

Company Registration No. 109244

ARSENAL FOOTBALL CLUB PLC

Annual Report and Financial Statements

31 May 2015

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ARSENAL FOOTBALL CLUB PLC

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ARSENAL FOOTBALL CLUB PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015 OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

COMPANY SECRETARY

D Miles

REGISTERED OFFICE

Highbury House
75 Drayton Park
London
N5 1BU

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2015.

GOING CONCERN

The Company's unused 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 that 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 9.

The directors did not pay or declare a dividend for the year (2014 - £Nil).

FINANCIAL RISK MANAGEMENT

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.

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
J.W. Kroenke

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.

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT (continued)

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 STATEMENT

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.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information 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.

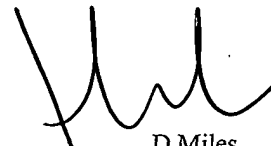
ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT (continued)

AUDITOR (continued)

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

A handwritten signature in black ink, appearing to be 'D Miles', written over a horizontal line.

D Miles
Company Secretary
20 November 2015

ARSENAL FOOTBALL CLUB PLC

STRATEGIC REPORT

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal Activity

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

Strategy

The Board's long term strategy is to continue to develop Arsenal Football Club as a leading football club on both the domestic and global stage.

The Board are committed to a self-sustaining business model within which the funds generated by the business are available for further investment into the Club with the aim of achieving an increased level of on-field success which ultimately translates into the winning of trophies. This model can be represented as a Virtuous Circle:

- Invest in the team
- More on field success
- Increase fan base and engagement
- Increase revenue
- Invest in the team

Key performance indicators

The Club has a range of financial and non-financial performance indicators:-

On-field performance

- FA Cup Winners (for 12th time)
- Finished Premier League 3rd place
- Champions League Round of 16
- Qualified for 2015/16 Champions League – 18th successive season

Match attendance

- 27 home fixtures (2014 – 29)
- Average ticket sales of 59,930 represents >99% of capacity (2014 – 59,790)

Commercial Revenue (Company)

- 2014/15 £102.6 million
- 2013/14 £76.7 million
- 2012/13 £61.8 million
- Emirates and PUMA secured as lead partners on a long-term basis

Global fan base

- 37 million Arsenal.com unique visits
- Facebook fans – 32.6 million
- Twitter followers – 5.8 million
- 1.5 million Red and Digital Members
- 324,000 You Tube subscribers

Certain KPIs (including those for total revenue and wage costs) are best considered on a consolidated group basis, as disclosed in the Statement of Accounts and Annual Report for Arsenal Holdings plc 2014/15.

ARSENAL FOOTBALL CLUB PLC

STRATEGIC REPORT (continued)

The Club achieved a satisfactory third place in the Premier League for season 2014/15 which has resulted in the Club qualifying for the UEFA Champions League for an eighteenth consecutive season. In the 2014/15 competition the Club reached the last sixteen of the UEFA Champions League. The Club successfully defended the FA Cup, winning it for the 12th time in its history, beating Aston Villa by 4-0 in an exciting final. The Club's external revenues were increased mainly as a result of:-

- additional commercial activity and in particular the new kit partnership with PUMA
- improved Premier League broadcasting contracts
- FA Cup success

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 an increase in the appearance fee recognised in the 2014/15 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. 2014/15 was the second year of the Premier League's latest three year TV rights deal.

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 PUMA.

ARSENAL FOOTBALL CLUB PLC
STRATEGIC REPORT (continued)

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.

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

K J Friar
Director
20 November 2015



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 2015 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2015 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 and the Strategic 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.

M. R. Lee-Amies

Mark Lee-Amies (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
20 November 2015

ARSENAL FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2015

		2015			2014		
	Note	Operations excluding player trading £'000	Player trading £'000	Total £'000	Operations excluding player trading £'000	Player Trading £'000	Total £'000
Turnover	1,2	334,366	805	335,171	302,797	513	303,310
Operating expenses	3	(250,464)	(55,361)	(305,825)	(221,400)	(40,065)	(261,465)
Operating profit/(loss)		83,902	(54,556)	29,346	81,397	(39,552)	41,845
Profit on disposal of tangible fixed assets		44	-	44	29	-	29
Profit on disposal of player registrations		-	28,937	28,937	-	6,912	6,912
Profit/(loss) on ordinary activities before interest		83,946	(25,619)	58,327	81,426	(32,640)	48,786
Net interest payable	4			(149)			(101)
Profit on ordinary activities before taxation				58,178			48,685
Taxation	7			(5,297)			(288)
Profit after taxation	19			52,881			48,397

