



The revaluation of business assets: players' registration rights

The rules of the 2020 Revaluation Law (Art. 110 paragraphs 1-7 of Decree-Law No. 104 of 14 August 2020 converted with amendments by Law No. 126 of 13 October 2020) operate in derogation of the provisions of Art. 2426 of the Italian Civil Code (valuation criteria) and any other applicable law on financial statements. (valuation criteria) and any other legal provision in force concerning financial statements. The Italian Accounting Standards Board (OIC) has analysed the concrete application of the same in its Interpretative Document no. 7 of March 2021.

According to the regulations, business assets and non-current investments in subsidiaries and associates (excluding real estate for the production or exchange of which the business activity is directed, and assets used on the basis of leasing contracts if not yet redeemed) resulting from the financial statements of the year in progress as at 31 December 2019 may be revalued. In addition, intangible assets that have never been recognised in the balance sheet, because the related costs have been charged directly to the profit and loss account, may also be revalued, provided that the revalued assets are still legally protected at the balance sheet date in which the revaluation is made.

The revaluation of business assets (which can be carried out separately for each asset) is characterised by its versatility and convenience: the legislator's intention to help companies capitalise their assets, at a very low cost, through this tool seems clear.

This opportunity has also been exploited by some professional football clubs, which present in their financial statements, among the intangible assets, the item "Players' registration rights". The latter constitute an intangible asset of a multi-year nature, as its value corresponds to a situation of advantage for the club that holds the right, compared to other clubs, destined to last over time. The benefit related to the acquisition of each right is represented by the football player's sports performance, which is the basis for any increase in revenues deriving from ticket sales, the sale of television rights and other events, such as sponsorship, merchandising and advertising revenues.

The valuation and recognition of players' registration rights for the purposes of recognition in the financial statements, must be carried out in accordance with statutory provisions and the Accounting Recommendations issued by the FIGC, which provide that the cost incurred for the acquisition of the right resulting from the contract, including any additional charges (e.g. the sums paid to the sports agents who handled the mediation) represents the value that must be recorded as a specific item in the Assets section of the Balance Sheet among intangible assets, and as such, must be systematically amortised in each financial year in relation to the residual possibility of use (duration of the contract stipulated between the club and the player).

The Legislator has provided the option to derogate from this general rule, pursuant to Article 110 paragraphs 1-7 of Law Decree no. 104 of 14 August 2020, converted with amendments by Law no. 126 of 13 October 2020.

Taking into account the importance of the exception, the revaluation is carried out on the basis of a specific appraisal drafted by a professional independent of the Company, with the aim of determining the higher value to be recorded in the financial statements using either the value in use criterion or the current economic realisation value, or market value.

For the valuation of individual players, in order to establish the probable "realisable value", various cross-analyses are carried out using different means, the main ones being:

- the website www.transfermarkt.it, which is one of the references for the quotation of players on the market and which also bases its evaluations on numerous data provided by users;
- the website legaseriea.it.

In addition, on the basis of a series of selected criteria (Age criteria, Sporting criteria, Contractual criteria, Negotiability criteria) a "cluster" of athletes comparable to the players subject of the appraisal is identified.

On the basis of the analyses made and the variables used, a range of values is estimated in order to determine the value attributable to the players' registration rights. Once the value subject to revaluation has been determined, the company can perform it by adopting three distinct methods

- revaluation of the historical cost (gross value) and of the related amortisation fund
- revaluation of historical cost only (gross value);
- reduction of accumulated depreciation.

In any case, the application of each of these methods leads to the recognition of the same net book value in the financial statements, which is then allocated over the useful life of the asset. In the financial statements in which the revaluation is performed, depreciation is computed on the non-revalued amounts, since the revaluation is considered a subsequent operation and therefore the depreciation of these higher values is performed starting from the year following their recognition.

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