

Company Registration No 109244

ARSENAL FOOTBALL CLUB PLC

Report and Financial Statements

31 May 2013

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ARSENAL FOOTBALL CLUB PLC

REPORT AND FINANCIAL STATEMENTS 2013 CONTENTS

Page

Officers and professional advisors	1
Directors' report	2
Independent auditor's report	6
Profit and loss account	7
Balance sheet	8
Notes to the accounts	9

ARSENAL FOOTBALL CLUB PLC

**REPORT AND FINANCIAL STATEMENTS 2013
OFFICERS AND PROFESSIONAL ADVISORS**

DIRECTORS

R C L Carr
K J Friar OBE
I E Gazidis
Lord Harris of Peckham
Sir Chips Keswick
E S Kroenke

SECRETARY

D Miles

REGISTERED OFFICE

Highbury House
75 Drayton Park
London
N5 1BU

AUDITOR

Deloitte LLP
Chartered Accountants
London

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2013

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a professional football club and the related commercial activities

BUSINESS REVIEW AND FUTURE PROSPECTS

The Club achieved a satisfactory fourth place in the Premier League for season 2012/13 which has resulted in the Club qualifying for the UEFA Champions League for a sixteenth consecutive season. In the 2012/13 competition the Club reached the last sixteen of the UEFA Champions League. In the domestic cup competitions the Club reached the quarter-finals of the Capital One Cup and the 5th round of the FA Cup. The Club's external revenues were increased mainly as a result of additional commercial activity and in particular its extended partnership with Emirates.

The corporate structure together with the legal and financial agreements put in place in connection with the Arsenal Holdings plc group's financial arrangements for the Emirates Stadium means that ticket revenues for the Emirates Stadium are managed, controlled and accounted for by a fellow subsidiary company, Arsenal Stadium Management Company Limited, rather than the Club itself. Arsenal Stadium Management Company Limited pays the Club an appearance fee out of the ticket revenues it collects. The amounts of appearance fee are determined purely by reference to the level of cash banked from ticket sales in accordance with the special purpose legal and financial arrangements in place. The timing of receipt of certain elements of ticket income has resulted in a decrease in the appearance fee recognised in the 2012/13 financial statements.

There are a number of potential risks and uncertainties which could have a material impact on the Company's long term performance. The Board meets regularly during the year, either by telephone or on a face to face basis, and monitors these risks on a continual basis. In addition, the management of day to day operational risk is delegated to the Company Executive (the senior management team including both the executive directors).

The key business risks and uncertainties affecting the Company are considered to relate to

- the performance and popularity of the first team,
- the recruitment and retention of key employees,
- the rules and regulations of the applicable football governing bodies,
- the negotiation and pricing of broadcasting contracts, and
- the renewal of key commercial agreements on similar or improved terms

The Company's income is affected by the performance and popularity of the first team and significant sources of revenue are derived from strong performances in the Premier League, FA Cup and UEFA Champions League (or the Europa League). The Company seeks to maintain playing success by continually investing in the development of its playing squad and it enters into employment contracts with each of its key personnel with a view to securing their services for the term of the contract. However, the Company operates in a highly competitive market in both domestic and European competition and retention of personnel cannot be guaranteed. In addition, the activities of the Company's main competitors can determine trends in the market rates for transfers and wages that the Company may be required to follow in order to maintain the strength of its first team squad.

The Club is regulated by the rules of the FA, Premier League, UEFA and FIFA. Any change to FA, Premier League, UEFA and FIFA regulations in future could have an impact on the Company as the regulations cover areas such as the format of competitions, financial fair play, the division of broadcasting income, the eligibility of players and the operation of the transfer market. The Company monitors its compliance with all applicable rules and regulations on a continuous basis and also monitors and considers the impact of any potential changes.

Broadcasting and certain other revenues are derived from contracts which are currently centrally negotiated by the Premier League and, in respect of European competition, by UEFA, the Company does not have any direct influence, alone, on the outcome of the relevant contract negotiations.

