# ARSENAL**HOLDINGS**PLC

STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2014/15

# DIRECTORS, OFFICERS AND PROFESSIONAL ADVISERS

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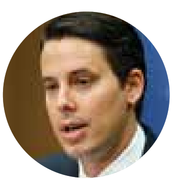
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# FINANCIAL HIGHLIGHTS

| | 2015 £m | 2014 £m |
|---|---|---|
| **Revenue** | | |
| Football | 329.3 | 298.7 |
| Property | 15.2 | 3.2 |
| Group | 344.5 | 301.9 |
| **Wage Costs** | **192.2** | **166.4** |
| **Operating Profit** (excluding player trading and depreciation) | | |
| Football | 64.4 | 62.0 |
| Property | 13.0 | 0.4 |
| **Group** | **77.4** | **62.4** |
| **Profit on player sales** | **28.9** | **6.9** |
| **Group profit before tax** | **24.7** | **4.7** |
| **Financing** | | |
| Cash | 228.2 | 207.9 |
| Debt | (233.9) | (240.5) |
| **Net Debt** | (5.7) | (32.6) |


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# CHAIRMAN'S REPORT

The Club has had a successful year on and off the pitch. Returning to Wembley in May to defend the FA Cup was a significant achievement and the manner and style of our performance to beat Aston Villa in the final was a source of real pride.

This was our twelfth FA Cup win making us the most successful club in the history of the world's oldest cup competition. Our FA Cup record is testimony to the efforts the Club has made through the years and also to our manager Arsène Wenger, who has now won the competition a record equalling six times.

Naturally our victory at Wembley prompted celebrations amongst our fans around the world and we again enjoyed a rousing reception from our supporters closer to home in Islington during the open top bus parade the day after the game. It was another special day for all and I would like to thank Islington Council for their hospitality at the Town Hall and their support for the whole event.

The FA Cup Final victory was a fitting end to an exciting season which saw us recover from a slow start in the league to finish third. In doing so we reached the UEFA Champions League for an 18th successive season and, thankfully, avoided the challenge of a qualifying game. This is a remarkable record of consistency unmatched by anyone else in England and huge credit must go to our manager and the players in this regard.

It is also testimony to the Club's philosophy, which we continue to adhere to season to season. We remain committed to spending only the money we earn, our style of play, investing in young talent and our local community.

I am delighted that we have been able to invest strongly in the team over the last year including, most recently, to bring in promising defender Gabriel in January and the experienced Petr Cech during the summer. We have also retained the core of our team on new contracts which means we can build on the unity and spirit which was so evident last season. It has also been hugely encouraging to see Hector Bellerin, Francis Coquelin and Chuba Akpom emerge from our youth programme.

We have also invested off the pitch to ensure that, looking to our future requirements, our training facilities are of the appropriate highest quality for all of our teams. We are close to finishing a second phase of development works at our Hale End Academy, with a third phase to come subject to planning consents. In addition, we are just underway on a major two year project for the first team site at London Colney, which will include a new player performance centre. These infrastructure investments may not attract the headlines in the same way as player transfers but they will provide

# CHAIRMAN'S REPORT


benefits over a longer term, which are just as important to the Club.

You will read in the following pages that our revenues have exceeded £344 million and that we have reported a profit before tax of £24.7 million. The primary source of this revenue uplift was from progress made on our commercial agenda. We also benefited from a one-off profit share within our property income. Revenue from commercial activities passed £100 million for the first time. We have brought a number of new partners to the Club and our retail operation enjoyed a record year. The latter was due in large part to a successful first year of our new PUMA partnership.

As a Club we remain committed to making a difference to communities at home and abroad. The Arsenal Foundation goes from strength to strength, thanks to significant financial contributions from our players and fans. At the same time, our much respected Arsenal in the Community team marked 30 years of hard work delivering programmes in and around Islington. The anniversary was marked by the opening of the new Arsenal Hub in Queensland Road. It was particularly gratifying to see Alan Sefton, who has led the community team for many years, receive personal recognition in the form of an M.B.E. in the Queen's New Year's Honours List.

