at a rate of interest that is not a market rate, for example, providing interest-free credit to a buyer for the sale of goods or an interest-free or below market interest rate loan made to an employee. Except as set out in paragraph 11.13A, if the arrangement constitutes a financing transaction, the entity shall measure the financial asset or financial liability at the **present value of the future payments discounted at a market rate of interest** for a similar debt instrument as determined at initial recognition adjusted for transaction costs.” [emphasis added]*



ENABLING FAIR PLAY

181. The fact that payment in respect of the acquisition of player registrations was “*deferred beyond normal business terms*” is evidenced by disclosure in the Club’s accounts for 2024/25. Intangible asset additions in the year totalled £10,456,000<sup>30</sup> while amounts payable in respect of player transfers totalled £10,358,000, of which £3,402,000 would fall due after more than one year.<sup>31</sup>
182. Compliance with FRS 102 paragraph 11.13 will have obliged the Club to calculate the present value of all future payments for player registrations acquired in the Relevant Period by discounting at an appropriate rate of interest, defined in paragraph 11.15 as the EIR. The £10,456,000 referred to in paragraph 181 will be the present value of those future payments while the company’s accounts disclose a figure of £434,577 as “*Notional interest arising on long term player transfer payables*”<sup>32</sup>.
183. The total cost of intangible assets, including current year acquisitions, is then subject to an annual amortisation charge. Rule 1.1.6 of Annex 2 of the P&S Rules provides as follows:
- “In respect of each individual Player’s registration, the depreciable amount must be allocated on a straight-line basis equally over its useful life down to zero. Clubs may not use non-zero residual values or expected value of future sale.”*
184. The difference between the net EIR adjustment of £255,699 and the notional interest of £434,577 totals £178,878 and is a result of the recalculation of the amortisation charge on the restated present value, rather than the original nominal value of player registrations.
185. Although the Club accepted Azets’ recommended EIR adjustment to its 2024/25 accounts, the Club submitted that what it describes as the “*EIR Method*” of

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<sup>30</sup> Financial statements for year ended 30 June 2025, note 11, page 31.

<sup>31</sup> Financial statements year ended 30 June 2025, notes 18-19, page 35.

<sup>32</sup> Financial statements year ended 30 June 2025, note 9, page 29.



accounting for player registrations is not “compatible with Annex 3 of the EFL Regulations”. In support of its submission, it relies on relevant extracts of Rule 1.1 of Annex 2 of the P&S Rules (Report Requirements in Relation to Player Registrations)<sup>33</sup>.

*“1.1 Clubs must capitalise the costs of acquiring a Player’s registration as an intangible asset and must apply certain minimum accounting requirements as follows:*

*...1.1.2 Only Acquiring Registration Costs can be capitalised...”*

186. Rule 1.1.1 of the P&S Rules defines Acquiring Registration Costs (“**ARC**”) as follows:

*“Acquiring Registration Costs means amounts paid and/or payable for the acquisition of a Relevant Player’s registration, excluding any internal development or other costs. They include:*

- (a) transfer/loan fees and realised conditional transfer amounts, including training compensation and solidarity contributions, paid and/or payable to another Club (or club) and/or third party to acquire the Relevant Player’s registration;*
- (b) any amount paid and/or payable to any Intermediary or other agent; and*
- (c) other direct costs of acquiring the Relevant Player’s registration e.g. transfer levy.”*

187. The Club submitted that, based on these rules, the ARC should comprise the nominal value, rather than the present value, of the acquisition cost of player registrations. It submitted that the notional interest element of acquisition costs

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<sup>33</sup> The references to different annexes reflect the parties’ different views as to the relevant version of the EFL Regulations. As explained in paragraph 93, the applicable EFL Regulations are the 2025/26 version. Rule 1.1 of Annex 2, quoted above, is from the 2025/26 edition.

must also be capitalised as an ARC. Although it agreed to Azets' recommended adjustment being processed in its 2024/25 accounts, it nevertheless maintained that the adjustment was incompatible with EFL Regulations and should therefore be added back in the P&S Calculation.