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT (continued)

The Premier League currently sells its TV rights on a three-year contract basis and has secured broadcasting contracts for season 2013/14 through to season 2015/16 which will provide clubs with an increase in revenues in the order of 50% above the previous levels

The Group derives a significant amount of revenue from sponsorship and other commercial relationships. The underlying commercial agreements have finite terms and, whilst the Group fully expects that the global appeal of its brand will allow its commercial revenues to grow strongly in the short to medium term, the renewal of existing contracts and/or acquisition of new partnerships cannot be guaranteed. Currently the Group's most important commercial contracts are its naming rights and shirt sponsorship contracts with Emirates Airline, which have been extended to now expire in 2028 and 2019 respectively, and its kit sponsorship contract with Nike which expires in 2014.

Emirates Stadium continues to provide high quality match-day facilities and to generate revenues which provide the Club with the sound financial base and level of financial resources from which it can build the strongest possible future.

The Company's financial instruments comprise mainly of cash and bank balances, debentures and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations. The main risks arising from the Company's financial instruments are liquidity and foreign currency risks and the Board reviews and agrees its policy for managing these risks.

The Company has entered into forward exchange contracts the purpose of which is to minimise its exposure to exchange rate risk in relation to certain Euro denominated receivables. The Company does not hold or issue derivative financial instruments for speculative purposes.

GOING CONCERN

The Company's bank facilities are not currently due for renewal, however, the Company has held a discussion with its banker about these facilities and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The directors have considered the Company's financial position, resources and revenue streams (including those from stadium/match-day activities and the Premier League TV contracts) and they believe the Company, which is a member of the Arsenal Holdings plc group, is well placed to manage its business risks successfully.

Accordingly, the directors have a reasonable expectation the Company has adequate resources to continue in operational existence for the foreseeable future and the financial statements continue to be prepared on the going concern basis.

RESULTS AND DIVIDENDS

The results for the year are set out on page 7.

The directors did not pay or declare a dividend for the year (2012 - £Nil).

DIRECTORS

The directors of the Company, all of whom served throughout the year, are set out below -

R C L Carr
K J Friar OBE
I E Gazidis
Lord Harris of Peckham
Sir Chips Keswick
E S Kroenke

In addition, P D Hill-Wood served as a director until the date of his retirement on 14 June 2013.

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT (continued)

DIRECTORS INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made donations for charitable purposes amounting to £71,536 (2012 - £70,259) and £Nil political contributions (2012 - £Nil)

CREDITOR PAYMENT POLICY

The Company's policy is to pay all creditors in accordance with contractual and other legal obligations. Advantage is taken of available discounts for prompt payment whenever possible. The rate, expressed in days, between the amounts invoiced to the Company by its suppliers in the year and the amount owing to trade and other creditors at the year end was 56 days (2012 - 33 days)

EMPLOYEES

Within the bounds of commercial confidentiality, the Company endeavours to keep staff at all levels informed of matters that affect the progress of the Company and are of interest to them as employees

The Company operates an equal opportunities policy. The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the Company become disabled whilst in employment, every step, where appropriate will be taken to assist with rehabilitation and suitable re-training

The Company maintains its own health, safety and environmental policies covering all aspects of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the Company is responsive to the needs of the employees and the environment

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each of the persons who is a director of the Company at the date when this report was approved

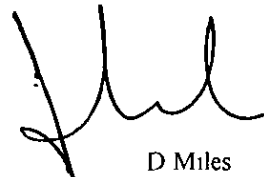
- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

AUDITOR

A resolution to re-appoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



D Miles
Secretary

26 November 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL FOOTBALL CLUB PLC

We have audited the financial statements of Arsenal Football Club plc for the year ended 31 May 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 May 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Mark Lee-Amies (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
26 November 2013

ARSENAL FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2013

		2013			2012		
	Note	Operations excluding player trading £'000	Player trading £'000	Total £'000	Operations excluding player trading £'000	Player Trading £'000	Total £'000
Turnover	1,2	218,648	1,598	220,246	230,640	2,901	233,541
Operating expenses	3	(204,791)	(47,021)	(251,812)	(188,439)	(42,319)	(230,758)
Operating profit/(loss)		13,857	(45,423)	(31,566)	42,201	(39,418)	2,783
Profit on disposal of tangible fixed assets	29	-	-	29	12	-	12
Profit on disposal of player registrations	-	-	46,986	46,986	-	65,456	65,456
Profit/(loss) on ordinary activities before interest		13,886	1,563	15,449	42,213	26,038	68,251
Net interest payable	4			(104)			(163)
Profit on ordinary activities before taxation				15,345			68,088
Taxation	7			(2,129)			(8,579)
Profit after taxation	19			13,216			59,509

