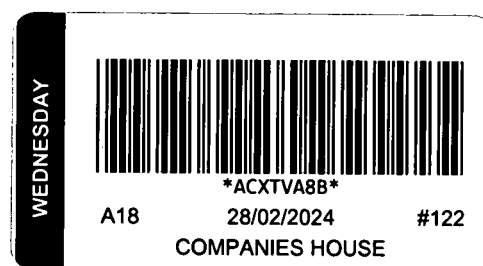


Company Registration No. 109244

ARSENAL FOOTBALL CLUB PLC

Annual Report and Financial Statements

Year ended 31 May 2023



ARSENAL FOOTBALL CLUB LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E.S. Kroenke
J.W. Kroenke
R.C.L. Carr
T.J. Lewis
Lord Harris of Peckham

COMPANY SECRETARY

S. W. Wisely

REGISTERED OFFICE

Highbury House
75 Drayton Park
London
N5 1BU

AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

ARSENAL FOOTBALL CLUB LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 May 2023.

Principal Activity and Strategy

The principal activity of the Company is that of a professional football club playing in the Premier League.

The Board's long term strategy is to continue to develop Arsenal Football Club (the "Club") as a leading club on both the domestic and global stages. The Board are committed to a business model which invests the funds generated by the business back into the Club with the aim of achieving an increased level of on-field success with the ultimate goal of winning trophies and using that on-field success to increase the Club's engaged worldwide fan base.

The Company was re-registered as a private limited company on 18 April 2023.

Results for the year

The loss for the year before taxation was £54.3 million (2022 – a loss of £46.7 million). The financial result was impacted by impairment write downs on certain player registrations amounting to £18.1 million, which by virtue of their quantum are classified as exceptional. The loss before tax, excluding the impact of exceptional items, amounted to £36.2 million (2022 – loss of £46.7 million).

The improvement in underlying result reflects a return to UEFA competition, where the Club reached the Round of 16 in the Europa League, and a strong performance in the Premier League, where the Club led the table for much of the season, eventually finishing in second place.

During 2022/23 and subsequently during the summer 2023 transfer window the Club has again invested strongly in the development of its Men's First Team playing resources. This investment recognises that qualification for UEFA competition represents a pre-requisite to re-establishing a self-sufficient financial base. This investment would not have been possible without the support and commitment of the Club's ownership, Kroenke Sports & Entertainment. Qualification for the UEFA Champions League for 2023/24 represents another positive step and can be viewed alongside the start to the 2023/24 season which has so far been encouraging.

Review of the business

The result for the year can be broken down into the following key components:-

| | 2024 £m | 2022 £m |
|--|------------|------------|
| Operating profit before exceptional costs and player trading | 96.3 | 60.8 |
| Exceptional costs (player impairment) | (18.1) | - |
| Amortisation and impairment of player registrations | (138.7) | (126.8) |
| Profit on sale of player registrations / Loan of players | 12.2 | 24.1 |
| Financing costs | (6.0) | (5.1) |
| Dividend from subsidiary | - | 0.3 |
| Loss before tax | (54.3) | (46.7) |
| Loss before tax (excluding exceptional costs) | (36.2) | (46.7) |

Revenue for the year was £429.9 million (2022 - £342.2 million). Across all fixtures the average attendance was 60,082 (2022 – 59,568). Broadcasting revenues rose to £189.7 million (2022 - £144.9 million) driven by the inclusion of UEFA broadcasting revenue and Premier League performance. Commercial revenues also improved to £168.9 million (2022 - £141.5 million).

ARSENAL FOOTBALL CLUB LIMITED

STRATEGIC REPORT

Review of the business (continued)

Wage costs increased to £225.4 million (2022 - £205.5 million). The increase was mainly driven by investment in player wages. There was also an impact from increased commercial and operational headcount.

The total profit on sale of player registrations was £10.7 million (2022 - £22.1 million) and player loans amounted to £1.5 million (2022 - £2.0 million). Player trading profits continue to have a significant impact on overall profitability and the Club's ability to realise profits during 2022/23 was again adversely impacted by market conditions with reduced overall liquidity as clubs' acquisition budgets continued to be impacted by financial pressures post pandemic.

Net finance charges were increased to £6.0 million (2022 - £5.1 million).

Balance Sheet

Following additions to player registrations at a cost of £250.2 million and amortisation charges, the book value of intangible fixed assets (player registrations) was increased to £416.4 million (2022 - £333.2 million).

The year end cash position was £32.1 million (2022 - £26.2 million). The renewal of season tickets for the 2022/23 season was very strong but the timing of renewal meant that the cash impact of this was partly deferred until June. The levels of debtors and creditors were influenced by the Club's transfer activity, both inbound and outbound, with instalments of the transfer fees being payable and receivable over time and mainly over the next two years.

Funding

The Company has a £70 million working capital facility with Barclays Bank.

In addition, funding is provided by the ultimate parent company, KSE UK Inc, which is wholly owned by the ultimate controlling party, Mr. E. S. Kroenke. During the year KSE UK Inc. provided funds to refinance the stadium finance bonds and for working capital purposes as required.

The increase in interest rates in the wider economy means that, under the applicable accounting rules, an element of the loans received from KSE UK Inc. during the year was classified as a capital contribution.

The Company reviews and updates its forecasts on a regular basis and keeps its parent company and ultimate controlling party fully aware of its financial commitments going forward.

The Club's cashflows vary across the year and loans have been used from both Barclays and KSE UK Inc. to manage the overall position throughout the year.