188. Although amortisation is charged on a straight-line basis over the term of players' contracts, the £255,699 difference arises because the notional interest charge will be allocated across the period over which payment of the transfer fee to the players' previous clubs has been deferred, which is likely to be a shorter period than the contract term.
189. It was common ground between the parties that, over time, the impact of the EIR Method of accounting for acquisition of player registrations, rather than the nominal value method, would be likely to be neutral. However, Mr Pelling's view was that it had adversely affected the Club in 2024/25 owing to its particular circumstances:

*"A: ...The Club couldn't afford to buy players in the lead-up to what would have otherwise been an insolvency event in February '24, so it only became active in the player transfer market from February '24 onwards.*

*So, when this EIR adjustment was calculated by the auditors and presented back to us as an audit adjustment, our -- our calculation is heavily skewed in favour of players in the first year of their time with the Club. When -- EIR, most prejudices are [sic] Club's position as regards the comparison with the -- what I think the CFRU called "the old method" of straight-line amortisation to zero over the course of a player's contract. That's all we're saying, is that we of all clubs have been prejudiced with this because --*

*Q: Do you accept that that only -- that that only applies to you in your specific circumstances?*



*A: It would apply to any club that had not been active in the transfer market for some years and then, suddenly, through obtaining a very good new owner, could suddenly start taking part in the transfer market again for -- to buying players, yeah. We -- we're probably more prejudiced in this than anybody else. I'll accept that.<sup>34</sup>*

190. Mr Pelling said that Azets first raised the matter of the adjustment at an “*audit completion meeting on 26 November 2025*”. He acknowledged that the Club had historically accounted for receivables in respect of player trading using the EIR Method and the concept of materiality was the reason behind it now being introduced for player trading payables as well.

*“Q: ...As a matter of logic, if EIR was being applied to receivables, then EIR would fall to be applied to payables as well, wouldn't it?”*

*A: But accounting policies only apply to material items, and it was assessed as immaterial because we didn't have any payables.*

*Q: But you knew the principle that, when you would have, then that would apply, didn't you?”*

*A: If it had been -- if it turned out to be material, yeah.<sup>35</sup>*

191. The CFRU submitted that there was no incompatibility between the EIR Method and relevant EFL Regulations<sup>36</sup>.

*“It is clear that there is no such incompatibility once the EIR Method is properly understood. The EIR Method does not involve omitting any part of the costs of acquisition. Rather, it is a way of accounting for the true costs of acquisition to the business in cases where the payment obligations are deferred. It recognises that a deferral of a payment obligation beyond normal business terms has a financial value to the*

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<sup>34</sup> Transcript Day 1 P129 (14) – P130 (15).

<sup>35</sup> Transcript Day 1 P131 (2-12).

<sup>36</sup> Skeleton Argument paragraph 65.

*business, such that the nominal value taken alone would not properly represent the real cost to the business as at the date of the preparation of the accounts, and it seeks to address that issue by requiring the costs to be recognised at their present value, with the difference being accounted for as a finance transaction.”*

192. This separation of “*present value*” and the “*difference ... as a finance transaction*” accords with the treatment adopted in the Club’s accounts. The EFL relies on Rule 1.1.4 of Annex 2 of the P&S Rules in support of this separation of ARC and finance costs.

*“Finance costs arising in respect of borrowings are treated as finance costs and are not costs of acquiring a Player’s registration even if the borrowings were obtained to help finance the acquisition of Player registrations.”*

193. In its closing submissions, the Club disputed the CFRU’s interpretation of the Regulations.

194. The Panel also received expert evidence from Mr Parrott and Mr Dearman. In his report, Mr Parrott said the following:

*“Based on my understanding of the CFRU’s explanation therein, I agree with the CFRU’s conclusion in that both elements would be considered as Acquiring Registration Costs (as opposed to indirect costs of the acquirer).”*

195. When questioned by the Panel on this point, quoting figures for a hypothetical transaction which had been first used in the Report of £10 million (nominal value), £8.9 million (present value) and £1.04 million (notional interest), Mr Parrott was unable to provide clarification.<sup>37</sup>.

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<sup>37</sup> Transcript Day 1 P192 (3-24).

A: Well, it's -- Apologies if I'm not being clear on this. I mean, I think the 8.9 million and the 10 million are acquiring registration costs. They're just expressed at different values --

Q: Sorry, apologies. I understand about those two. It's the third number that I'm asking about. It's the 1,042,000. Are you saying that is or it is not an acquiring registration cost?

