

**IN THE MATTER OF A BREACH OF THE EFL REGULATIONS**

**BETWEEN**

**THE FOOTBALL LEAGUE LIMITED (trading as the “EFL”)**

**Claimant**

**- and -**

**THE READING FOOTBALL CLUB LIMITED (the “Club”)**

**Respondent**

**AGREED DECISION**

**Introduction**

- 1) This is an Agreed Decision pursuant to EFL Regulation 86 and a previous Agreed Decision between the EFL and the Club dated 16 November 2021 (the “**Original Agreed Decision**”).
- 2) The Original Agreed Decision was agreed following the Club exceeding the Upper Loss Threshold of £39.0m in the Profit and Sustainability (“**P&S**”) assessment period of Season 2017/18 to Season 2020/21 by a total of £18.8m (i.e. an aggregated Adjusted Earnings Before Tax (“**AEBT**”) loss of £57.8m).
- 3) Sanctions agreed and detailed within the Original Agreed Decision include:
  - a) A six-point penalty in Season 2021/22; and
  - b) A suspended six-point penalty to be applied if the Club:
    - i) fails to submit documents in accordance with Rule 2.2 of the P&S Rules;
    - ii) breaches the budget agreed between the EFL and the Club (the “**Agreed Budget**”) by having an AEBT in its March 2023 P&S submission with losses greater than the Upper Loss Threshold; or
    - iii) was found to breach the P&S Rules again before 30 June 2023.
- 4) The suspended penalty was stated to be in addition to any further penalties imposed in respect of further breaches of P&S or any breaches of the Agreed Budget.

**Breach**

- 5) The Club has failed to comply with the Agreed Budget for Season 2022/23.
- 6) The Club accepts that it would have an AEBT loss exceeding the Upper Loss Threshold of £39.0m for the assessment period Season 2019/20 to Season 2022/23 without the inclusion of profit from a proposed related party transaction.

- 7) This transaction was not completed prior to 1 March 2023 as specified by paragraph 19 of Appendix 1 to the Original Agreed Decision and this represents a breach of paragraph 6.2 ii) of the Original Agreed Decision.
- 8) The Club accepts that the related party transaction would not have been accepted by the EFL at the time of agreeing the content of the Agreed Budget. As the Club is now relying on it as part of its P&S submissions, this represents a breach of the Agreed Budget and the Club is subject to sanction under paragraph 7.2 of the Original Agreed Decision.

### **Decision**

- 9) It has been agreed and I hereby order that the Club is sanctioned for the breach as follows:
  - a) The suspended sanction of a six-point penalty from the Original Agreed Decision is to be immediately deducted in the 2022/23 Championship Season;
  - b) The Club will continue to be bound by and shall observe the P&S Rules;
  - c) The Club's submission for the assessment period Season 2019/20 to Season 2022/23 is still subject to review by the EFL (operating via the Club Financial Reporting Unit or "CFRU"). Disciplinary action will follow if the review finds that the Club's AEBT loss exceeds the Upper Loss Threshold;
  - d) The related party transaction identified above can be included in the Club's AEBT for Season 2022/23 under the EFL Regulations as currently drafted. It will be subject to a fair value assessment in accordance with P&S Rules 2.2 and 2.3;
  - e) Assessment of the Club's compliance with the P&S Rules for the reporting period ending with Season 2022/23 will reflect the principle that the Adjusted Earnings Before Tax for each of the financial years up to and including Season 2020/21 will be capped at Adjusted Earnings Before Tax of a loss of £13m; and
  - f) The Club and the CFRU will agree a new budget for Season 2023/24 within 30 days of the CFRU completing its review of the Club's P&S submissions for the assessment period Season 2019/20 to Season 2022/23. The approach to this budget is detailed further in Appendix 2.

### **Costs**

- 10) The Club shall pay the costs of the Club Financial Review Panel relating to the approval of this Agreed Decision.

### **Further action**

- 11) The EFL may re-open any investigation and commence any disciplinary proceedings against the Club if any information submitted by the Club turns out to be inaccurate, or if there is any failure of compliance on the part of the Club with the terms of this Agreed Decision. The parties agree that entering into this Agreed Decision shall not constitute a waiver by the EFL of its rights or remedies (however so arising) in respect of any other breaches of the EFL Regulations by the Club, which are purposefully excluded from this Agreed Decision, including but not limited to any breaches of Regulation 64.7 or Appendix 5 of the Regulations.

### **Publication**

- 12) This Agreed Decision shall be published by the EFL on its website and may be circulated to other member clubs of the EFL, save that any published version shall not include Appendix 1 or Appendix 2.
- 13) The EFL may answer any questions posed of it by other Championship Clubs in relation to this Agreed Decision and any matters related thereto.
- 14) Any further public statements are to be agreed between the parties.

### **Finality**

- 15) This Agreed Decision is not subject to an appeal before the League Arbitration Panel as constituted under EFL Regulations, or indeed to anybody having, or purporting to have, jurisdiction to review this Decision.



Christopher Quinlan KC

CFRP Chair