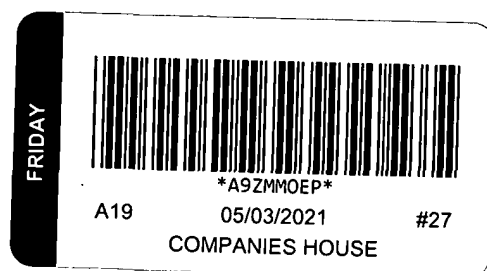


Company Registration No. 109244

ARSENAL FOOTBALL CLUB PLC

Annual Report and Financial Statements

Year ended 31 May 2020



ARSENAL FOOTBALL CLUB PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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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

D Miles

REGISTERED OFFICE

Highbury House
75 Drayton Park
London
N5 1BU

AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

ARSENAL FOOTBALL CLUB PLC

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 May 2020.

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 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.

Impact of COVID-19

The results for the financial year have been materially impacted by the Coronavirus pandemic and the consequent lockdown and suspension of the 2019/20 football season. Matches from the closing part of the 2019/20 season, including the Club winning the FA Cup for a record 14th time, were completed in the next financial year, ending 31 May 2021.

The key components of the Company's P&L, such as broadcasting facility fees and home match day revenues, are highly predictable and therefore the impact of the pandemic can be quantified with a reasonable degree of accuracy. For 2019/20 pre-tax losses (unaudited) of £23 million attributable to COVID-19 comprise deferral of £34 million of broadcasting revenues into financial year 2020/21 and £6 million of other commercial and broadcasting revenue losses, offset by cost savings of £17 million, including the wage reduction scheme agreed by the Men's First Team squad.

The impacts of the pandemic have extended into season 2020/21 and are ongoing. Matches continue to be played without fan attendance and consequently the Club is operating without one of its key revenue streams.

Throughout the pandemic, the Company has moved rapidly in making the decisions required to proactively manage and mitigate risk across all areas of its operations and, where possible, to provide appropriate support to its community and stakeholders. Since the year end the Arsenal Holdings Group has refinanced its stadium finance bonds and undertaken a range of cost cutting measures. These steps will ensure the Club is well placed to respond once the situation starts to improve. The financial challenge remains significant, but the Club continues to have options available to it alongside the unwavering support and commitment of its ownership, Kroenke Sports & Entertainment.

Results for the year

The loss for the year before taxation was £12.3 million (2019 – a loss of £23.5 million).

Review of the business

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

	2020 £m	2019 £m
Operating profit before exceptional costs and player trading	47.8	53.9
Exceptional costs	(10.4)	(3.2)
Amortisation and impairment of player registrations	(113.2)	(90.9)
Sale of player registrations / Loan of players	63.5	16.8
Other	-	(0.1)
(Loss) before tax	<u>(12.3)</u>	<u>(23.5)</u>

ARSENAL FOOTBALL CLUB PLC

STRATEGIC REPORT

The impact of COVID-19 has been referred to above and is the principal reason for the reduction in operating profits. Revenue for the year was £347.3 million (2019 - £367.5 million). Aside from the pandemic, notable changes in income were an increase in commercial revenue from £110.6 million to £141.9 million which was driven by the renewal of the Club's partnership with Emirates and the start of a new kit partnership with Adidas. Commercial gains were partially offset by lower broadcasting revenues as a consequence of the Club exiting the UEFA Europa League at the Round of 32 (2019 – finalists). At Company level match day revenues showed an increase, but this is merely a consequence of the way certain inter-company revenues were impacted by the late renewal of season tickets at the end of the prior financial year. For a full picture of the Arsenal Group's match day revenues please refer to the consolidated accounts of Arsenal Holdings Limited.

Overall wage costs finished at £228.0 million (2019 - £230.5 million) with underlying growth in player wages offset by cost saving measures in response to COVID-19, including a wage reduction scheme agreed by the First Team players and a waiver of remuneration by the Executive management team.

The exceptional costs incurred of £10.4 million (2019 - £3.2 million) were attributable to a number of changes in the First Team coaching and support personnel.