A: Apologies, it's not -- I'm seeing this as an accountant rather than a definitional point, but it's -- to me, the 8.9 and the 10 are the same figures, they're just expressed in different values. Apologies, that may not be the answer that you were hoping for, but that's my opinion, is they are -- the 8.9 and the 10 are the same figures, just expressed differently, different values.

Q: Okay, I'm not sure there's any mileage in me persisting asking the question, so I'll -- That's all, Mr Parrott, thank you.

196. Mr Dearman said the following in his expert report.

*"...Adopting the EIR in this case front loads the FY25 ARC in the first financial year (FY25) instead of amortising it on a straight-line basis over the life of the contract as mandated in the P&S Rules.*

*On this basis, I agree with the Club that the application of the EIR method appears to be contrary to the requirements of Annex 3 of the P&S Rules."*

197. He reiterated this conclusion under cross examination.<sup>38</sup>

*"Q: You have accepted that the initial value -- sorry, that the initial measurement of a deferred payment player acquisition is the present value, which is adjusted for the fact that you don't have to pay all of the money all of the time -- right at the outset. That is the player*

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<sup>38</sup> Transcript Day 2 P17 (13-25).

*registered -- or that is what we've been calling ARC, the acquisition registration cost, or the acquiring registration costs, isn't it?*

*A: In accordance with -- That's adopting FRS 102 and the EIR method. That's the present value, but it doesn't take away from the fact that the total cash flow, the economic outflows from the Club, is 10 million, and in my view that then represents the ARC."*

198. Notwithstanding the evidence of the expert accountancy witnesses, the Panel concludes that Azets' recommended adjustment was correct in terms of ensuring the Club's accounts were compliant with FRS 102. Further, we conclude that the adjustment was consistent with Annex 2 of the P&S Rules. We consider the present value of the ARC to be the correct amount to be capitalised in the Club's accounts and that the notional interest charge of £434,577 falls within the scope of Rule 1.1.4 as set out in paragraph 192 above.
199. As observed by the EFL, the EIR Method "*involves recognising the value of a deferral of payment obligations as in effect an extension of credit by the payee*". Where the extension of credit is over a period of years, the nominal value of the transaction is likely to include a premium to reflect that extension of credit even if that premium is not separately identifiable. The Panel acknowledges that this "*extension of credit*" does not represent borrowings "*as in if a bank lends you money to go and buy a player*", as suggested by the Club in its submissions. However, we are nevertheless satisfied that, for transactions involving "*payment... deferred beyond normal business terms*" (per paragraph 11.13 of FRS 102), the EIR Method should be used to calculate an appropriate finance cost.
200. Accordingly, the Panel concludes that no addback should be made in respect of the EIR adjustment.

## **XII: ANALYSIS – SANCTION**

### **Principles when sanctioning for breach of P&S Rules**

201. The Panel’s sanctioning powers are wide, and it may “*impose any sanction that could be imposed by a Disciplinary Commission in accordance with Regulation 93*”<sup>39</sup>. It is trite to observe that any sanction must be proportionate to the breach. Sanctioning must also be exercised in the context of a league competition where the level of sanction is important not only to the offending club, but also to other clubs in the league. As clubs in compliance with the P&S Rules, they are entitled to see the defaulting club appropriately sanctioned. That was an important reason for the Panel issuing an Operative Decision as soon as it was able.

202. The Panel accepts the EFL’s submission that the aims of sanctioning in cases of P&S breaches are clear from the comparator decisions. Those aims are:

- a. to punish the club for breach;
- b. to vindicate other clubs which have not engaged in conduct that breached the P&S Rules;
- c. to deter future breaches of the P&S Rules, whether by the relevant club or other clubs;
- d. to restore/preserve public confidence in the fairness of the league competition.<sup>40</sup>

203. In *Premier League v Everton (No.1)*<sup>41</sup> (“**Everton No.1**”) the Premier League (“**PL**”) Appeal Board observed when considering the aims of sanctioning for a breach of the P&S Rules:

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<sup>39</sup> Appendix 6, §9.3.4.

<sup>40</sup> *EFL v Derby County FC*, 30 June 2021, §20.

<sup>41</sup> 26 February 2024.