Key performance indicators

Non- financial:

- Premier League 2nd place (2022 – 5th place);
- Ticket sales average 60,082 (2022 – 59,568);
- UEFA Europa League R16 (2022 – did not qualify)

Financial

- Cash flow;
- Revenue;
- Payroll costs;
- Operating profits/EBITDA (before player trading);
- Player trading (acquisitions/sales);
- Compliance with applicable financial regulations including UEFA Financial Fair Play (FFP) and Premier League financial sustainability rules.

Quantitative disclosures in respect of financial key performance indicators are included in the financial statements.

ARSENAL FOOTBALL CLUB LIMITED

STRATEGIC REPORT

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's long-term performance. The Board is in contact regularly during the year and monitors these risks on a continual basis. In addition, the management of day to day operational risk is delegated to the Company's Executive management team.

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;
- the rates of UK taxation applicable to the Company and its key employees; 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 and UEFA European competitions. 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 the future could have an impact on the Company as the regulations cover areas such as: the format of competitions, financial sustainability tests, 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. The Premier League has secured the majority of its TV rights sales for the next four year cycle, ending season 2027/28, with certain overseas rights already secured for a longer term.

The Company derives a material amount of revenue from sponsorship and other commercial relationships. The underlying commercial agreements have finite terms and, whilst the Company fully expects that the global appeal of its brand will allow its commercial revenues to grow in the medium term, the renewal of existing contracts and / or acquisition of new partnerships cannot be guaranteed.

The Club's participation in European competition (subject to the usual qualification criteria) is expected to continue and the Club expects to be able to continue to recruit overseas players suitable to the development of the Club's playing squad. There has been no measurable adverse impact from the UK's departure from the EU or from conflicts abroad.

The Company's financial performance has previously remained reasonably resilient to recessionary economic conditions.

Financial risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern. The Directors review financial reports on a regular basis and the Company's finance team monitor working capital and liquidity on a continuous basis. The nature of the Company's activities mean that the most significant areas of financial risk relate to cash flow, credit, currency and interest rates. The Company uses financial derivatives, in line with policies approved by the Board, to manage these risks. The Company does not use financial derivatives for speculative purposes.

ARSENAL FOOTBALL CLUB LIMITED

STRATEGIC REPORT

Financial risk management (continued)

The Company addresses cash flow risk by carefully managing its working capital inflows and outflows. Forward looking forecasts are prepared, reviewed on a regular basis and subjected to appropriate stress testing.

The Company enters into a number of transactions, relating mainly to its participation in European competition and player transfers, which create exposure to movements in foreign exchange. The Company monitors this foreign exchange exposure on a continuous basis and will usually hedge any significant exposure in its currency receivables and payables.

The Company monitors its compliance with the applicable terms of its bank facility arrangements on a continuous basis.

Credit checks and other appropriate financial due diligence are performed prior to the Company entering into new material contracts.

The Club continues to be compliant with the Financial Sustainability regulations put in place by UEFA and the Premier League.

Section 172 Statement

Section 172 of the Companies Act 2006 requires the Directors to take into consideration the interests of all stakeholders in promoting the success of the Company and, in so doing, to have regard to a range of matters, including:

- the long-term consequences;
- the interests of employees;
- the interests of other key stakeholders (including the Club's supporters);
- the impact on the community and the environment; and
- the desirability of maintaining a reputation for high standards of business conduct.

Everyone at Arsenal recognises their responsibility as custodians of the Club, to uphold its traditions and values.

Supporters

We continue to see strong growth in demand for all things Arsenal. This is driven by on-field performance and a positive connection with our supporters across the globe, with Emirates Stadium as its epicentre. The atmosphere generated by our supporters continues to be a positive contributing factor to the success of our teams.

Our marketing and communications programmes capitalise on the on-field success, bringing pride inspiration and belonging to the Arsenal family around the globe. Another successful pre-season tour, player signings, kit launches and purpose-led activations such as No More Red - in partnership with adidas - bring our diverse communities closer to the Club.

The Arsenal Advisory Board (AAB) has continued to operate. Representatives from key fan groups as well as Josh Kroenke from our owners Kroenke, Sports & Entertainment, Board Director Tim Lewis and our Chief Executive Vinai Venkatesham met seven times during the 2022-23 season to discuss key issues. The AAB works alongside the long-standing Arsenal Fans' Forum which meets three times a year and gives fan representatives the opportunity to put questions to and discuss key issues with senior Club officials. In addition, we keep in regular contact with our supporters through our membership schemes, our fan services team and our network of supporters' clubs around the world.

Employees

Our people are critical to the success of the Group which has in place a broad suite of policies and programmes designed to help colleagues maximise their potential, promote their health and safety and their mental health and wellbeing.

- We promote equality and equity in opportunity, pay and promotion decisions and publish our Gender Pay Gap report annually.

ARSENAL FOOTBALL CLUB LIMITED

STRATEGIC REPORT

Employees (continued)

- We are accredited by the London Living Wage Foundation meaning we pay at least the London Living Wage hourly rate of pay to all direct employees and casual workers and only work with third-party suppliers who adopt the same approach to ensure we remain an employer of choice.
- We offer a number of initiatives to support our people, including value added healthcare services with access to GPs online, mental health first aiders and access to various wellbeing resources.

Equality, Diversity, and Inclusion

Ensuring equality, diversity and inclusion is at the heart of Arsenal and is a strategic priority.

Building a diverse and inclusive club

We are committed to celebrating the diversity of the Arsenal family and ensuring that everyone associated with the Club – employees, supporters, our local community and the wider Arsenal family - feels an equal sense of belonging and can interact with the Club in a manner which is fair and free from any form of discrimination.