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

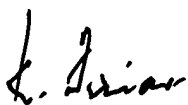
BALANCE SHEET

As at 31 May 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible fixed assets	9	43,584	41,471
Intangible fixed assets	10	171,649	114,982
Investments	11	6,520	6,520
		<u>221,753</u>	<u>162,973</u>
Current assets			
Stock - retail merchandise	12	4,530	4,935
Debtors - due within one year	13	50,636	54,712
- due after one year	13	379,663	340,515
Cash and short term deposits		104,606	76,867
		<u>539,435</u>	<u>477,029</u>
Creditors: amounts falling due within one year	14	(179,424)	(116,715)
Net current assets		<u>360,011</u>	<u>360,314</u>
Total assets less current liabilities		<u>581,764</u>	<u>523,287</u>
Creditors : amounts falling due after more than one year	15	(195,615)	(186,912)
Provisions for liabilities	16	(34,025)	(37,132)
Net assets		<u>352,124</u>	<u>299,243</u>
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	293,896	241,015
Shareholders' funds	20	<u>352,124</u>	<u>299,243</u>

These financial statements of Arsenal Football Club plc (registered number 109244) were approved and authorised for issue by the Board of Directors on 20 November 2015.

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 2015

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.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and the Strategic Report. The Directors' Report and the Strategic Report also describe the financial position of the Company and its liquidity position.

The Company currently meets its day to day working capital requirements through its cash resources. The Company maintains, but does not currently utilise, an overdraft facility, which is due for renewal in December 2015, as part of the financial arrangements required to be in place in connection with the stadium financing bonds issued by a fellow subsidiary, Arsenal Securities plc. The Company has opened renewal negotiations with the bank and has at this stage not sought any written confirmation that the facility will be renewed. However, the Company has held discussions with its bankers and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The risks and uncertainties which impact the Company's future revenues have been considered in the Strategic Report. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its available financial resources.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual 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

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

1. Accounting policies (continued)

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.

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.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

1. Accounting policies (continued)

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.

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

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

1. Accounting policies (continued)

Taxation (continued)

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.

2. Turnover

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

	2015 £'000	2014 £'000
Match day revenues	106,983	105,535
Broadcasting	124,764	120,595
Retail and licensing	24,678	17,931
Commercial	77,941	58,736
Player trading	805	513
	<u>335,171</u>	<u>303,310</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.

Of the Company's broadcasting revenues, £26.6 million (2014 - £25.4 million) was derived from participation in the UEFA Champions League.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

3. Operating expenses	2015	2014
	£'000	£'000
Operating expenses comprise:		
Amortisation of player registrations	54,426	40,065
Impairment of player registrations and related costs	935	-
Depreciation and impairment charges	4,421	3,915
Total depreciation, amortisation and impairment	59,782	43,980
Staff costs (see note 6)	189,708	163,046
Other operating charges	56,335	54,439
	<u>305,825</u>	<u>261,465</u>
	2015	2014
	£'000	£'000
Other operating charges are stated after charging:		
Auditor's remuneration - audit of the company's financial statements	63	63
- other services	43	50
- tax services	148	132
Operating lease payments - plant and machinery	246	182
- other	399	641
	<u></u>	<u></u>
4. Net interest payable	2015	2014
	£'000	£'000
Interest payable and similar charges:-		
Bank loans and overdrafts	(8)	(1)
Other	(380)	(371)
Total interest payable and similar charges	(388)	(372)
Interest receivable	239	271
Net interest payable	<u>(149)</u>	<u>(101)</u>
5. Directors' emoluments	2015	2014
	£'000	£'000
Emoluments	2,924	2,673
Pension contributions	67	100
	<u>2,991</u>	<u>2,773</u>
Emoluments of the highest paid director	<u>2,232</u>	<u>2,091</u>
Pension contributions of the highest paid director	<u>67</u>	<u>100</u>

In addition, the pension charge for the year (note 6) includes £0.41 million (2014 – £nil) in relation to a director, being part of the deficit in the defined benefit section of the Football League Pension and Life Assurance Scheme.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

6. Employees (including directors)	2015 Number	2014 Number
The average number of persons employed by the Company during the year was:		
Playing staff	66	67
Training staff	95	80
Administrative staff	336	295
Ground staff	99	97
	<u>596</u>	<u>539</u>

In addition the Company used on average 830 temporary personnel on match days (2014 – 860)

	2015 £'000	2014 £'000
Staff costs:		
Wages and salaries	165,767	142,922
Social security costs	20,928	18,334
Other pension costs	3,013	1,790
	<u>189,708</u>	<u>163,046</u>