I would again pay tribute to our loyal fans. Throughout the season your support was outstanding. Emirates Stadium was sold out for most games with a better than ever atmosphere. The support given to the team both home and away is first class and really makes a difference.

Finally my thanks go to Stan Kroenke for his continued support and guidance, my fellow directors, our management team and entire staff for all their hard work and dedication over the last year. I would also like to publicly recognise the support from our commercial partners who make such important contributions both financially and in terms of helping build the Club's name around the world.

In closing, we look forward with optimism and strong belief that we are on a positive trajectory. We are in a robust position across all the key areas of our activities and, financially, we stand ready to support the manager with such further investment as he deems appropriate.

I look forward to welcoming you to Emirates Stadium and to a successful season.■

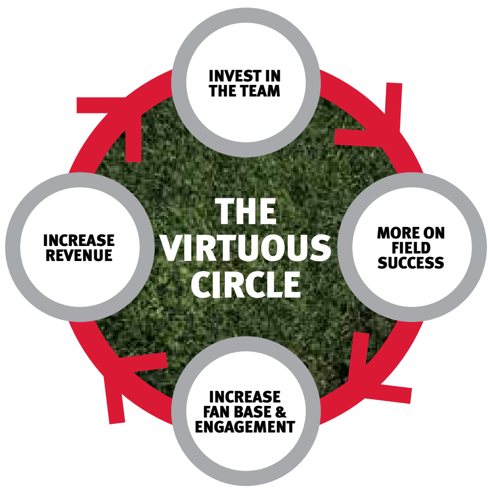
**SIR CHIPS KESWICK**
CHAIRMAN
18 September 2015

# STRATEGIC REPORT

## STRATEGY

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

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




The Chief Executive's Report on page 10 and the Financial Review on page 15 are considered to be integral parts of the Group's Strategic Report for the 2014/15 year.

## KEY PERFORMANCE INDICATORS

The Group has a range of financial and non-financial performance indicators.

ON-FIELD PERFORMANCE

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

REVENUE

- 2014/15 £344.5 million
- 2013/14 £301.9 million
- 2012/13 £280.4 million

MATCH ATTENDANCE

- 27 home fixtures (2014 - 29)
- Average ticket sales of 59,930 represents › 99% of capacity (2014 – 59,790)
- Match day revenue in excess of £100 million (2015 - £100.4 million, 2014 - £100.2 million)

COMMERCIAL REVENUE

- 2014/15 £103.3 million
- 2013/14 £77.1 million
- 2012/13 £62.4 million
- Emirates and PUMA secured as lead partners on a long-term basis

GLOBAL FAN BASE

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

WAGE COSTS

- Wage to football turnover ratio of 58% (2014 – 56%)
- Total wage costs of £192.2 million (2014 - £166.4 million)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# CHIEF EXECUTIVE'S REPORT

## OVERVIEW

Winning the FA Cup for a second successive season was a wonderful achievement and continued the progress the Club is making.

I cannot recall a team playing so well and with such style on a day which is renowned for being tense and difficult. The display against Aston Villa epitomised much of what we are trying to achieve together.

Our Club will always have a philosophy of investing in and supporting the development of young players. We also have the financial ability to invest in world class, experienced players. The Cup Final demonstrated what a potent force the right blend of youth and experience can be. The sight of young players such as Hector Bellerin and Francis Coquelin, alongside established stars such as Alexis Sanchez and Mesut Özil, rising to the occasion with a performance of style and substance was hugely gratifying.

A trophy in consecutive seasons only serves to increase our desire for more success and sets us up well for what should be an exciting period for the Club both on and off the pitch.

## FOOTBALL

We have put a lot of work into building and investing in this group of players over the past three years. Over that period they have developed a strong bond and belief. Arsène is, I know, very happy with the balance we have in the squad in terms of age profile, depth in all positions and, importantly, length of contracts.

Our improved financial position allows us to support the manager as and when he identifies players capable of adding genuine quality to our squad. With this in mind, we were delighted to sign defender Gabriel in January and Petr Cech from Chelsea during the summer. Gabriel has settled in well and is an important part of the squad. Petr's experience is already proving invaluable on and off the pitch and he will make a strong contribution.