The total profit on sale of player registrations was £60.0 million (2019 - £12.2 million) and player loans amounted to £3.5 million (2019 - £4.6 million). The players sold included Alex Iwobi to Everton and Krystian Bielik to Derby County. Player trading profits continue to have a significant impact on overall profitability. Average annual profits on sale of player registrations over the last five years, including 2019/20, have been £40.2 million.

Balance Sheet

Following additions to player registrations at a cost of £182.0 million and amortisation charges, the book value of intangible fixed assets (player registrations) was increased to £303.4 million (2019 - £240.1 million).

The year end cash position was significantly impacted by COVID-19 and the exclusion of the normal season ticket renewal process with closing balances of £75.5 million (2019 - £107.1 million). The levels of debtors and creditors were attributable to 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.

Key performance indicators

Non- financial:

- Premier League 8th place;
- FA Cup winners (competition completed in following financial year) (qualified for UEFA Europa League 2020/21);
- Ticket sales versus capacity (average ticket sales over 21 home games played prior to the first lockdown were 59,254 against 58,943 over 30 home fixtures in the previous season).

Financial

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

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

ARSENAL FOOTBALL CLUB PLC

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 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's Executive management team.

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

- the impact of COVID-19 on the Club's revenues, operations and cash flows;
- 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, FFP, 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 TV rights sales for the three year cycle, ending season 2021/22, 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 Directors do not expect there to be a material impact from the UK's departure from the European Union. 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.

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

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);

ARSENAL FOOTBALL CLUB PLC

STRATEGIC REPORT

- 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

Our fans are the lifeblood of the Club and we are grateful for their unrelenting, faithful support even more so whilst we play behind closed doors. Despite the challenging circumstances, we are committed to maintaining an open dialogue with our supporters. This comes to life through our Arsenal Fans' Forum which we hold three times a year, enabling fans to put questions to and discuss key issues with our Chief Executive and other senior Club officials. In addition, we keep in regular contact with our supporters through our membership schemes and our network of 185 supporters' clubs around the world.

Employees

Our staff are one of our key priorities and the Company has in place a broad suite of policies and programmes which promote the health and safety and the mental health and wellbeing of our employees.

- We ensure equality and fairness in opportunity, pay and promotion decisions and publish our Gender Pay Gap report annually.
- We pay at least the London Living Wage hourly rate of pay to all employees and encourage our third-party suppliers to adopt the same approach to ensure we remain an employer of choice.

In response to the pandemic, we acted swiftly and efficiently to close operational sites to protect our staff, players and community participants and adapt our operations so the majority of our people could operate remotely.

- We have launched a number of initiatives to support our employees, including: value added healthcare services with access to GPs online, a buddy system, mental health first aiders and access to various wellbeing resources.
- Despite reviewing and evaluating the CJRS/JSS schemes offered by the Government, we decided we would not use the schemes and instead used Club funds to protect jobs for as long as possible. We made discretionary payments to our matchday and non-match-day casual workers during the first two lockdown periods in recognition of their contribution and value to the Club.
- We have established a Hardship Fund to support our people who may have found themselves in extreme financial difficulties caused by COVID-19.

Equality, Diversity, and Inclusion

Ensuring equality and diversity is at the heart of Arsenal is a priority. We endeavour to ensure that everyone associated with the Club – employees, fans, 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.

Arsenal in the Community

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

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

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 scheme.

The pandemic has seen a change from our usual face-to-face delivery, but the Club has continued to provide significant support, including:

- The Arsenal Foundation pledging additional support to local charities;

ARSENAL FOOTBALL CLUB PLC

STRATEGIC REPORT

- Club cars were made available to transport frontline NHS staff, driven by Arsenal staff volunteers;
- We digitalised Arsenal in the Community's academic resources and provided them free of charge online to support home schooling; and
- We partnered with HIS Church charity to begin our year-long campaign to deliver half a million free meals to the most vulnerable in our local community.

Sustaining our game

We are firmly committed to operating in a green and sustainable manner and we take our responsibility extremely seriously for the benefit of future generations.

In November 2019 we were named top of the Premier League sustainability table in a report compiled by the BBC and the United Nations backed Sport Positive Summit. This was based on research carried out in eight key categories:

- clean energy
- energy efficiency
- sustainable transport
- single-use plastic reduction or removal
- waste management
- water efficiency
- plant-based or low-carbon food options
- communications or engagement

In February 2020, through a reusable cup scheme in partnership with our Official Beer Partner, Camden Town Brewery, we passed the milestone of saving half a million plastic cups from landfill.