*“The aims of sanctions in this context have to be assessed with reference to the aims of the PSR...”<sup>42</sup>*

*“However, in our view, it is important that the underlying purpose of the PSR as an FFP scheme should remain at the forefront. Therefore, insofar as the Commission’s Decision suggested that punishment is the overriding or even main aim of sanction in this area of football regulation, we would respectfully disagree. Whilst a sanction may result in (possibly severe) adverse consequences, including financial, sporting and/or competitive consequences, for the relevant club, sanctions in this field are not essentially punitive: their primary purpose is to protect the integrity of the relevant competition by restricting the level of financial risk a club might take, in the case of the PL, to a level and in the manner in which the PL clubs agree. Therefore, in our view, as an aim of any sanction, punishment is far less important than maintaining the integrity of the competition and thus the sport of football, with deterrence being an important overlapping aim.*

*Vindication of compliant clubs is also important, given the unfairness to them of a breach of an FFP scheme. As the Commission, reflecting the comments in Dynamo Moscow at [81] (see paragraph 24 above), said: ‘The sanction must be such as to demonstrate that such breaches do not confer a lasting benefit [on the club in breach]’ (paragraph 93 of its Decision). That includes both the sporting impact and potential financial impact, which are inextricably linked as is all the more apparent in the PL compared with UEFA because of the agreed profit-sharing provisions we have described.”<sup>43</sup>*

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<sup>42</sup> §196.

<sup>43</sup> §199-200.

204. The Panel respectfully agrees, adopts and applies those principles. It is the approach consistent with *Bolton v The Law Society*<sup>44</sup>, as the Appeal Board in *Everton No. 1* made clear in stating:

*"... the effect of sanction upon the professional individual and his family - which, as was said in Bolton v The Law Society ... may not only be serious but tragic - although not excluded from consideration, will generally have little if any weight by way of mitigation."*<sup>45</sup>

205. It is important that the underlying purposes of the P&S Rules as a financial fair play scheme must be at the vanguard of sanctioning. The sanctioning exercise, and indeed the consequences for the Club, are not essentially punitive: their primary purpose is to protect the integrity of the league by restricting the level of financial risk a club may take to a level the Member Clubs agree. Punishment of an offending club is secondary to the primary purpose of maintaining the integrity of the competition.

206. Those are the aims the sanction must achieve. As the EFL submitted, and as the Panel accepts, proportionality *"doesn't alter the fact a balance has to be struck that takes into account the interests of all clubs"*. With those aims and principles well in mind the next issue to consider is the Sanctioning Guidelines.

### **The Sanctioning Guidelines**

207. So far as is material, the Sanctioning Guidelines provide:

*"The penalty for breach of the 3 season P&S reporting rules is a deduction of **12** points to commence in the season following the breach i.e. 2018/19 for the 3 season period ending in 2018.*

*The following number of points shall be deducted from the 12 points.*

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<sup>44</sup> [1994] 1 WLR 512.

<sup>45</sup> §154.



### Quantum of the Breach

- 9 points if less than £2.0m
- 8 points if between £2.0m - £4.0m
- 7 points if between £4.0m - £6.0m
- 6 points if between £6.0m - £8.0m
- 5 points if between £8.0m - £10.0m
- 4 points if between £10.0m - £12.5m
- 3 points if between £12.5m - £15.0m
- No deduction if breach is greater than £15.0m

*Then the balance shall be further reduced if the loss in the final season is less than the season(s) before.*

### Trend

- 2 points if  $T < T-1 < T-2$
- 1 point if  $T < T-1$

*In addition, the Board can request up to an additional **9** points penalty for any aggravating factors and any other penalty it feels appropriate.*

*For each breach, the Board will instruct the Executive to seek a sporting sanction of a points deduction based on the above formula, adjusted to include any aggravating factor.*

### Additional notes

*It is important that there is a recognition that the quantum of the breach is reflected and that it isn't appropriate to apply a one size fits all basis (see quantum).*



*It is important that if the trajectory is favourable i.e. the losses reduce season by season, this is recognised, as it shows an intent to comply, even if they have fallen short. If that trajectory is achieved over the 3 season period, this should get greater credit than if only over 2 and no intent should see the full penalty (see trend).*

*The aggravated breach principle is to ensure that all factors can be taken into account.*

*In the event that a Club receives a sanction, after the Disciplinary Committee have determined the outcome, the loss for each season within the relevant period will be capped at £13.0m (£35.0m for a PL season) for future calculations.”*