This season we reached the significant milestone of having 50% men and 50% women on our Executive team. Other highlights from this season include:

- The launch of eight new pieces of artwork to decorate the external cores of Emirates stadium, created through consultation with a diverse group of our supporters, which celebrate our rich history, community values and relentless pursuit of progress;
- Celebration of Black History Month with the launch of 'Black Arsenal' at the Barbican, the culmination of years of research and thinking into the unique relationship between Arsenal and Black identities by UCL professors Paul Gilroy and Dr Clive Nwonka;
- Publicised our ongoing drive against abuse and discrimination with thirty-one members and season ticket holders banned for abusive and discriminatory behaviour since the start of the 2021/22 season;
- Became the first Premier League club to fully integrate British Sign Language into our match day experience;
- Celebrated the official launch of Jewish Gooners in May 2023;
- Welcomed Kick It Out's Raise Your Game Conference at Emirates Stadium for the sixth time to help break barriers for underrepresented groups; and
- Retained its advanced level standing under the Premier League's Equality, Diversity and Inclusion Standard.

Arsenal in the Community

The Club's commitment to its local and global community is channelled through The Arsenal Foundation and Arsenal in the Community.

The Arsenal in the Community team delivers sport, social and education programmes to over 5,000 individuals each week in Islington, Hackney and Camden – helping to positively change the lives of people in our local community.

The Arsenal Foundation supports a wide range of charitable initiatives both locally and across the world. It has a well-established partnership with Save the Children which has delivered large scale infrastructure and support projects through its Coaching for Life programme.

ARSENAL FOOTBALL CLUB LIMITED

STRATEGIC REPORT

Arsenal in the Community (continued)

Notable events in 2022-23 season included engagement of our supporters, players and staff in raising awareness and fundraising for this vital work in our communities. Examples include our supporters from north London and across the world coming together to raise an astonishing £484,000 through an Arsenal Vision fundraiser in April, our players coming together to donate a day's salary with many of them, most notably Leah Williamson also raising awareness of the impact and sense of belonging our work creates in our communities. Post year end, Leah was invited to speak at the United Nations General Assembly in New York, creating a greater interest in and admiration for the Club's off the pitch work.

The Club also supports The Gunners' Fund which is a small grants scheme for the local charity, community and voluntary sector.

Sustaining our game

Reducing our environmental impact

We are committed to reducing our environmental impact and using our platform to inspire positive action.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosure presents our carbon footprint within the United Kingdom for Scope 1, 2 and 3 emissions based on SECR Legislation, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year:

| | 2023 | 2022 |
|---|------------|------------|
| Emissions from combustion of gas tCO ₂ e (Scope 1) | 1,306 | 1,364 |
| Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1) | 92 | 67 |
| Emissions from purchased electricity tCO ₂ e (Scope 2) | 2,071 | 2,449 |
| Emissions from business travel in rental cars or employee-owned vehicles (tCO ₂ e) (Scope 3) | 69 | 63 |
| Total Scope 1, 2 and 3 emissions (tCO ₂ e) | 3,538 | 3,943 |
| Intensity ratio (tCO ₂ e/£M Turnover) | 7.58 | 10.60 |
| Energy consumption used to calculate emissions (kWh) | 18,546,858 | 18,075,821 |

The Arsenal Group has the Octopus Energy certificate of 100% renewable electricity. Octopus Energy electricity is sourced from wind and hydro generation.

Baseline

The carbon baseline calculations for 2022/23 are currently underway, with the extraction of data from across the Club. This data will be used to target areas that require immediate action and to aid the development of emission reduction targets. The scope of the data has been further increased from the calculation for 2021/22, allowing for greater depth of understanding and driving change. Arsenal have worked closely with UEFA throughout 2023 to establish a standardised reporting system for all football clubs to help increase activity towards emission reductions.

Strategy and Targets

Arsenal is committed to reducing the environmental impact of its operations and was the first signatory to the UN Sport for Climate Action framework. The creation and integration of the Club's new ESG (Environmental, Social and Governance), strategy highlights the measures that the Club will take to reduce emissions. Arsenal is also working towards establishing robust reduction targets, which will be fully supported by science. These targets will further illustrate the emphasis the Club has placed upon the importance to be active in this area.

ARSENAL FOOTBALL CLUB LIMITED

STRATEGIC REPORT

Action

Building on the established work, Arsenal has further increased actions to reduce emissions. These include:

- Formation of an Energy Management steering group to drive efficiency across the operations;
- Further LED lighting replacements;
- The increase in the use of the re-usable pint cup, now covering 50,000 uses per matchday;
- Improvements in waste management and data collection to set areas to target;
- Changes to food packing to ensure waste can be recycled;
- Replacement of diesel vehicles with electric alternatives;
- Installation of additional EV charging points at the Training Centre;
- We have also run climate education sessions with academy players and schools in our local community.

Commercial Partners

We have continued to develop our commercial partnerships and to deliver on our contractual commitments. This has involved creative use of players from our men's and women's teams and other assets through content creation designed to engage our fans globally and help our partners meet their objectives.

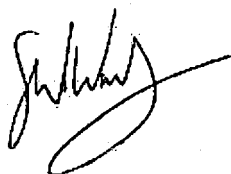
Suppliers

The Club recognises the importance of its suppliers and has many longstanding contractual relationships in place. The Club monitors its payments to suppliers on a continual basis and seeks to ensure it complies with applicable contractual terms.

Future developments

The 2023/24 season is ongoing and the Club is well placed in the Premier League and has progressed to the knock-out stage of the UEFA Champions League. During the summer 2023 transfer window Arsenal has again invested strongly in the development of its Men's First Team playing resources. Off the field both ticket and retail sales have been very strong and the Club has announced a number of new partnership deals.

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



S. W. Wisely
Company Secretary
23 February 2024

ARSENAL FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 May 2023.