Streamlined Energy and Carbon Reporting (SECR)

SECR disclosures for the Arsenal Holdings Group are set out in the Annual Report of Arsenal Holdings Limited.

Commercial Partners

We recognise that positive relationships with commercial partners is essential for the continued growth aspirations of the club. We work hard to ensure that we partner with organisations that reflect our values and beliefs and together with our partners, we have continued to push the boundaries to ensure we entertain our fanbase and commit to socially responsible initiatives that promote strong and mutually beneficial relationships.

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.

Business Conduct

The Company has appropriate policies in place to manage its obligations with regard to employment law and employee matters, environmental issues, anti-corruption / anti-bribery and social matters (including modern slavery and human rights), but does not consider that these are areas of significant strategic risk to its operations.

The Company is committed to paying the right amount of taxes, in the right place, at the right time in accordance with applicable tax laws and regulations. The tax contribution paid by the Company and by its players is substantial and transparent.

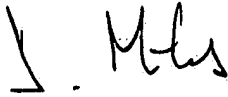
Future developments

ARSENAL FOOTBALL CLUB PLC

STRATEGIC REPORT

The 2020/21 season is ongoing and the Club is competing to finish the season as strongly as possible in both the Premier League and UEFA Europa League. The ongoing impacts of the pandemic have been referred to above.

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

A handwritten signature in black ink, appearing to read 'D Miles'.

D Miles
Company Secretary
26 February 2021

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 May 2020.

Principal activities

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

Profits and dividends

The results for the year are set out on page 15. The directors do not recommend the payment of a dividend for the year (2019 - £Nil).

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.

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 debt finance arrangements on a continuous basis and regularly reviews its forecast cash flow to ensure that it holds an appropriate level of bank funds at all times.

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

The Club continues to be fully compliant with the Financial Fair Play regulations put in place by UEFA and the Premier League including the amendments to those rules put in place to mitigate the impacts of the pandemic.

Going Concern

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, together with available bank and other loans and cash balances. 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.

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.

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT

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 (appointed 18 June 2020)
Lord Harris of Peckham

In addition, Sir Chips Keswick served as a director and Chairman until the date of his retirement on 15 May 2020 and K.J. Friar served as a director until the date of his retirement on 31 August 2020. On his retirement, K.J. Friar was appointed Honorary Life President in recognition of his seventy years service to the Club.

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.

Employee Consultation

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 has a Staff Forum, which meets 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.

Equality and Diversity

The Company's aim is to ensure that equality and diversity is at the heart of Arsenal as a priority. This objective is pursued under the banner of Arsenal for Everyone, an initiative launched in 2008 as a celebration of the diversity of the Arsenal family. We endeavour to ensure that everyone associated with the Club – employees, fans, 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.

Disabled Employees

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 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. The Club has had Disability Confident Leader status since November 2017.

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.

ARSENAL FOOTBALL CLUB PLC

DIRECTORS' REPORT

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

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

D Miles
Company Secretary
26 February 2021

ARSENAL FOOTBALL CLUB PLC

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) 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.

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 May 2020 and 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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 PLC

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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.

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 PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL FOOTBALL CLUB PLC (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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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

28 February 2021

ARSENAL FOOTBALL CLUB PLC

PROFIT AND LOSS ACCOUNT Year ended 31 May 2020

		2020			2019		
	Note	Operations excluding player trading £'000	Player trading £'000	Total £'000	Operations excluding player trading £'000	Player Trading £'000	Total £'000
Turnover	1,2	343,814	3,485	347,299	362,877	4,582	367,459
Operating expenses	3	(306,333)	(113,195)	(419,528)	(312,184)	(90,876)	(403,060)
Operating profit/(loss)		<u>37,481</u>	<u>(109,710)</u>	<u>(72,229)</u>	<u>50,693</u>	<u>(86,294)</u>	<u>(35,601)</u>
Profit on disposal of tangible fixed assets		-	-	-	15	-	15
Profit on disposal of player registrations		-	59,994	59,994	-	12,241	12,241
Profit/(Loss) before interest		<u>37,481</u>	<u>(49,716)</u>	<u>(12,235)</u>	<u>50,708</u>	<u>(74,053)</u>	<u>(23,345)</u>
Net interest payable	4			(32)			(134)
(Loss) before taxation				<u>(12,267)</u>			<u>(23,479)</u>
Tax on (loss)	7			625			4,468
(Loss) for the financial year				<u>(11,642)</u>			<u>(19,011)</u>