All trading resulted from continuing operations

Player trading consists primarily of loan fees receivable, the amortisation of the costs of acquiring player registrations, any impairment charges and profit on disposal of player registrations

There were no recognised gains or losses in the current or previous year other than those recorded in the profit and loss account and, accordingly, no statement of total recognised gains and losses is presented

ARSENAL FOOTBALL CLUB PLC

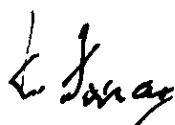
BALANCE SHEET

As at 31 May 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Tangible fixed assets	9	40,343	39,316
Intangible fixed assets	10	96,565	85,708
Investments	11	6,520	6,520
		<hr/>	<hr/>
		143,428	131,544
		<hr/>	<hr/>
Current assets			
Stock - retail merchandise	12	2,131	1,681
Debtors - due within one year	13	56,698	44,069
- due after one year	13	307,461	275,052
Cash and short term deposits		47,411	60,180
		<hr/>	<hr/>
		413,701	380,982
		<hr/>	<hr/>
Creditors amounts falling due within one year	14	(76,325)	(67,546)
		<hr/>	<hr/>
Net current assets		337,376	313,436
		<hr/>	<hr/>
Total assets less current liabilities		480,804	444,980
		<hr/>	<hr/>
Creditors amounts falling due after more than one year	15	(189,983)	(174,217)
		<hr/>	<hr/>
Provisions for liabilities	16	(39,975)	(33,133)
		<hr/>	<hr/>
Net assets		250,846	237,630
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	17	62	62
Share premium	18	56,696	56,696
Joint venture reserve	18	1,470	1,470
Profit and loss account	19	192,618	179,402
		<hr/>	<hr/>
Shareholders' funds	20	250,846	237,630
		<hr/>	<hr/>

These financial statements of Arsenal Football Club plc (registered number 109244) were approved and authorised for issue by the Board of Directors on 26 November 2013

Signed on behalf of the Board of Directors



K J Friar OBE
Director

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

1. Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Generally Accepted Accounting Practice and, as described in the Directors' Report, on the going concern basis. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

Basis of preparation of financial statements

The Company has not produced consolidated financial statements as it qualifies for exemption under section 400 of Companies Act 2006 as a wholly owned subsidiary of a United Kingdom parent company, Arsenal Holdings plc, which publishes consolidated financial statements.

Cash flow statement

As a wholly owned subsidiary of a parent company which publishes a consolidated cash flow statement, the Company is exempt from the requirement to present a cash flow statement as per FRS 1 (revised 1996).

Investment in joint venture

The joint venture is an undertaking in which the Company holds an interest on a long-term basis and which is jointly controlled by the Company (which holds 50% of the voting rights) and Kroenke Sports Enterprises under a contractual arrangement.

Investments are stated at cost less provisions for impairment. Impairment charges on investments are reported as exceptional items after operating profits.

Turnover and income recognition

Turnover represents income receivable, net of VAT, from football and related commercial activities. The Company has one class of business which is the principal activity of operating a professional football club.

Certain special purpose arrangements have been established in connection with the Arsenal Holdings plc group's financing arrangements for Emirates Stadium and, with effect from the start of the 2006/07 football season, ticket revenues for Emirates Stadium are received and accounted for by a fellow subsidiary company, Arsenal Stadium Management Company Limited. Under the terms of the related financial and legal agreements, the Company receives appearance fees from Arsenal Stadium Management Company Limited which are accounted for as part of match day revenue. Match day revenue is recognised over the period of the football season as games are played and events are staged. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees for live coverage or highlights are taken when earned at the point of broadcast. Merit awards are accounted for only when known at the end of the financial period. UEFA pool distributions relating to participation in the Champions League are spread over the matches played in the competition whilst distributions relating to match performance are taken when earned, these distributions are classified as broadcasting revenues. Fees receivable in respect of the loan of players are included in turnover over the period of the loan.