208. As is plain, the Sanctioning Guidelines contemplate a points deduction of three (3) points for *any* loss in excess of the ULT. Any loss includes £1 over the ULT. The first bracket reflects any loss below £2 million, in excess of the ULT. Therefore, it matters not that this may be the smallest breach by absolute amount or by percentage over the ULT. That may be an attractive headline, but it is not, in the Panel’s judgement, a point of substance.
209. It is worth remembering that the ULT is the upper threshold of permitted loss. A club already has an AEBT of £39 million even after adjusting for substantial allowable ‘add backs’ before it breaches the ULT. The unfair advantage achieved by a breach of the P&S Rules is a potential sporting advantage. The Guidelines infer that advantage. They reflect the sport’s assessment, based on its experience, of what sporting sanction is appropriate for the degree of gain secured over other clubs.
210. Ms Mulcahy is correct that the Sanctioning Guidelines are not binding on the Panel and were drafted as guidance to the Board for the sanction it should seek from a Disciplinary Commission. Published in 2018, the Guidelines pre-date the CFRP.



211. In the Panel's judgement the Sanctioning Guidelines represent a predictable and proportionate assessment of the sporting sanction appropriate for losses in excess of the ULT. They are proportionate to the aims and promote predictability. To apply them consistently is to sanction for like offending predictably and fairly. Outcomes are, or should be, foreseeable. All clubs and the informed public will know the consequences for each level of loss in excess of ULT. For all of those reasons, they should be followed.
212. Therefore, the guidance from the Sanctioning Guidelines, based on the Panel's factual findings, is a three (3) point deduction (a loss in excess of ULT of between 0 and £2 million), minus one point for the positive trend in the second and third Accounting Reference Periods. The EFL did not submit that there were aggravating features. Before considering mitigation, it is appropriate to look at decisions in other cases, not least to address consistency in sanctioning in such cases.

### **Decisions in other cases**

213. At the Club's invitation, the Panel considered the following cases:

- a. *EFL v Birmingham City FC*<sup>46</sup>
- b. *EFL v Sheffield Wednesday FC*<sup>47</sup>
- c. *EFL v Derby County FC*<sup>48</sup>
- d. *EFL v Reading FC*<sup>49</sup>
- e. *PL v Everton (No.1)*

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<sup>46</sup> 22 March 2019.

<sup>47</sup> 4 November 2020.

<sup>48</sup> 15 November 2021, an Agreed Decision.

<sup>49</sup> 16 November 2021, an Agreed Decision.



f. *PL v Nottingham Forest FC*.<sup>50</sup>

g. *PL v Everton (No.2)*.<sup>51</sup>

h. *PL v Leicester City FC*.<sup>52</sup>

214. It is important to note that there are no sanctioning guidelines for the breach of P&S Rules in the PL. Further, consideration of decisions in other cases must be done in the context of the sanctioning aims set out above.

215. The Panel's analysis of those cases is set out in Appendix 1. It is important to note that all Championship sanctions are in line with the Sanctioning Guidelines, which supports the Panel's approach as explained above.

216. The Club also relied on the agreed sanction in *PL v Chelsea FC*, where no points deduction was applied. That case concerned payments totalling £47,524,925.74 which were made in breach of the PL's Rules over a period of eight years. However, that was a case where the club's prospective owners self-reported historical breaches. The penalty was an agreement between the PL and the club, not a sanction imposed by an independent body. Further, the club's cooperation with the PL was described as exceptional. It is significantly factually different from the instant case, and the Panel found no assistance in it.

### **Mitigation**

217. The Panel's assessment of the factors relied upon by the Club said to mitigate its breach is as follows.

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<sup>50</sup> 18 March 2024.

<sup>51</sup> 8 April 2024.

<sup>52</sup> 3 February 2026.

218. The positive trend, namely that the Club's losses in T(2024/25) are significantly less than T-1(2023/24). The Guidelines reflect that as a mitigating factor. The Panel agrees.

219. Its cooperation with the CFRU which it characterised as "exceptional".

a. The Panel agrees with the Appeal Board in *Everton No.1* that:

*"... the reasonable level of cooperation to be expected of clubs in respect of the PSR mechanics and process is relatively high. A club cannot plead cooperation at that level as a mitigating circumstance. Only where the level of cooperation is exceptional (i.e. above the level reasonably expected) would it be a mitigating circumstance."*<sup>53</sup>

b. This is because we are dealing with a regulatory scheme which forms part of a joint venture to which all Championship clubs are a party. Each has agreed to the standard of required conduct and the enforcement regime provided in the P&S Rules. It is a joint venture and so the costs of enforcement against one club inevitably falls on all the clubs by reducing the money available for distribution. In that context, a reasonable level of cooperation is to be expected of clubs in respect of the P&S Rules.

c. In that context, the matters set out by the Club, including in paragraph 119 of the Response, are not exceptional. They do not go further than the level reasonably to be expected.