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 2020

	2020 £'000	2019 £'000
(Loss) after taxation	<u>(11,642)</u>	<u>(19,011)</u>
Total comprehensive loss	<u>(11,642)</u>	<u>(19,011)</u>

ARSENAL FOOTBALL CLUB PLC

BALANCE SHEET

As at 31 May 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Tangible assets	8	59,214	62,232
Intangible assets	9	303,383	240,148
Investments	10	6,545	6,545
		<u>369,142</u>	<u>308,925</u>
Current assets			
Stock - retail merchandise	11	3,294	1,802
Debtors - due within one year	12	604,221	571,148
- due after one year	12	27,151	4,258
Cash at bank and in hand		75,489	107,074
		<u>710,155</u>	<u>684,282</u>
Creditors: amounts falling due within one year	13	(439,979)	(411,363)
Net current assets		<u>270,176</u>	<u>272,919</u>
Total assets less current liabilities		<u>639,318</u>	<u>581,844</u>
Creditors : amounts falling due after more than one year	14	(90,114)	(24,574)
Provisions for liabilities	15	(49,442)	(45,866)
Net assets		<u>499,762</u>	<u>511,404</u>
Capital and reserves			
Called up share capital	16	62	62
Share premium account		56,696	56,696
Joint venture reserve		1,470	1,470
Profit and loss account		441,534	453,176
Shareholders' funds		<u>499,762</u>	<u>511,404</u>

These financial statements of Arsenal Football Club plc (registered number 109244) were approved and authorised for issue by the Board of Directors on 26 February 2021.

Signed on behalf of the Board of Directors



T.J. Lewis
Director

ARSENAL FOOTBALL CLUB PLC**STATEMENT OF CHANGES IN EQUITY****Year ended 31 May 2020**

	Share Capital £'000	Share Premium £'000	Joint Venture £'000	Profit and Loss £'000	Total £'000
At 1 June 2018	62	56,696	1,470	472,187	530,415
Total comprehensive loss for year ended 31 May 2019	-	-	-	(19,011)	(19,011)
At 31 May 2019	62	56,696	1,470	453,176	511,404
Total comprehensive loss for the year ended 31 May 2020	-	-	-	(11,642)	(11,642)
As at 31 May 2020	62	56,696	1,470	441,534	499,762

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

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 Plc is a private company, limited by shares 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 budgets and forecasts. This financial assessment takes account of the expected impacts of COVID-19, together with prudent assumptions with regard to on-field performance, the Club's key revenue streams, operating costs and cash-flows. It is acknowledged that the pandemic continues to create a significant level of uncertainty. Accordingly, the Club's financial projections have been stress tested to ensure that the financial position remains robust in reasonable worst case scenarios, including the extension of restrictions on fan attendance into season 2021/22. The Directors have also considered a number of actions that they could take in order to further mitigate any potential adverse circumstances. The Company's financial projections take account of the actions already taken to reduce the costs of the Club's operations and reasonably possible changes in trading performance.

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 and similar debt facilities. Following the redemption of the Arsenal Holdings Group's stadium finance bonds, subsequent to the balance sheet date and as referred to in note (21), 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. KSE UK Inc. has indicated that its financial support will continue for the foreseeable future.

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, together with available bank and other loans and cash balances. 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).

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.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

1. Accounting policies (continued)

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	2% 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.

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.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

1. Accounting policies (continued)

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.

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.

1. Accounting policies (continued)

Pensions (continued)

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

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.

Current taxation

The complex nature of tax legislation under which the Company operates necessitates the use of estimates and assumptions in assessing the tax amounts provided in the financial statements. Actual tax payable may differ from the amounts provided.