Principal activities

The principal activity of the Company is that of a professional football club playing in the Premier League. The Company was re-registered as a private limited company on 18 April 2023.

Profits and dividends

The results for the year are set out on page 16. The directors do not recommend the payment of a dividend for the year (2022 - £Nil).

Going Concern

The Company is reliant on its ultimate parent undertaking, KSE UK Inc., for its continued financial support. The Company has received confirmation from KSE UK Inc. that sufficient funds will be provided to finance the business for a period of at least 12 months from the date of signing of this report. The Directors have therefore continued to adopt the going concern basis in preparing the annual financial statements.

Future developments

Details of future developments can be found in the Strategic Report.

Events after the Balance Sheet Date

Details of significant events since the balance sheet date are included in note 21 to the financial statements.

Directors

The directors of the Company, all of whom served throughout the year unless where stated otherwise, are set out below:-

E.S. Kroenke
J.W. Kroenke
R.C.L. Carr
T.J. Lewis
Lord Harris of Peckham

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.

Statements on Employee Engagement

Employee Consultation

Within the bounds of commercial confidentiality, the Directors endeavour 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 has multiple staff working groups which meet on a regular basis, with representation from across the Club, ensuring that staff are consulted regularly on a wide range of matters which affect their current and future interests. The Company regularly surveys its people via standard engagement surveys, putting in action plans based on employee feedback.

Equality and Diversity

The Company's aim is to ensure that equality, diversity and inclusion is at the heart of Arsenal as a priority. This objective is pursued under the banner of Arsenal Acts, our overarching ESG strategy. We endeavour to ensure that everyone associated with the Club – employees, supporters, local community and the wider Arsenal family - feels an equal sense of belonging and can interact with the Club in a manner which is equitable and free from any form of discrimination.

ARSENAL FOOTBALL CLUB LIMITED

DIRECTORS' REPORT

Disabled Employees

The Club has been registered as a Disability Confident employer since November 2017 and therefore offers a guaranteed interview to any candidate with a disability and meets minimum selection standards for any vacancy, where this has been requested. Candidates with a disability 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 retraining. It is Company policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Matters included in the Strategic Report

In accordance with the s414(c)(ii) of the Companies Act included in the Strategic Report is information relating to carbon emissions, business relationships, financial risk management and future developments which would otherwise be required to be contained in the Directors' Report.

Auditor

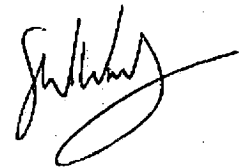
Each of the persons who is a director at the date of approval of this report confirms that:

- 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.

The auditor, Deloitte LLP, is deemed to be reappointed pursuant to Section 487 of the Companies Act 2006.

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



S. W. Wisely
Company Secretary
23 February 2024

ARSENAL FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITY 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 accounting 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.

ARSENAL FOOTBALL CLUB LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Arsenal Football Club Limited (the "company"):

- give a true and fair view of the state of the company's affairs as at 31 May 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

ARSENAL FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL FOOTBALL CLUB LIMITED (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

ARSENAL FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL FOOTBALL CLUB LIMITED (continued)

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included FA, Premier League, UEFA and FIFA regulations, FA Third Party Interest in Player Regulations and Financial Fair Play regulation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The carrying amounts of player-related intangible assets may be overstated due to unrecognised impairments: To address this risk we challenged the estimates and assumptions used in management's impairment review, performed substantive testing on the player model, considered contradictory evidence and sales post-year-end against the player carrying values and considered any players who sit outside the main squad, such as through career-threatening injury.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

ARSENAL FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL FOOTBALL CLUB LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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.



Paul Schofield FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

23 February 2024

ARSENAL FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 May 2023

| | | 2023 | | | 2022 | | |
|--|------|---|----------------------------|----------------|---|----------------------------|----------------|
| | Note | Operations excluding player trading £'000 | Player trading £'000 | Total £'000 | Operations excluding player trading £'000 | Player Trading £'000 | Total £'000 |
| Turnover | 1,2 | 428,453 | 1,457 | 429,910 | 340,271 | 1,978 | 342,249 |
| Operating expenses | 3 | (332,193) | (156,762) | (488,955) | (279,487) | (126,839) | (406,326) |
| Operating profit/(loss) | | 96,260 | (155,305) | (59,045) | 60,784 | (124,861) | (64,077) |
| Profit on disposal of player registrations | | - | 10,696 | 10,696 | - | 22,144 | 22,144 |
| Profit/(Loss) before interest | | 96,260 | (144,609) | (48,349) | 60,784 | (102,717) | (41,933) |
| Net interest payable | 4 | | | (5,988) | | | (5,097) |
| Dividend from subsidiary company | | | | - | | | 327 |
| Loss before taxation | | | | (54,337) | | | (46,703) |
| Tax on loss | 7 | | | (1,142) | | | 905 |
| Loss for the financial year | | | | (55,479) | | | (45,798) |

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.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 May 2023

| | 2023 £'000 | 2022 £'000 |
|---|-----------------|-----------------|
| Loss after taxation | (55,479) | (45,798) |
| Total comprehensive expense for year | (55,479) | (45,798) |