7. Tax on profit on ordinary activities	2015 £'000	2014 £'000
Current tax		
UK corporation tax charge at 20.83% (2014 – 22.67%)	6,142	3,499
Over provision in respect of prior years	(35)	-
Total current taxation charge	<u>6,107</u>	<u>3,499</u>
Deferred taxation (see note 16)		
Origination and reversal of timing differences	(822)	(1,012)
Impact of change in tax rate	-	(2,477)
Under provision in respect of prior years	12	278
Total tax charge on profit on ordinary activities	<u>5,297</u>	<u>288</u>

From 1 April 2015 the rate of UK corporation tax was reduced from 21% to 20%. The company's deferred tax liabilities have been valued based on the 20% rate.

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:

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

7. Tax on profit on ordinary activities (continued)	2015 £'000	2014 £'000
Profit on ordinary activities before tax	58,178	48,685
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.83% (2014 – 22.67%)	12,118	11,037
Effects of:		
Fixed asset timing differences	8	42
Roll-over relief on player registrations	954	1,370
Other timing differences	(106)	(265)
(Non taxable income)/expenses not deductible	(1,232)	310
Group relief surrendered for nil consideration and intra-group adjustments	(5,600)	(8,995)
Adjustments to tax charge in respect of prior years	(35)	-
Current taxation charge for the year	6,107	3,499

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 20.83%, 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 the legislation relating to taxation of profits on disposal of intangible assets, including player registrations, and rollover relief thereon.

A further reduction in the rate of corporation tax to 19% from April 2017 and 18% from April 2020 has been announced but had not been substantively enacted at the balance sheet date. 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 FRS 21, 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 Group's deferred tax liabilities at 31 May 2015 by £1.5 million

8. Dividends

The Company did not pay or declare a dividend for the year (2014 - £Nil).

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

9. Tangible fixed assets

Company	Assets in course of construction £'000	Freehold properties £'000	Leasehold properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 June 2014	-	41,250	9,208	17,186	188	67,832
Additions	4,304	746	217	1,267	-	6,534
Disposals	-	-	-	(661)	-	(661)
At 31 May 2015	4,304	41,996	9,425	17,792	188	73,705
Depreciation						
At 1 June 2014	-	12,659	3,844	9,701	157	26,361
Charge for the year	-	1,489	368	2,534	30	4,421
Disposals	-	-	-	(661)	-	(661)
At 31 May 2015	-	14,148	4,212	11,574	187	30,121
Net book amount						
At 31 May 2015	4,304	27,848	5,213	6,218	1	43,584
At 31 May 2014	-	28,591	5,364	7,485	31	41,471

At 31 May 2015 the Company had contracted capital commitments of £13.1 million (2014 - £4.3 million).

10. Intangible fixed assets

	£'000
Cost of player registrations	
At 1 June 2014	249,255
Additions	113,940
Disposals	(34,688)
At 31 May 2015	328,507
Amortisation of player registrations	
At 1 June 2014	134,273
Charge for the year	54,426
Impairment	935
Disposals	(32,776)
At 31 May 2015	156,858
Net book amount	
At 31 May 2015	171,649
At 31 May 2014	114,982

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.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

11. Investments	2015 £'000	2014 £'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
	2015 £'000	2014 £'000
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.

Investments in subsidiary undertakings

At 31 May 2015 the Company had the following subsidiary companies (of which those marked * are indirectly held):

	Country of incorporation	Proportion of ordinary share capital 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 Football Club Asia PTE Limited	Singapore	100%	Commercial operations
Arsenal Ladies Limited	United Kingdom	100%	Ladies football

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

12. Stocks	2015	2014
	£'000	£'000
Retail merchandise	4,530	4,935

13. Debtors	2015	2014
	£'000	£'000
Amounts receivable within one year:		
Trade debtors	18,329	24,887
Other debtors	12,916	8,105
Prepayments and accrued income	19,391	21,720
	<u>50,636</u>	<u>54,712</u>
Amounts recoverable after more than one year:		
Amounts due from group undertakings	374,057	336,706
Other debtors	4,150	2,195
Prepayments and accrued income	1,456	1,614
	<u>379,663</u>	<u>340,515</u>

Other debtors include £14.9 million in respect of player transfers (2014 - £9.5 million).