220. No prior breach of the P&S Rules.

a. This does not mitigate. It is the offence which matters, and they should be sanctioned consistently by reference to the Guidelines.

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<sup>53</sup> §91.

221. The EIR Method.

- a. The Panel found against the Club on this and so it cannot be relied upon as mitigation.

222. What the Club submitted was the CFRU's change of approach in respect of the CDE.

- a. The Panel found against the Club on this and it cannot be relied upon as mitigation.

223. The Club's new ownership.

- a. In the context of a league competition, where the interests of all clubs must be protected, it is the entity which matters, not the ownership.
- b. The work taken by the new ownership to reduce the Club's losses is reflected by the reduction for trend. It should not be 'double counted' in the Club's favour.

### **When the sanction should take effect**

224. The Panel accepts the EFL's submission that the risk of relegation cannot justify not imposing or delaying or suspending sanction. The reasons are as follows:

- a. All clubs in the league, including, in the present case at the time of these proceedings, clubs in a relegation battle with the Club, are entitled to see it properly sanctioned. Only imposing the appropriate points deduction in the current playing season achieves the legitimate aims of sanctioning proportionately and sufficiently protects the interests of other clubs. The Panel accepts the EFL's submission that it would be discriminatory to disapply the normal timing of the sanction by reference to extraneous consequences specific to the club being sanctioned. Consistency and equal treatment are essential components of the broader objectives of



sanctioning, especially in the sporting context. Further, relegation does not arise because of a points deduction; it reflects the Club's performance over the season.

225. It may well be thought "*far from ideal*" for "*relegation or promotion outcomes potentially to be affected by a points deduction only announced in the last few weeks of the season...*"<sup>54</sup>. The Panel agrees with that sentiment. However, that does not trump the principled approach set out in the preceding paragraph.

226. Therefore, the Panel concluded the decision should be announced and take effect as soon as possible and during the 2025/26 playing season. Consistent with those principles, the Panel issued an Operative Decision the day following the conclusion of the Hearing and before the playing of the final two matches of the 2025/26 season.

227. That approach was also consistent with the amendments to the P&S Rules in April 2025, which provided for the submission of estimated P&S Calculations in March and final P&S Calculations in December. These amendments were designed specifically to ensure that action can be taken in the season following the end of the three-year financial reporting period. The papers accompanying that proposed change specifically stated that the change in the deadlines "*fixes the jurisdiction point because the League of which the Club is a member in December will then have the ability to proceed against any breach, and the time to the end of that Season means there is little risk of proceedings overrunning.*"

228. Further, it is in principle desirable for any sanction to be applied as soon as possible after the breach of the ULT has been established. It ensures that the consequences of any breach of the rules are closely connected with the breach itself. It also ensures that any effect on other clubs is felt by those who are most

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<sup>54</sup> *EFL v Birmingham City FC*, 22 March 2019, §32.

likely to have been affected, rather than by those who might form part of that league at a later point in time.

229. This approach is also contemplated by the Sanctioning Guidelines which state that any sanction “*will be applied immediately*”. The Sanctioning Guidelines refer to a deduction of points commencing “*in the season following the breach*”, which means the season following the end of the three-year period in which the ULT was exceeded, rather than the season following the point at which the breach is established. In this case, the breach relates to the three years from 2022/23 to 2024/25, and the appropriate point at which to deduct points as a result of that breach is in the 2025/26 season.

### **Announcement of decision**

230. The Club submitted that it would be fundamentally unfair for any decision in this case to be made before 2 May 2026, being the date of the final match of the 2025/26 playing season. The basis of that submission was that, if a decision is issued before 2 May 2026, the Club will not be able to pursue and conclude an appeal before the end of the season. Appendix 6 of the EFL Regulations provides for a right of appeal to be determined within 28 days<sup>55</sup>. That is sufficient time for any appeal to be determined before any irrevocable decisions are made in respect of membership of the Championship and League One in the 2026/27 season.