2. Turnover

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

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

	2020 £'000	2019 £'000
Match day revenues	83,298	69,341
Broadcasting	118,626	182,902
Commercial	141,890	110,634
Player trading	3,485	4,582
	<u>347,299</u>	<u>367,459</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 Limited 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, £14.3 million (2019 - £36.6 million) was derived from participation in the UEFA Europa League (2019 – UEFA Europa League).

Impact of COVID-19 (unaudited)

As described in the Strategic Report the results for the financial year have been materially impacted by the Coronavirus pandemic and the consequent lockdown and suspension of the 2019/20 football season. The Directors consider that the exceptional impact of COVID-19 is fundamental to an understanding of the results for the year and accordingly the financial impacts have been set out in the Strategic Report on page 2. These financial impact disclosures are not repeated in the notes to the accounts as they cannot be audited.

3. Operating expenses	2020 £'000	2019 £'000
Operating expenses comprise:		
Amortisation of player registrations	109,021	89,596
Impairment of player registrations and related costs	4,174	1,280
Depreciation and impairment charges	5,451	5,388
	<u>118,646</u>	<u>96,264</u>
Total depreciation, amortisation and impairment	118,646	96,264
Staff costs (see note 6) (including exceptional costs)	227,984	230,463
Other operating charges (including exceptional costs)	72,898	76,333
	<u>419,528</u>	<u>403,060</u>

Exceptional costs (non COVID-19 related) of £10.4 million (2019 – £3.16 million) were attributable to the changes in the First Team coaching and support staff.

3. Operating expenses (continued)

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2020

	2020 £'000	2019 £'000
Other operating charges are stated after charging:		
Auditor's remuneration - audit of the company's financial statements	40	63
- other services	-	30
- tax services (compliance)	-	-
- tax services (advisory)	-	5
Operating lease rentals	799	549
	<u>799</u>	<u>549</u>
4. Net interest payable	2020 £'000	2019 £'000
Interest payable and similar charges:-		
Bank loans and overdrafts	-	-
Other	(542)	(495)
	<u>(542)</u>	<u>(495)</u>
Total interest payable and similar charges	(542)	(495)
Interest receivable	510	361
	<u>510</u>	<u>361</u>
Net interest payable	(32)	(134)
	<u>(32)</u>	<u>(134)</u>
5. Directors' emoluments	2020 £'000	2019 £'000
Emoluments	548	1,528
Pension contributions – money purchase	-	-
Pension contributions – defined benefits	-	-
	<u>548</u>	<u>1,528</u>
The number of directors who were:-		
Members of a defined benefit pension scheme	1	1
Members of a money purchase pension scheme	-	1
	<u>-</u>	<u>1</u>
Remuneration of the highest paid director:-	£'000	£'000
Emoluments	435	846
Pension contributions – money purchase	-	-
	<u>-</u>	<u>-</u>
Remuneration of key management personnel	2,874	4,008
	<u>2,874</u>	<u>4,008</u>
The Company's key management personnel comprise of the Board of Directors and the Head of Football and the Managing Director.		
6. Employees (including directors)	2020 Number	2019 Number
The average monthly number of persons employed during the year was:		
Playing staff	70	73
Training staff	77	87
Administrative staff	423	424
Ground staff	124	123
	<u>694</u>	<u>707</u>

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

Exceptional costs (non COVID-19 related) (see note 3) included within staff costs amounted to £9.5 million		
6. Employees (including directors) (continued)	2020	2019
	£'000	£'000
Staff costs:		
Wages and salaries	198,312	200,811
Social security costs	27,045	27,082
Other pension costs	2,627	2,570
	<u>227,984</u>	<u>230,463</u>

(2019 – £3.2 million).

7. Tax on (loss)	2020	2019
	£'000	£'000
Current tax		
UK corporation tax (credit)/charge at 19% (2019 – 19%)	-	(3,495)
(Over)/under provision in respect of prior years	-	(12)
Total current taxation (credit)	-	(3,507)
Deferred taxation (see note 15)		
Origination and reversal of timing differences	(2,237)	(979)
Impact of change in tax rate	1,662	-
(Over)/under provision in respect of prior years	(50)	18
Total deferred tax (credit)/charge	<u>(625)</u>	<u>(961)</u>
Total tax on (loss) – (credit)	<u>(625)</u>	<u>(4,468)</u>

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 expected rate has increased to 19% as legislation to reduce the rate of corporation tax to 17% from April 2020 was withdrawn.