ARSENAL FOOTBALL CLUB LIMITED

BALANCE SHEET

As at 31 May 2023

| | Note | 2023 £'000 | 2022 £'000 |
|---|------|----------------|----------------|
| Fixed assets | | | |
| Tangible assets | 8 | 55,640 | 53,348 |
| Intangible assets | 9 | 416,376 | 333,240 |
| Investments | 10 | 6,545 | 6,545 |
| | | <u>478,561</u> | <u>393,133</u> |
| Current assets | | | |
| Stock - retail merchandise | 11 | 11,498 | 4,235 |
| Debtors - due within one year | 12 | 782,726 | 770,660 |
| - due after one year | 12 | 18,181 | 18,767 |
| Cash at bank and in hand | | 32,085 | 26,194 |
| | | <u>844,490</u> | <u>819,856</u> |
| Creditors: amounts falling due within one year | 13 | (573,024) | (475,377) |
| Net current assets | | <u>271,466</u> | <u>344,479</u> |
| Total assets less current liabilities | | <u>750,027</u> | <u>737,612</u> |
| Creditors : amounts falling due after more than one year | 14 | (335,946) | (288,045) |
| Provisions for liabilities | 15 | (60,758) | (46,134) |
| Net assets | | <u>353,323</u> | <u>403,433</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 62 | 62 |
| Share premium account | | 56,696 | 56,696 |
| Capital contribution | | 5,369 | - |
| Joint venture reserve | | 1,470 | 1,470 |
| Profit and loss account | | 289,726 | 345,205 |
| Shareholders' funds | | <u>353,323</u> | <u>403,433</u> |

These financial statements of Arsenal Football Club Limited (registered number 109244) were approved and authorised for issue by the Board of Directors on 23 February 2024.

Signed on behalf of the Board of Directors



Lord Harris of Peckham
Director

ARSENAL FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 May 2023

| | Share Capital £'000 | Share Premium £'000 | Capital Contribution £'000 | Joint Venture £'000 | Profit and Loss £'000 | Total £'000 |
|---|---------------------------|---------------------------|----------------------------------|---------------------------|-----------------------------|----------------|
| At 1 June 2021 | 62 | 56,696 | - | 1,470 | 391,003 | 449,231 |
| Total comprehensive expense for year ended 31 May 2022 | - | - | - | - | (45,798) | (45,798) |
| At 31 May 2022 | 62 | 56,696 | - | 1,470 | 345,205 | 403,433 |
| Capital contribution for the year ended 31 May 2023 | - | - | 5,369 | - | - | 5,369 |
| Total comprehensive expense for the year ended 31 May 2023 | - | - | - | - | (55,474) | (55,479) |
| As at 31 May 2023 | 62 | 56,696 | 5,369 | 1,470 | 289,726 | 353,232 |

Note – the capital contribution derives from funding received from the ultimate parent undertaking, KSE UK Inc. – see note (1) Loans from parent undertaking.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

1. Accounting policies

The principal accounting policies adopted are summarised below. They have all been applied consistently throughout the current and preceding year.

General Information and Basis of Accounting

Arsenal Football Club Limited is a private limited company, limited by shares, incorporated in the UK and registered in England and Wales under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

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 Limited, which publishes consolidated financial statements. The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements in relation to intra group transactions and remuneration of key management personnel.

Going concern

The Directors have recently undertaken a thorough review of the Company's financial projections, budgets and forecasts. This financial assessment takes account prudent assumptions with regard to on-field performance, the Club's key revenue streams, operating costs and cash-flows. The Company's financial projections take account of reasonably possible changes in trading performance. The financial projections have been stress tested to ensure that the financial position remains robust in reasonable worst case scenarios. The Directors have also considered a number of actions that they could take in order to further mitigate any potential adverse circumstances.

The Company currently meets its day to day working capital requirements through a combination of its own financial resources, which include a loan from its ultimate parent company, and bank facilities. The Company is reliant on the continued financial support of its ultimate parent company, KSE UK Inc., which has provided a loan to enable the refinancing and to support working capital requirements as they arise. KSE UK Inc. has confirmed that its financial support will continue for a period of at least 12 months from the date of signing this report.

The Company's bank facilities are not currently due for renewal, however, the Company has held discussions with its bankers 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 given careful consideration to the sufficiency of the financial resources which have been confirmed as available to the Company through loan funding from its ultimate parent company, both now and as required to finance the business for the foreseeable future. On this basis the Directors have a reasonable expectation that the Company will have adequate financial resources and, accordingly, they continue to adopt the going concern basis 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 under FRS 102 Section 1 Paragraph 12 (b).

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

1. Accounting policies (continued)

Investment in joint venture and subsidiaries

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 Limited 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 have been accounted for based on the known amount at the end of the season pro-rated for games played to the balance sheet date. UEFA pool distributions relating to participation in the Europa 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

Tangible assets are stated at cost less accumulated 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 and improvements | 2% to 10% per annum |
| Leasehold properties | Over the period of the lease |
| Plant and equipment | 5% 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.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

1. Accounting policies (continued)

Player costs (continued)

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 Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

Financial Liabilities

Non basic financial instruments (including the A and B debentures) are recognised at fair value and measured at the present value of the future payments, discounted at a market rate of interest. Any periodic changes in fair value are recognised in the profit and loss account.

Loans from parent undertaking

Loans from the Company's ultimate parent undertaking are recorded at their fair value based on the expected net present value of future cashflows and using a market rate of interest as an appropriate discount factor. Where the actual rate of interest applicable to the loan is below market rate the excess of cash received over the fair accounting value of the loan is booked as a capital contribution within Equity Capital and Reserves.

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.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

1. Accounting policies (continued)

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 102 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 Section 28.

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.