Depreciation

Depreciation is calculated to reduce the cost of plant, equipment, motor vehicles and land and buildings to the anticipated residual value of the assets concerned in equal annual instalments over their estimated useful lives as follows:

Freehold buildings	2% per annum
Leasehold properties	Over the period of the lease
Plant and equipment	10% to 25% per annum
Motor vehicles	25% per annum

Freehold land is not depreciated.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

1 Accounting policies (continued)

Stocks

Stocks comprise retail merchandise and are stated at the lower of cost and net realisable value

Player costs

The costs associated with acquiring players' registrations or extending their contracts, including agents' fees, are capitalised and amortised, in equal instalments, over the period of the respective players' contracts. Where a contract life is renegotiated the unamortised costs, together with the new costs relating to the contract extension, are amortised over the term of the new contract. Where the acquisition of a player registration involves a non-cash consideration, such as an exchange for another player registration, the transaction is accounted for using an estimate of the market value for the non-cash consideration.

Under the conditions of certain transfer agreements or contract renegotiations, further fees will be payable in the event of the players concerned making a certain number of First Team appearances or on the occurrence of certain other specified future events. Liabilities in respect of these additional transfer fees are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur. The additional costs are capitalised and amortised as set out above.

Profits or losses on the sale of players represent the transfer fee receivable, net of any transaction costs, less the unamortised cost of the applicable player's registration.

Remuneration of players is charged in accordance with the terms of the applicable contractual arrangements and any discretionary bonuses when there is a legal or constructive obligation.

Impairment

The Company will perform an impairment review on player registrations if adverse events indicate that the amortised carrying value of its intangible assets may not be recoverable. Whilst no individual player can be separated from the income generating unit, which is represented by the playing squad and the football operations of the Arsenal Holdings plc group as a whole, there may be certain circumstances where a player is taken out of the income generating unit. Such circumstances might include a player being excluded from the playing squad due to sustaining a career threatening injury or where a permanent fall out with senior football management means it is highly unlikely a particular player will ever play for the club again. If such circumstances were to arise and be considered permanent, then the carrying value of the player would be assessed against the Company's best estimate of the player's fair value less any costs to sell and, if necessary, a provision would be made.

The Company's assessment of fair value will be based on -

- in the case of a player who has suffered a career threatening injury, the value attributed by the Company's insurers, or
- in the case of a player who has fallen out with senior football management, either the agreed selling price in the event the player has been transferred since the year end or, if the player has not been sold, the Company's best estimation of disposal value taking into account recent player disposals by both the Company and other clubs.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Onerous Contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

1. Accounting policies (continued)

Debt

The carrying value of long term debt is not discounted

Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year end are translated at year-end exchange rates or the exchange rate of a related forward exchange contract where appropriate. Exchange gains or losses are dealt with in the profit and loss account.

Deferred income

Deferred income represents income from sponsorship agreements and other contractual agreements which is credited to the profit and loss account over the period of the agreements.

Leases

Rentals payable under operating leases are charged to the profit and loss account evenly over the lease period.

Pensions

The Company makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes, the principal one of which is The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate.

In addition, the Company is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). A provision has been established for the Company's share of the deficit which exists in this section of the scheme and this additional contribution is being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have retired or who have left the Company has been charged to the profit and loss account.

Under FRS 17 - Retirement Benefits – the Scheme would be treated as a defined benefit multi-employer scheme. The Scheme's actuary has advised that the participating employers' share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and accordingly no disclosures are made under the provisions of FRS 17.

The assets of all schemes are held in funds independent from the Company.

Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is recognised only when, on the basis of available evidence, it can be regarded as more likely than not that the reversal of underlying timing differences will result in a reduction in future tax payments.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

2. Turnover

Turnover, all of which originates in the UK, comprises the following

	2013 £'000	2012 £'000
Match day revenues	70,964	94,312
Broadcasting	85,835	84,701
Retail and licensing	18,056	18,300
Commercial	43,793	33,327
Player trading	1,598	2,901
	<u>220,246</u>	<u>233,541</u>

Match day revenues include staging appearance fees receivable from a fellow subsidiary, Arsenal Stadium Management Company Limited

The amounts for staging appearance fee are receivable in accordance with the financial and legal agreements put in place in connection with the Arsenal Holdings plc group's financing arrangements for Emirates Stadium and, in particular, in connection with the fixed interest bonds issued by Arsenal Securities plc, a fellow subsidiary

The special purpose nature of these legal and financial arrangements means that the amounts of staging appearance fees receivable by the company are determined purely by reference to the levels of cash banked by Arsenal Stadium Management Company Limited from ticket sales. Consequently the staging appearance fees may vary as a result of timing differences which arise between the collection of ticket revenues and the group's accounting policies for income recognition and deferred income

3. Operating expenses

	2013 £'000	2012 £'000
Operating expenses comprise		
Amortisation of player registrations	41,349	36,802
Impairment of player registrations and related costs	5,672	5,517
Depreciation and impairment charges	4,121	2,988
	<u>51,142</u>	<u>45,307</u>
Total depreciation, amortisation and impairment	51,142	45,307
Staff costs (see note 6)	151,441	140,610
Other operating charges	49,229	44,841
	<u>251,812</u>	<u>230,758</u>

The total charge resulting from impairment of player registrations was £10.0 million (2012: £5.5 million) comprising of write down of the book value of intangible assets of £4.5 million (2012: £5.5 million), provisions for onerous player contracts (reported within staff costs – note 6) of £4.3 million (2012: £Nil) and other related costs of £1.2 million (2012: £Nil)

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

3. Operating expenses (continued)	2013	2012
	£'000	£'000
Other operating charges are stated after charging		
Auditor's remuneration - audit of the company's financial statements	63	58
- other services	62	82
- tax services	88	88
Operating lease payments - plant and machinery	172	166
- other	520	198
	<u> </u>	<u> </u>
4 Net interest payable	2013	2012
	£'000	£'000
Interest payable and similar charges -		
Bank loans and overdrafts	(2)	(11)
Other	(357)	(377)
	<u> </u>	<u> </u>
Total interest payable and similar charges	(359)	(388)
Interest receivable	255	225
	<u> </u>	<u> </u>
Net interest payable	<u>(104)</u>	<u>(163)</u>
5. Directors' emoluments	2013	2012
	£'000	£'000
Emoluments	2,381	2,763
Pension contributions	100	100
	<u> </u>	<u> </u>
	2,481	2,863
	<u> </u>	<u> </u>
Emoluments of the highest paid director	1,825	2,050
	<u> </u>	<u> </u>
Pension contributions of the highest paid director	100	100
	<u> </u>	<u> </u>
In addition, the pension charge for the year (note 6) includes £1 02 million in relation to a director, being part of the deficit in the defined benefit section of the Football League Pension and Life Assurance Scheme		
6. Employees (including directors)	2013	2012
	Number	Number
The average number of persons employed by the Company during the year was		
Playing staff	73	70
Training staff	64	55
Administrative staff	295	271
Ground staff	98	100
	<u> </u>	<u> </u>
	530	496
	<u> </u>	<u> </u>

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

6. Employees (including directors) (continued)

In addition the Company used on average 817 temporary personnel on match days (2012 – 845)

	2013 £'000	2012 £'000
Staff costs:		
Wages and salaries	132,838	120,848
Social security costs	17,277	15,983
Other pension costs	1,326	3,779
	<u>151,441</u>	<u>140,610</u>

Included in staff costs are £4.3 million (2012: £Nil) of charges relating to the contracts of certain players whose registration value is impaired and whose contracts have been classified as onerous contracts

7. Tax on profit on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK corporation tax charge at 23.83% (2012 – 27.67%)	-	200
Under provision in respect of prior years	173	133
Total current taxation charge	<u>173</u>	<u>333</u>
Deferred taxation (see note 16)		
Origination and reversal of timing differences	2,850	9,460
Impact of change in tax rate	(710)	(676)
Over provision in respect of prior years	(184)	(538)
Total tax charge on profit on ordinary activities	<u>2,129</u>	<u>8,579</u>

From 1 April 2013 the rate of UK corporation tax was reduced from 24% to 23%. The company's deferred tax liabilities have been revalued based on the 23% rate. The impact of the rate change is a deferred tax credit of £0.7 million.