Equally importantly we have again done a lot of work this year agreeing contract extensions with key players. Chuba Akpom, Mikel Arteta, Hector Bellerin, Santi Cazorla, Francis Coquelin, Olivier Giroud, Alex Iwobi, Carl Jenkinson, Jon Toral and Theo Walcott have all signed extensions to their existing contracts. This ensures we will maintain continuity in the squad and puts us in a strong position for the future.

We have also recruited a number of exciting players in the Under-17 and Under-18 age groups. These are players we have identified and targeted through our international scouting network and who join a group of talented scholars and young professionals already at the Club. I look forward to seeing them develop their careers and hopefully a number will progress into the first team squad in due course.

Staying with youth development, I am glad to report that work at our Hale End Academy is going well. The new buildings are complete and the final phase of development will start when we get the go ahead from local planners to re-lay all the pitches. We have continued investing in new staff and the use of the very latest techniques in sports science and physical development. We also continue to strengthen our scouting networks to ensure we find the very best young global talent.

As indicated last year, work is also underway on a multi-million pound programme at our London Colney training centre. This two year project will transform our training, fitness and preparation facilities.

## THE ARSENAL LADIES

Arsenal Ladies have enjoyed a year of progress, in what has been a changing time for the women's game.

Under the stewardship of Pedro Martinez Losa, who joined the club in August 2014, the team has been adjusting well to the demands of the increasingly competitive Women's Super League. Last season, a fourth place finish in the table and a place in the FA Continental Cup final represented a good recovery after a difficult start.

We have since been bolstered by the arrival of some excellent new players and are once again in a position to challenge for honours.

Away from domestic football, we have been extremely proud of our international players, who helped to take the popularity of the women's game to new heights at the World Cup in Canada. In particular, Jordan Nobbs, Alex Scott and Casey Stoney excelled for England, helping the Three Lions to third place in the competition.

Their efforts have translated to the domestic game and the team has enjoyed excellent attendances since. Arsenal's first game back following the World Cup attracted a crowd of 2,061 – a league record for

# CHIEF EXECUTIVE'S REPORT

the Gunners at Meadow Park.

With improvements planned to the Ladies' training facilities as part of the Colney redevelopment, there is every reason to be positive about the year ahead for Arsenal Ladies.

## BUSINESS UPDATE

The financial results for the year, which are covered in more detail in the Financial Review section, show our turnover moved to in excess of £340 million. This was driven by our commercial operations delivering more than £100 million in revenue for the first time, together with an uplift in Premier League broadcasting revenues and a one-off revenue bonus in our property business.

## COMMERCIAL PARTNERSHIPS

We continue to be focused on growing our family of commercial partners around the world. Since our last annual report we have agreed new partnerships with Markets.com, Capital Bank, Betfair, Duchamp, DJI Holdings and Indosat.

All these businesses have two things in common; a desire to engage with our fans wherever they are in the world and the recognition that Arsenal can help them achieve their business objectives in a powerful and meaningful way.

We now have 27 partnerships around the world. This is due to a lot of hard work by many people across the Club which has seen us transform our sales capability, including the opening of our first international office in Singapore, and the development of what is regarded as industry leading management of partnership relationships.

We are confident in our ability and capacity to make further progress in this area which remains a key priority for us.

## RETAIL

Our new partnership with PUMA and a major re-fit of our flagship Armoury store have helped deliver record retail and licensing revenues this financial year. PUMA have put significant effort into promoting our partnership globally through innovative and effective marketing campaigns and prominent presentation of Arsenal products in their stores all around the world, resulting in record levels of replica kit sales. We have also recently entered into agreements to build our e-commerce and retail presence internationally.

Our stadium tours continue to attract increasing numbers of visitors. More than 197,000 toured the stadium last year.

## ARSENAL MEDIA GROUP

Our media group continues to drive strong reach and engagement with supporters around the world through digital and social media channels. Arsenal.com continues to be the central hub for all news from around the Club. We have grown our Facebook following from 26 million to 33 million, we are the most followed English team on Twitter with 6 million followers and our YouTube, Instagram, Sound Cloud, Google+ and Sina Weibo channels continue to thrive.