### **Sanction**

231. In the Panel’s judgement the potential unfair advantage achieved by a breach of the P&S Rules is a sporting advantage. The sanction for breach should focus on that sporting advantage. It may include a financial advantage over other clubs, but it is first and foremost a sporting advantage. Therefore, the sanction for any

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<sup>55</sup> §12.7.



breach of the P&S Rules should be, or should include, a points deduction. That is consistent with the aims of sanction in such cases.

232. The point is not that if the breach is low in amount, the inference of sporting advantage fails. It is not relevant that this may be the smallest breach by absolute amount and by percentage over ULT sanctioned by a points deduction. The point is that there was a breach of the ULT, the loss has exceeded it, and that loss was against the background of a permitted loss of £39 million over the Relevant Period.

233. Consistent with the Panel's factual findings and in line with the Panel's approach to the Sanctioning Guidelines the proportionate and appropriate sanction is a points deduction of two (2) points. There is no proper basis for suspending the immediate effect of that sanction. Therefore, the points deduction will take effect immediately in the 2025/26 season and on 24 April 2026 as directed by the Operative Decision of that date.

### **XIII: COSTS**

234. The parties will bear their own costs.<sup>56</sup>

235. The Panel was not invited to order that the Club pays the costs (or a proportion thereof) and does not consider it appropriate to make any such order.

### **XIV: CONFIDENTIALITY AND PUBLICATION**

236. The Panel directs that the EFL shall, as soon as practicable, publish this Decision on its website.

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<sup>56</sup> Appendix 6, §101.





Christopher Quinlan KC  
For and on behalf of the Club Financial Review Panel  
London, UK  
08 May 2026

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## Appendix 1

### PREMIER LEAGUE AND EFL CHAMPIONSHIP SANCTIONS (2017/18 TO DATE)

Club	Notes	Period	Breach	<u>EFL</u>	<u>Premier League</u>		Aggra- vation	Miti- gation	Final
				Points deduction	Starting point	Per £m overspend			
<u>Premier League</u>									
Everton I		FY22	£19.5m		3	3			<b>6</b>
Everton II	<b>2,3</b>	FY23	£16.6m		3	2		(3)	<b>2</b>
Nottingham Forest	<b>4</b>	FY23	£34.5m		3	3		(2)	<b>4</b>
Leicester City	<b>5,6</b>	FY24	£20.8m		3	4		(1)	<b>6</b>
<u>Championship</u>									
Birmingham City	<b>7,8</b>	FY18	£10m	7			3	(1)	<b>9</b>
Sheffield Wednesday	<b>9</b>	FY18	£18m	12				(6)	<b>6</b>
Derby County	<b>10</b>	{ FY17	{ £8m	12				(3)	<b>9</b>
		{ FY18	{ £11m						
		{ FY19	{ £12m						
Reading	<b>11</b>	{ FY21	{ £2m	12				(6)	<b>6</b>
		FY21	£19m						

#### Notes

1. All points deductions for Championship clubs, before any adjustment for aggravation or mitigation, are in line with the EFL Sanctioning Guidelines.
2. Everton II sanction mitigated by 2 points in recognition of the overlap with the club's breach for the period to 2021/22.
3. Everton II sanction mitigated by one point in recognition of the club's early plea and the loss of its training ground sponsor.
4. Nottingham Forest sanction mitigated by two points in recognition of the club's early plea and significant co-operation.
5. Leicester City sanction mitigated by positive trend. Sanction not adjusted for other aggravating and mitigating factors.
6. Leicester City sanction was calculated on a formula linked to the EFL guidelines but recognising that the applicable ULT was £83m, rather than £39m. Under EFL guidelines the band for a 7 point sanction is £47-49m, pro-rated to £100-105m (i.e. multiplied by 83/39). The club's AEBT was £103.8m.
7. Birmingham City sanction mitigated in recognition of significant co-operation.
8. Birmingham City sanction increased in recognition of an "intentional breach" in respect of player-related expenditure.
9. Sheffield Wednesday sanction mitigated by six points in recognition of a "near miss" re timing of sale of stadium post year-end.
10. Derby County sanction included 3 points suspended, subject to adherence to a budget for FY22, to include cap on player related expenditure.
11. Reading sanction included 6 points suspended, subject to adherence to a budget for FY22 and FY23. Club subsequently failed to comply with this condition.