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:

	2020	2019
	£'000	£'000
(Loss) before tax	<u>(12,267)</u>	<u>(23,479)</u>
Tax on (loss) at standard UK corporation tax rate of 19% (2019 – 19%)	<u>(2,331)</u>	<u>(4,461)</u>
Effects of:		
Impact of change in tax rate on deferred tax balances	1,662	(470)
Expenses not deductible	385	457
Group relief received for nil consideration and intra-group adjustments	(291)	-
Adjustments to tax charge in respect of prior years	(50)	6
Total taxation (credit) for the year	<u>(625)</u>	<u>(4,468)</u>

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

7. Tax on profit (continued)

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

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.

8. Tangible assets

Company	Freehold properties £'000	Leasehold properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 June 2019	55,134	20,995	37,296	79	113,504
Additions	-	-	2,433	-	2,433
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 May 2020	55,134	20,995	39,729	79	115,937
Depreciation					
At 1 June 2019	20,886	7,324	22,987	75	51,272
Charge for the year	1,557	736	3,155	3	5,451
Disposals	-	-	-	-	-
At 31 May 2020	22,443	8,060	26,142	78	56,723
Net book amount					
At 31 May 2020	32,691	12,935	13,587	1	59,214
At 31 May 2019	34,248	13,671	14,309	4	62,232

At 31 May 2020 the Company had contracted capital commitments of £Nil million (2019 - £Nil million).

Transfers represent the reallocation of certain fixed asset expenditure to a fellow subsidiary company, at historic cost, where project costs were originally incurred on behalf of that fellow subsidiary company.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2020

9. Intangible assets

	£'000
Cost of player registrations	
At 1 June 2019	519,551
Additions	182,084
Disposals	(86,318)
At 31 May 2020	615,317
Amortisation of player registrations	
At 1 June 2019	279,403
Charge for the year	109,021
Impairment	4,174
Disposals	(80,664)
At 31 May 2020	311,934
Net book amount	
At 31 May 2020	303,383
At 31 May 2019	240,148

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.

10. Investments

	2020 £'000	2019 £'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
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

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

10. Investments (continued)

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 2020 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

The registered address for all Group companies and the joint venture is as for the Company and as stated in the Directors' Report except for Arsenal Overseas Limited (37 Esplanade, St Helier, Jersey JE1 2TR), AOH-USA LLC (Suite 620, 954 W. Washington Blvd, IL 60607) and Arsenal Football Club Asia PTE Limited (2 Shenton Way 18-01 SGX Centre 1, Singapore 068804).

11. Stocks	2020 £'000	2019 £'000
Retail merchandise	3,294	1,802
	<u>3,294</u>	<u>1,802</u>
12. Debtors	2020 £'000	2019 £'000
Amounts receivable within one year:		
Trade debtors	24,736	10,132
Amounts due from group undertakings	542,976	509,605
Other debtors	21,395	21,030
Prepayments and accrued income	11,779	30,381
Corporation tax recoverable	3,335	-
	<u>604,221</u>	<u>571,148</u>
Amounts recoverable after more than one year:		
Other debtors	26,312	3,232
Prepayments and accrued income	839	1,026
	<u>27,151</u>	<u>4,258</u>

Other debtors include £46.5 million in respect of player transfers (2019 - £23.5 million).

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2020

13. Creditors: amounts falling due within one year	2020 £'000	2019 £'000
Trade creditors	1,766	7,630
Amount due to group undertakings	247,945	236,020
Corporation tax	-	563
Other tax and social security	16,362	11,794
Other creditors	69,032	54,612
Accruals and deferred income	104,874	100,774
	<u>439,979</u>	<u>(411,363)</u>

Other creditors, above and as disclosed in note 14, include £153.6 million (2019 - £76.7 million) in respect of player transfers and directly related costs.

14. Creditors: amounts falling due after more than one year	2020 £'000	2019 £'000
Debenture subscriptions (A and B debentures)	37	35
Other creditors	88,304	23,259
Deferred income	1,773	1,280
	<u>90,114</u>	<u>24,574</u>

Under the issue terms the debentures are repayable at their par value of £14.4 million after 123 years. The debentures are interest free.