Critical accounting judgements and estimates

In the application of the Company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgements in applying the Group's accounting policies

There were no critical judgements apart from those involving estimations, which are dealt with separately below, which the directors have made in the process of applying the Company's accounting policies and which would have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

Provisions and contingent liabilities for player transactions

Creditors and provisions contain allowances for certain contingent amounts payable to players and to other clubs based on management's best estimate of certain future events, such as the number of player appearances, and the amount that will become payable as a result. Actual future costs may differ from the amounts provided.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

2. Turnover

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

| | 2023 £'000 | 2022 £'000 |
|--------------------|----------------|----------------|
| Match day revenues | 69,919 | 53,858 |
| Broadcasting | 189,664 | 144,868 |
| Commercial | 168,870 | 141,545 |
| Player trading | 1,457 | 1,978 |
| | <u>429,910</u> | <u>342,249</u> |

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

3. Operating expenses

| | 2023 £'000 | 2022 £'000 |
|--|----------------|----------------|
| Operating expenses comprise: | | |
| Amortisation of player registrations | 138,671 | 124,383 |
| Impairment of player registrations (exceptional) | 18,091 | - |
| Impairment of player registrations | - | 2,456 |
| Depreciation and impairment charges | 5,174 | 5,238 |
| | <u>161,936</u> | <u>132,077</u> |
| Total depreciation, amortisation and impairment | 161,936 | 132,077 |
| Staff costs (see note 6) (including exceptional costs) | 225,427 | 205,482 |
| Other operating charges (including exceptional costs) | 101,592 | 68,767 |
| | <u>488,955</u> | <u>406,326</u> |

The exceptional impairment loss of £18.1 million reflects the write down of certain intangible assets – player registrations – to the value realised on their disposal subsequent to the balance sheet date.

| | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Other operating charges are stated after charging: | | |
| Auditor's remuneration | | |
| - audit of the company's financial statements | 65 | 59 |
| - tax services (compliance) | 49 | 50 |
| - tax services (advisory) | 29 | 8 |
| Operating lease rentals | <u>650</u> | <u>619</u> |

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

| | | |
|--|-----------------|-----------------|
| 4. Net interest payable | 2023 | 2022 |
| | £'000 | £'000 |
| Interest payable and similar charges:- | | |
| Bank loans and overdrafts | (1,502) | (713) |
| Other | (3,166) | (2,482) |
| Costs of raising finance | (1,435) | (1,964) |
| | <hr/> | <hr/> |
| Total interest payable and similar charges | (6,103) | (5,159) |
| Interest receivable | 115 | 62 |
| | <hr/> | <hr/> |
| Net interest payable | <u>(5,988)</u> | <u>(5,097)</u> |
| 5. Directors' emoluments | 2023 | 2022 |
| | £'000 | £'000 |
| Emoluments | 1,856 | 1,238 |
| | <hr/> | <hr/> |
| The number of directors who were:- | | |
| Members of a defined benefit pension scheme | - | - |
| | <hr/> | <hr/> |
| Remuneration of the highest paid director:- | £'000 | £'000 |
| Emoluments | 1,366 | 634 |
| | <hr/> | <hr/> |
| Remuneration of key management personnel | <u>6,624</u> | <u>4,297</u> |
| The Company's key management personnel comprise of the Board of Directors, the Chief Executive and the Technical Director. | | |
| 6. Employees (including directors) | 2023 | 2022 |
| | Number | Number |
| The average monthly number of persons employed during the year was: | | |
| Playing staff | 89 | 82 |
| Training staff | 74 | 77 |
| Administrative staff | 418 | 334 |
| Ground staff | 108 | 102 |
| | <hr/> | <hr/> |
| | 689 | 595 |
| | <hr/> | <hr/> |
| | 2023 | 2022 |
| | £'000 | £'000 |
| Staff costs: | | |
| Wages and salaries | 196,168 | 179,387 |
| Social security costs | 27,864 | 24,487 |
| Other pension costs | 1,395 | 1,608 |
| | <hr/> | <hr/> |
| | <u>225,427</u> | <u>205,482</u> |
| | <hr/> | <hr/> |

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

| 7. Tax on (loss) | 2023 £'000 | 2022 £'000 |
|--|---------------|---------------|
| Current tax | | |
| UK corporation tax at 20% (2022 – 19%) | - | - |
| Credit in respect of prior years | - | - |
| Total current taxation (credit) | - | - |
| Deferred taxation (see note 15) | | |
| Origination and reversal of timing differences | 801 | 873 |
| Impact of change in tax rate | - | (1,778) |
| Under provision in respect of prior years | 341 | - |
| Total deferred tax charge/(credit) | 1,142 | (905) |
| Total tax on (loss) – charge/(credit) | 1,142 | (905) |

The Company's deferred tax liabilities have been valued based on the tax rates that are expected to apply in the periods in which the underlying timing differences are predicted to reverse. The main rate of UK Corporate tax was increased from 19% to 25% effective from April 2023 resulting in a composite tax rate for the year of 20%. Corporation tax losses (including excess corporate interest charges) have been valued for deferred tax purposes up to the limit of the deferred tax liabilities in the Arsenal Holdings Limited consolidated group.

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

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| (Loss) before tax | (54,337) | (46,703) |
| Tax on (loss) at standard UK corporation tax rate of 20% (2022 – 19%) | (10,867) | (8,874) |
| Effects of: | | |
| Impact of change in tax rate on deferred tax balances | - | (1,778) |
| Expenses not deductible | 422 | 282 |
| Group relief received for nil consideration and intra-group adjustments | 2,462 | 2,664 |
| Adjustments to tax charge in respect of prior years | - | - |
| Tax losses not recognised for deferred tax | 9,125 | 6,801 |
| Total taxation charge/(credit) for the year | 1,142 | (905) |

Tax losses have been claimed from other group companies for nil consideration.