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	<u>15,345</u>	<u>68,088</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.83% (2012 – 25.67%)	3,656	17,478
Effects of:		
Fixed asset timing differences	60	(127)
Roll-over relief on player registrations	(2,077)	(10,867)
Other timing differences	(933)	878
Expenses not deductible for tax purposes	363	363
Group relief surrendered for nil consideration and intra-group adjustments	(1,069)	(7,525)
Adjustments to tax charge in respect of prior years	173	133
Current taxation charge for the year	<u>173</u>	<u>333</u>

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

7. Tax on profit on ordinary activities (continued)

Tax losses have been claimed from other group companies for nil consideration and at rates ranging from nil% up to the full rate of UK corporation tax, currently 23.83%, for consortium companies

Full provision has been made for the deferred tax liabilities related to the roll-over of profits on sale of player registrations into the tax cost of new qualifying player registrations (see note 16)

The tax charge in future years may be affected by

- a change in the consideration paid for group relief, and
- the legislation relating to taxation of profits on disposal of intangible assets, including player registrations, and rollover relief thereon

The Finance Act 2013, which provides for a reduction in the main rate of corporation tax to 21% effective from 1 April 2014 and 20% effective from 1 April 2015, was substantively enacted in July 2013. As this legislation was not substantively enacted at the balance sheet date, the rate reduction is not reflected in these financial statements. This is in accordance with FRS19, as the rate change is a non-adjusting event occurring after the reporting period. The impact of the rate reduction will be reflected in the next reporting period when it is estimated to reduce the Company's deferred tax liability provided at 31 May 2013 by £2.5 million.

8. Dividends

The Company did not pay or declare a dividend for the year (2012 - £Nil)

9. Tangible fixed assets

Company	Freehold properties £'000	Leasehold properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 June 2012	40,165	6,602	11,473	230	58,470
Additions	614	211	4,323	-	5,148
Disposals	-	-	(68)	(42)	(110)
At 31 May 2013	40,779	6,813	15,728	188	63,508
Depreciation					
At 1 June 2012	9,805	3,087	6,124	138	19,154
Charge for the year	1,393	309	1,691	31	3,424
Impairment	-	204	493	-	697
Disposals	-	-	(68)	(42)	(110)
At 31 May 2013	11,198	3,600	8,240	127	23,165
Net book amount					
At 31 May 2013	29,581	3,213	7,488	61	40,343
At 31 May 2012	30,360	3,515	5,349	92	39,316

At 31 May 2013 the Company had contracted capital commitments of £2.9 million (2012 - £3.2 million)

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

10. Intangible fixed assets

	£'000
Cost of player registrations	
At 1 June 2012	189,685
Additions	58,688
Disposals	(13,071)
At 31 May 2013	235,302
Amortisation of player registrations	
At 1 June 2012	103,977
Charge for the year	41,349
Impairment	4,740
Disposals	(11,329)
At 31 May 2013	138,737
Net book amount	
At 31 May 2013	96,565
At 31 May 2012	85,708

The figures for cost of player registrations are historical cost figures for purchased players only. Accordingly the net book amount of player registrations will not reflect, nor is it intended to, the current market value of these players nor does it take any account of players developed through the Company's youth system.

The directors consider the net realisable value of intangible assets to be significantly greater than their book value.

11. Investments

	2013 £'000	2012 £'000
Cost of investments	25,050	25,050
Being		
Investment in joint venture	20,000	20,000
Investments in subsidiary companies	5,050	5,050
	25,050	25,050
Investment in joint venture		
Investments at cost	20,000	20,000
Provision for impairment	(18,530)	(18,530)
Investment in subsidiary companies		
Investments at cost	5,050	5,050
	6,520	6,520

The joint venture represents an interest in Arsenal Broadband Limited, a company incorporated in the United Kingdom and engaged in running the official Arsenal Football Club internet portal. The Company owns all of the 20,000,001 Ordinary "A" shares of £1 each and the one "C" share of £1 issued by Arsenal Broadband and controls 50% of the voting rights.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