Borrowing facilities

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

	2020 £'000	2019 £'000
Expiring in: One year or less	<u>30,000</u>	<u>30,000</u>

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 in the UEFA Champions League or the UEFA Europa League or from contracted player transfers.

There were no foreign currency contracts in place at the balance sheet date as the Company's expected foreign currency designated cash flows were predicted to be in balance over the short to medium term.

Included in cash and cash equivalents are amounts of £3.7 million (2019 - £6.0 million) denominated in Euros and £0.6 million (2019 - £1.4 million) denominated in US dollars.

Included in trade debtors are amounts of £Nil million (2019 - £0.5 million) denominated in Euros and £0.3 million (2019 - £0.1 million) denominated in US dollars. Included in other debtors are amounts of £14.4 million (2019 - £8.8 million) denominated in Euros.

Included in prepayments and accrued income are amounts of £3.4 million (2019 - £14.5 million) denominated in Euros.

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2020

Foreign currency management (continued)

Included in trade creditors are amounts of £Nil million (2019 - £0.3 million) denominated in US dollars and £Nil million (2019 - £0.2) denominated in Euros.

Included in other creditors are amounts of £91.1 million (2019 - £44.6 million) denominated in Euros. Included in provisions are amounts of £16.6 million (2019 - £10.6 million) denominated in Euros.

15. Provision for liabilities	2020 £'000	2019 £'000
Pensions provision (Note 20 (b))	1,288	1,756
Transfers	32,254	27,585
Deferred taxation	15,900	16,525
	<u>49,442</u>	<u>45,866</u>

The transfers provision relates to the probable additional fees payable based on the players concerned achieving a specified number of appearances or the occurrence of certain other specified events. In this respect, new provisions of £18.7 million were made during the year, £8.2 million of provisions were reclassified as creditors and £5.7 million of provisions were cancelled as no longer required.

Deferred tax	2020 £'000	2019 £'000
Deferred tax provision in respect of:-		
Corporation tax deferred by accelerated capital allowances	449	442
Roll-over relief on player registrations	14,372	14,918
A and B debentures	1,368	1,493
Other timing differences	(289)	(328)
Total deferred taxation provision	<u>15,900</u>	<u>16,525</u>

The deferred tax credit for the year was £0.6 million (2019 - charge of £1.0 million).

16. Called-up share capital	2020 £'000	2019 £'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:

	2020 £'000	2019 £'000
One year or less	669	538
Between two and five years	2,290	1,505
After five years	84	356
	<u>3,043</u>	<u>2,399</u>

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Year ended 31 May 2020

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 £18.1 million (2019 - £8.0 million).

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 2020 (2019 – net charge of £3.4 million).

At 31 May 2020 the balance owing from the Company to Arsenal Broadband Limited was £9,184,000 (2019 - £12,619,000).

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 £2,567,000 (2019 - £2,510,000).

b) Defined benefit scheme

	2020 £'000	2019 £'000
Provision at start of year	1,756	2,203
Payments in year	(468)	(447)
Increase in provision	-	-
Provision at end of year	1,288	1,756

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 2017 and indicated that the contribution required from the Company towards making good the deficit was £2.5 million at 1 September 2017 (the total deficit in the Scheme at this date was £30.4 million). The Company's share of the deficit is being paid off over a period of five and a half years commencing September 2017.

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 £468,000 (2019 - £447,000) and the profit and loss account charge was £60,000 (2019 - £60,000).

ARSENAL FOOTBALL CLUB PLC

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 May 2020

21. Post balance sheet events

Player transactions

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 £54.0 million (2019 – net payment of £92.7 million). These transfers will be accounted for in the year ended 31 May 2021.

Financing

The Arsenal Holdings Group's stadium finance bonds together with related interest rate swap have been refinanced using a loan provided to the Company by KSE UK Inc. The Company on-leased the loan proceeds to Arsenal Securities plc, a fellow subsidiary and the issuer of the stadium finance bonds, in order that Arsenal Securities plc could complete the redemption of the bonds. The Company has borrowed £120 million via the Coronavirus Corporate Finance Facility, maturing May 2021, to support short-term working capital requirements.

COVID-19

The pandemic has continued to impact the Company's revenues and operations as First Team matches continue to be played behind closed doors.

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.