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). There is no expiry date on any timing differences.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

8. Tangible assets

| Company | Freehold properties £'000 | Leasehold properties £'000 | Plant and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|------------------------|------------------------------|-------------------------------|------------------------------|-------------------------|----------------|
| Cost | | | | | |
| At 1 June 2022 | 55,134 | 20,043 | 44,377 | 79 | 119,633 |
| Additions | 837 | - | 6,629 | - | 7,466 |
| Disposals | - | - | - | - | - |
| Transfers | 351 | - | (351) | - | - |
| At 31 May 2023 | 56,322 | 20,043 | 50,655 | 79 | 127,099 |
| Depreciation | | | | | |
| At 1 June 2022 | 25,597 | 8,558 | 32,051 | 79 | 66,285 |
| Charge for the year | 1,426 | 637 | 3,111 | - | 5,174 |
| Disposals | - | - | - | - | - |
| At 31 May 2023 | 27,023 | 9,195 | 35,162 | 79 | 71,459 |
| Net book amount | | | | | |
| At 31 May 2023 | 29,299 | 10,848 | 15,493 | - | 55,640 |
| At 31 May 2022 | 29,537 | 11,485 | 12,326 | - | 53,348 |

At 31 May 2023 the Company had contracted capital commitments of £Nil million (2022 - £1.6 million).

9. Intangible assets

| | £'000 |
|---|-----------|
| Cost of player registrations | |
| At 1 June 2022 | 648,102 |
| Additions | 250,229 |
| Disposals | (125,995) |
| At 31 May 2023 | 772,336 |
| Amortisation of player registrations | |
| At 1 June 2022 | 314,862 |
| Charge for the year | 138,671 |
| Impairment | 18,091 |
| Disposals | (115,664) |
| At 31 May 2023 | 355,960 |
| Net book amount | |
| At 31 May 2023 | 416,376 |
| At 31 May 2022 | 333,240 |

The figures for cost of player registrations are historic figures for the cost associated with acquiring players' registrations or extending their contracts. 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 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

| 10. Investments | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Cost of investments | 25,075 | 25,075 |
| Being: | | |
| Investment in joint venture | 20,000 | 20,000 |
| Investments in subsidiary companies | 5,050 | 5,050 |
| Other investments | 25 | 25 |
| | 25,075 | 25,075 |
| | 2023 £'000 | 2022 £'000 |
| Investment in joint venture | | |
| Investments at cost | 20,000 | 20,000 |
| Provision for impairment | (18,530) | (18,530) |
| Investment in subsidiary companies and other investments | | |
| Investments at cost | 5,075 | 5,075 |
| | 6,545 | 6,545 |

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 2023 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 Limited | United Kingdom | 100% | Financing |
| Arsenal Overseas Holdings Limited | United Kingdom | 100% | Shareholding |
| AOH-USA LLC* | USA | 100% | Sports analytics |
| Arsenal Women Football Club Limited | United Kingdom | 100% | Ladies football |

The registered address for all Group companies is as for the Company and as stated in the Directors' Report except for AOH-USA LLC (Suite 620, 954 W. Washington Blvd, IL 60607).

| 11. Stocks | 2023 £'000 | 2022 £'000 |
|--------------------|---------------|---------------|
| Retail merchandise | 11,498 | 4,235 |
| 12. Debtors | 2023 £'000 | 2022 £'000 |

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

| | | |
|---|----------------|----------------|
| Amounts receivable within one year: | | |
| Trade debtors | 35,313 | 8,503 |
| Amounts due from group undertakings | 714,018 | 725,799 |
| Other debtors | 16,778 | 30,315 |
| Prepayments and accrued income | 16,617 | 5,283 |
| Corporation tax recoverable | - | 760 |
| | <u>782,726</u> | <u>770,660</u> |
| Amounts recoverable after more than one year: | | |
| Other debtors | 11,230 | 10,742 |
| Prepayments and accrued income | 686 | 618 |
| Deferred tax (see also note 15) | 6,265 | 7,407 |
| | <u>18,181</u> | <u>18,767</u> |

Other debtors include £26.7 million in respect of player transfers (2022 - £40.4 million).

| | | |
|---|----------------|----------------|
| 13. Creditors: amounts falling due within one year | 2023 | 2022 |
| | £'000 | £'000 |
| Trade creditors | 10,286 | 10,520 |
| Amount due to group undertakings | 249,414 | 251,101 |
| Other tax and social security | 23,419 | 14,414 |
| Other creditors | 153,923 | 115,466 |
| Accruals and deferred income | 135,982 | 83,876 |
| | <u>573,024</u> | <u>475,377</u> |

Other creditors, above and as disclosed in note 14, include £239.0 million (2022 - £188.0 million) in respect of player transfers and directly related costs.

| | | |
|--|----------------|----------------|
| 14. Creditors: amounts falling due after more than one year | 2023 | 2022 |
| | £'000 | £'000 |
| Balance due to ultimate parent undertaking | 243,937 | 202,581 |
| Debenture subscriptions (A and B debentures) | 43 | 41 |
| Other creditors | 88,575 | 80,482 |
| Deferred income | 3,391 | 4,941 |
| | <u>335,946</u> | <u>288,045</u> |

Under the issue terms the debentures are repayable at their par value of £14.4 million after 120 years. The debentures are interest free.

The balance due to the ultimate parent undertaking, KSE UK Inc., comprises of a loan which is repayable on two years notice. No such notice has been received and therefore the balance is shown within amounts falling due after more than one year. Certain direct costs of the original loan financing have been capitalised and are being amortised to the profit and loss account over the estimated term of the underlying loan; the amortisation charge for the year was £1.0 million (2022 - £1.5 million).

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

14. 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:

| | 2023 £'000 | 2022 £'000 |
|-------------------------------|---------------|---------------|
| Expiring in: One year or less | 70,000 | 70,000 |

Foreign currency management

The Company is mainly exposed to the foreign currencies of the Euro and US dollar.