11. Investments (continued)

Investments in subsidiary undertakings

At 31 May 2013 the Company had the following subsidiary companies (of which those marked * are indirectly held)

	Country of incorporation	Proportion of Shares owned	Principal Activity
Arsenal (Emirates Stadium) Limited	United Kingdom	100%	Property development
Arsenal Stadium Management Company Limited*	United Kingdom	100%	Stadium operations
Arsenal Securities plc	United Kingdom	100%	Financing
Arsenal Overseas Holdings Limited	United Kingdom	100%	Shareholding
AOH-USA LLC*	USA	100%	Sports analytics
Arsenal Overseas Limited	Jersey	100%	Retail operations
Arsenal Ladies Limited	United Kingdom	100%	Ladies football

12. Stocks

	2013 £'000	2012 £'000
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Retail merchandise	2,131	1,681
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13. Debtors

	2013 £'000	2012 £'000
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Amounts receivable within one year		
Trade debtors	18,126	13,413
Other debtors	21,529	14,092
Prepayments and accrued income	17,043	16,564
	56,698	44,069
Amounts recoverable after more than one year		
Amounts due from group undertakings	300,226	269,851
Other debtors	5,566	3,570
Prepayments and accrued income	1,669	1,631
	307,461	275,052

Other debtors include £26.1 million in respect of player transfers (2012 - £16.5 million)

14. Creditors amounts falling due within one year

	2013 £'000	2012 £'000
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Trade creditors	6,666	6,661
Corporation tax	326	195
Other tax and social security	8,229	7,897
Other creditors and loans	13,064	19,558
Accruals and deferred income	48,040	33,235
	76,325	67,546

Other creditors, above and as disclosed in note 15, include £20.5 million (2012 - £23.6 million) in respect of player transfers and directly related costs

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

15. Creditors amounts falling due after more than one year	2013 £'000	2012 £'000
Debenture subscriptions	14,427	14,430
Amount due to group undertakings	146,226	144,503
Other creditors	8,779	4,772
Deferred income	20,551	10,512
	<u>189,983</u>	<u>174,217</u>

Under the issue terms the debentures are repayable at par after 130 years. The debentures are interest free.

Borrowing facilities

The Company had undrawn committed borrowing facilities at the balance sheet date, in respect of which all conditions precedent had been met as follows:

	2013 £'000	2012 £'000
Expiring in One year or less	<u>30,000</u>	<u>30,000</u>

Fair values

The fair value of all financial instruments at 31 May 2012 and 2013, other than forward exchange contracts as disclosed below, was not materially different from their book value.

	Book value 2012 £'000's	Fair value 2012 £'000's	Book value 2012 £'000's	Fair value 2012 £'000's
Derivative financial instruments held to manage the Company's foreign exchange profile				
Forward exchange contracts	-	(459)	-	105

16. Provision for liabilities	2013 £'000	2012 £'000
Pensions provision (Note 24 (b))	2,619	2,993
Transfers	11,195	13,103
Onerous contracts - players	5,456	-
Property	1,712	-
Deferred taxation	18,993	17,037
	<u>39,975</u>	<u>33,133</u>

The transfers provision relates to the probable additional fees payable based on the players concerned achieving a specified number of appearances or the occurrence of certain other specified events. In this respect, new provisions of £4.7 million were made during the year, £4.9 million of provisions were reclassified as creditors and £0.6 million of provisions were cancelled as no longer required.

The provision for onerous player contracts arose in the year and has been referred to in notes 3 and 6.

The Property provision relates to liabilities arising from certain surplus operational properties, where activity is to be discontinued.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

16 Provision for liabilities (continued)

Deferred tax	2013 £'000	2012 £'000
Deferred tax provision in respect of -		
Corporation tax deferred by accelerated capital allowances	489	585
Roll-over relief on player registrations	20,234	18,157
Other timing differences	(1,730)	(1,705)
Total deferred taxation provision	<u>18,993</u>	<u>17,037</u>

The deferred tax charge for the year was £2.0 million (2012 - charge of £8.2 million)

17 Called up share capital

	2013 £'000	2012 £'000
Called up, allotted and fully paid		
61,947 Ordinary shares of £1 each	<u>62</u>	<u>62</u>