14. Creditors: amounts falling due within one year	2015	2014
	£'000	£'000
Trade creditors	5,862	9,229
Corporation tax	5,056	1,154
Other tax and social security	9,605	10,002
Other creditors and loans	49,119	23,840
Accruals and deferred income	109,782	72,490
	<u>179,424</u>	<u>116,715</u>

Other creditors, above and as disclosed in note 15, include £80.5 million (2014 - £38.3 million) in respect of player transfers and directly related costs.

15. Creditors: amounts falling due after more than one year	2015	2014
	£'000	£'000
Debenture subscriptions	14,427	14,427
Amount due to group undertakings	147,599	144,349
Other creditors	32,922	15,851
Deferred income	667	12,285
	<u>195,615</u>	<u>186,912</u>

Under the issue terms the debentures are repayable at par after 128 years. The debentures are interest free.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

15. Creditors: amounts falling due after more than one year (continued)

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:

	2015 £'000	2014 £'000
Expiring in: One year or less	30,000	30,000

Fair values

The fair value of all financial instruments at 31 May 2014 and 2015, other than forward exchange contracts as disclosed below, was not materially different from their book value.

	Book value 2015 £'000's	Fair value 2015 £'000's	Book value 2014 £'000's	Fair value 2014 £'000's
Derivative financial instruments held to manage the Company's foreign exchange profile:				
Forward exchange contracts	-	(1,293)	-	11

16. Provision for liabilities

	2015 £'000	2014 £'000
Pensions provision (Note 24 (b))	1,571	2,188
Transfers	17,482	17,473
Onerous contracts - players	-	207
Property	-	1,482
Deferred taxation	14,972	15,782
	34,025	37,132

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 7.7 million were made during the year, £5.9 million of provisions were reclassified as creditors and £1.8 million of provisions were cancelled as no longer required.

The provision for onerous player contracts arose in the prior year and has been fully paid.

The Property provision related to liabilities arising from certain surplus operational properties, where activity has been discontinued. The movement in the provision reflects payments made in the year.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

16. Provision for liabilities (continued)

Deferred tax	2015 £'000	2014 £'000
Deferred tax provision in respect of:-		
Corporation tax deferred by accelerated capital allowances	428	423
Roll-over relief on player registrations	15,128	16,096
Other timing differences	(584)	(737)
Total deferred taxation provision	<u>14,972</u>	<u>15,782</u>

The deferred tax credit for the year was £0.8 million (2014 - credit of £3.2 million).

17. Called-up share capital

	2015 £'000	2014 £'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

	2015 £'000	2014 £'000
Balance at start of year	241,015	192,618
Profit for the year	<u>52,881</u>	<u>48,397</u>
Balance at end of year	<u>293,896</u>	<u>241,015</u>

20. Reconciliation of movement in shareholders' funds

	2015 £'000	2014 £'000
Opening shareholders' funds	299,243	250,846
Profit for the year	<u>52,881</u>	<u>48,397</u>
Closing shareholders' funds	<u>352,124</u>	<u>299,243</u>

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

21. Leasing commitments

Commitments due under operating leases for the year to 31 May 2016 are in respect of:

	2015		2014	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
In less than one year	30	17	27	6
Between two and five years	24	218	490	244
After five years	451	-	130	-
	<u>505</u>	<u>235</u>	<u>647</u>	<u>250</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 £8.8 million (2014 - £5.5 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 2015 was £14.2 million (2014 - £13.7 million).

23. Related party transactions

	2015 Income/ (charge) £'000	2014 Income/ (charge) £'000
The Company has the following transaction with Arsenal Broadband Limited in the year:		
Provision of office services	249	208
Merchandising and advertising sales	(1,770)	(1,549)
Arsenal TV commission	(1,103)	(1,075)

At 31 May 2015 the balance owing from the Company to Arsenal Broadband Limited was £8,864,000 (2014: £8,074,000).

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.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE ACCOUNTS

Year ended 31 May 2015

24. Pensions

a) *Defined contribution schemes*

Total contributions charged to the profit and loss account during the year amounted to £2,079,000 (2014: £1,736,000).

b) *Defined benefit scheme*

	2015 £'000	2014 £'000
Provision at start of year	2,188	2,619
Payments in year	(1,508)	(431)
Increase in provision	891	-
Provision at end of year	1,571	2,188

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 2014 and indicated that the contribution required from the Company towards making good the deficit was £1.9 million at 1 September 2014 (the total deficit in the Scheme at this date was £21.8 million). The Company's share of the deficit is being paid off over a period of five and a half years commencing September 2014.

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 £1,508,000 and the profit and loss account charge was £946,000 (2014 - £54,000).

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 £10.5 million (2014 – net payment of £52.5 million). These transfers will be accounted for in the year ended 31 May 2016.

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.