In assessing its foreign currency exposure the Company will assess the balance of its outstanding currency denominated assets and liabilities together with known future currency cash flows such as from participation from UEFA competitions or from contracted player transfers.

There were no foreign currency contracts in place at the balance sheet date.

Included in cash and cash equivalents are amounts of £0.4 million (2022 - £0.4 million) denominated in Euros and £0.1 million (2022 - £0.3 million) denominated in US dollars.

Included in trade debtors are amounts of £2.3 million (2022 - £1.3 million) denominated in US dollars. Included in other debtors are amounts of £16.1 million (2022 - £15.5 million) denominated in Euros.

Included in prepayments and accrued income are amounts of £5.6 million (2022 - £Nil million) denominated in Euros and £2.2 million (2022 - £Nil million) denominated in US dollars.

Included in deferred income is £4.0 million (2022 - £Nil million) denominated in US dollars.

Included in other creditors are amounts of £62.6 million (2022 - £70.7 million) denominated in Euros and £2.4 million denominated in US dollars (2022 - £0.6). Included in provisions are amounts of £10.1 million (2022 - £11.8 million) denominated in Euros.

15. Provision for liabilities

| | 2023 £'000 | 2022 £'000 |
|--------------------------------------|---------------|---------------|
| Pensions provision (Note 20 (b)) | 739 | 1,282 |
| Transfers | 60,019 | 44,852 |
| Deferred taxation (see also note 12) | - | - |
| | 60,758 | 46,134 |

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 £38.0 million were made during the year, £19.1 million of provisions were reclassified as creditors and £3.8 million of provisions were cancelled as no longer required.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

15. Provision for liabilities (continued)

| Deferred tax | 2023 £'000 | 2022 £'000 |
|--|----------------|----------------|
| Deferred tax is provided in respect of:- | | |
| Tax losses (including excess corporate interest) | (13,942) | (20,980) |
| Corporation tax deferred by accelerated capital allowances | 521 | 184 |
| Roll-over relief on player registrations | 6,676 | 12,703 |
| A and B debentures | 720 | 1,080 |
| Other timing differences | (240) | (393) |
| Total deferred taxation (asset) | <u>(6,265)</u> | <u>(7,407)</u> |

The deferred tax charge for the year was £1.1 million (2022 - credit of £0.9 million).

The Company's deferred tax assets are offset by deferred tax liabilities in fellow subsidiaries in the Arsenal Holdings Group such that the overall consolidated deferred tax position for the Arsenal Holdings Group is £Nil. The Company has estimated corporation tax losses (including excess corporate interest) carried forward, on which no value has been placed, of £99 million. These corporation tax losses do not have an expiry date.

16. Called-up share capital

| | 2023 £'000 | 2022 £'000 |
|---|---------------|---------------|
| Called-up, allotted and fully paid | | |
| 61,947 Ordinary shares of £1 each | <u>62</u> | <u>62</u> |

17. Leasing commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

| | 2023 £'000 | 2022 £'000 |
|-------------------|---------------|---------------|
| One year or less | 647 | 612 |
| Two to five years | 849 | 1,070 |
| After five years | 78 | 80 |
| | <u>1,574</u> | <u>1,762</u> |

18. 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 potential liability not provided for in respect of contracts in force at the year end date, amounts to £18.3 million (2022 - £23.7 million).

The Company is monitoring certain ongoing matters relating to the closure of the European Super League project; if any additional costs arise as a consequence, these additional costs would be fully recharged to the ultimate parent entity, KSE UK Inc.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

19. Related party transactions

Following a reorganisation of activities, the Company was not charged a fee by its joint venture entity, Arsenal Broadband Limited, in respect of the financial year ended 31 May 2023 (2022 – net charge of £Nil).

At 31 May 2023 the balance owing from the Company to Arsenal Broadband Limited was £777,000 (2022 – £4,646,000).

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

20. Pensions

a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £1,395,000 (2022 – £1,556,000).

b) Defined benefit scheme

| | 2023 £'000 | 2022 £'000 |
|----------------------------|---------------|---------------|
| Provision at start of year | 1,282 | 1,799 |
| Payments in year | (543) | (517) |
| Increase in provision | - | - |
| Provision at end of year | <u>739</u> | <u>1,282</u> |

The Company is advised of its share of the deficit in the Scheme (see Note 1, Pensions). The most recent actuarial valuation of the Scheme was as at 31 August 2020 and indicated that the contribution required from the Company towards making good the deficit was £2.2 million at 1 September 2020 (the total deficit in the Scheme at this date was £27.6 million). The Company's share of the deficit is being paid off over a period of three years and eight months commencing September 2020.

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 £513,000 (2022 – £517,000) and the profit and loss account charge was £Nil (2022 – £52,000).

21. Post balance sheet events

Player transactions

Since the end of the financial year a subsidiary company, Arsenal Football Club Limited, has contracted for the purchase and sale of various players. The net payment resulting from these transfers, taking into account the applicable levies, is £155.9 million (2022 – net payment of £109.7 million). These transfers will be accounted for in the year ending 31 May 2023.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2023

22. 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 financial statements of Arsenal Holdings Limited, a company incorporated in the United Kingdom. These consolidated financial statements are available to the public and may be obtained from Arsenal Holdings Limited, Highbury House, 75 Drayton Park, London, N5 1BU.

The ultimate parent undertaking and controlling party is KSE UK Inc., which owns 100% of the share capital of Arsenal Holdings Limited. KSE UK Inc. is incorporated in the State of Delaware, USA, and is wholly-owned and controlled by Mr E.S. Kroenke.