18. Share premium and other reserves

	Joint venture reserve £'000	Share premium £'000
Balance at start and end of year	<u>1,470</u>	<u>56,696</u>

19. Profit and loss account

	2013 £'000	2012 £'000
Balance at start of year	179,402	119,893
Profit for the year	13,216	59,509
Balance at end of year	<u>192,618</u>	<u>179,402</u>

20. Reconciliation of movement in shareholders' funds

	2013 £'000	2012 £'000
Opening shareholders' funds	237,630	178,121
Profit for the year	13,216	59,509
Closing shareholders' funds	<u>250,846</u>	<u>237,630</u>

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

21 Leasing commitments

Commitments due under operating leases for the year to 31 May 2013 are in respect of

	2013		2012	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring				
In less than one year	-	18	-	14
Between two and five years	466	156	54	155
After five years	131	-	441	-
	<u>597</u>	<u>174</u>	<u>495</u>	<u>169</u>

22. Contingent liabilities

Under the conditions of certain transfer agreements in respect of players purchased, further transfer fees will be payable to the vendors in the event of the players concerned making a certain number of First Team appearances or in the event of certain other future events specified in the transfer agreements. In accordance with the Company's accounting policy for transfer fees, any additional fees which may be payable under these agreements, will be accounted for in the year that it becomes probable that the number of appearances will be achieved or the specified future events will occur. The maximum unprovided liability amounts to £6.6 million (2012 - £7.8 million).

The Company is a member of a VAT group and, consequently, is contingently liable for the VAT liabilities of that group. The amount outstanding at 31 May 2013 was £9.8 million (2012 - £11.71 million).

23. Related party transactions

	2013 Income/ (charge) £'000	2012 Income/ (charge) £'000
The Company has the following transaction with Arsenal Broadband Limited in the year		
Provision of office services	208	160
Merchandising and advertising sales	(1,535)	(1,358)
Arsenal TV commission	(880)	(735)

At 31 May 2013 the balance owing from the Company to Arsenal Broadband Limited was £5,685,000 (2012 £2,969,000).

As a wholly owned subsidiary of Arsenal Holdings plc, a company which publishes consolidated accounts, the Company is exempt from disclosing details of transactions with members of the Arsenal Holdings Group.

24. Pensions

a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £1,323,000 (2012 £1,157,000).

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2013

24. Pensions (continued)

<i>b) Defined benefit scheme</i>	2013 £'000	2012 £'000
Provision at start of year	2,993	970
Payments in year	(374)	(206)
Increase in provision	-	2,229
Provision at end of year	<u>2,619</u>	<u>2,993</u>

The Company is advised of its share of the deficit in the Scheme. The most recent actuarial valuation of the Scheme was as at 31 August 2011 and indicated that the contribution required from the Company towards making good the deficit was £2.94 million at 1 September 2012 (the total deficit in the Scheme at this date was £25.7 million). The Company's share of the deficit is being paid off over a period of ten years commencing September 2012.

Additional contributions are being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have already retired or who have left the Company has been charged to the profit and loss account.

Payments for the year amounted to £374,000 and the profit and loss account charge was £54,000 (2012 - £2,622,000).

25. Post balance sheet events

Since the end of the financial year the Company has contracted for the purchase and sale of various players. The net payment resulting from these transfers, taking into account the applicable levies, is £34.5 million (2012 - net receipt of £11.3 million). These transfers will be accounted for in the year ended 31 May 2014.

26. Ultimate parent company and controlling party

The Company is a wholly owned subsidiary of Arsenal (AFC Holdings) Limited, a company incorporated in the United Kingdom. The largest and smallest group in which the Company's results are included is the consolidated accounts of Arsenal Holdings plc, a company incorporated in the United Kingdom. These consolidated accounts are available to the public and may be obtained from Arsenal Holdings plc, Highbury House, 75 Drayton Park, London, N5 1BU.

The ultimate parent undertaking and controlling party is KSE UK Inc, which owns 66.8% of the share capital of Arsenal Holdings plc. KSE UK Inc is incorporated in the State of Delaware, USA, and is wholly-owned and controlled by Mr E S Kroenke.