We also this year released our first in-house produced documentary - 'Invincibles' - to positive reviews. The film has been screened on both Sky Sports in the UK and NBC in the USA.

## TICKETING

Demand in our General Admission and Premium / Hospitality levels continues to be extremely strong and subscriptions to our various membership schemes are also growing.

We continue to make investments in the facilities and infrastructure at Emirates Stadium, including new LED floodlights and perimeter boards alongside a major renovation of the 'Royal Oak' area on Club Level this close season. Additionally, we have improved the functionality of Ticket Exchange and Ticket Transfer, making it easier for season ticket holders unable to attend matches to sell or transfer their seats to other Arsenal supporters.

In March we hosted a high profile Brazil v Chile international friendly in front of a sell-out crowd.

Looking ahead, ticket prices at the Emirates Stadium were held flat for the 2015/16 season and for a seventh time in ten seasons. Whilst our match day revenue is now ranked behind both broadcasting and commercial as a source of income, it remains vitally important to the Club and is a key differentiator to competitor clubs with smaller, less modern venues.

# CHIEF EXECUTIVE'S REPORT

## PRE-SEASON 2015/16

We made a highly successful visit to Singapore to take part in the Barclays Asia Trophy. Two competitive games against a Singapore XI and Everton saw us emerge as the tournament winners and we received a fantastic reception from fans from across Asia and Australia during our stay. It was great to see young players like Chuba Akpom, Dan Crowley, Alex Iwobi, Jon Toral and Gideon Zelalem involved at a first team level. Off the pitch, players took part in a number of events including a well received launch of our away kit, a soccer school with Emirates and a fan party attended by 700 passionate supporters.

The following week we hosted another highly popular Emirates Cup. Firmly established as one of the best pre-season tournaments on the calendar we again sold out across the weekend, with 120,000 fans visiting the Emirates Stadium. It was great to see us lift the trophy after some exciting games involving Lyon, Wolfsburg and Villarreal.

The pre-season preparations concluded a week later when we returned to Wembley for the FA Community Shield match against Chelsea. Another impressive display saw us retain the Shield and enter the season on a winning run.

## ARSENAL FOUNDATION AND ARSENAL IN THE COMMUNITY

Our commitment to our local and wider community remains a central part of what we stand for as a football club. The Arsenal Foundation continued to provide invaluable support for projects here in Islington and further afield. In the past three years the Foundation has raised £1 million for Save the Children to support emergency appeals. This year some of the money will go towards developing artificial football pitches in a refugee camp in Iraq. This is a perfect example of using the power of football and Arsenal to change people's lives and I look forward to seeing the project develop.

Closer to home, our Arsenal in the Community team celebrated its 30th anniversary of delivering programmes in Islington and surrounding boroughs. They have done a remarkable job, now reaching more than 5,000 people through 350 sessions every week. As the Chairman has noted, it was fitting that Alan Sefton, who leads our local community work, was recognised in the Queen's New Year honours with an M.B.E.

## LOOKING AHEAD

We know the Premier League will be more competitive than ever this season as clubs invest more money in top players from around the world. Teams across the league are raising their level, which means each and every game will be a significant challenge. The promise of the increased value of Premier League broadcasting revenues from 2016/17 may already be having an impact.

The new Premier League TV revenues are good news for Arsenal and for the other member clubs. The increased revenue may see the league becoming even more competitive and it raises a number of

# CHIEF EXECUTIVE'S REPORT

strategic questions and opportunities that will need to be discussed in the forthcoming months. For now it is too early to say what the impact of the Premier League's changing financial landscape will be, either domestically or in a wider context across Europe.

We look forward to another exciting campaign in the UEFA Champions League with the new format throwing up a challenging group stage series of games against Bayern Munich, Olympiacos and GNK Dinamo Zagreb.

Everyone at the Club is in optimistic mood and determined to build on the FA Cup successes of the past two seasons. We continue to look to develop every aspect of our operations while remaining true to our principles around being self-funding, investing in youth, our style of play and our commitment to our fans and to our place in the community.

We are focused on delivering more success.

This remains the shared ambition of our majority shareholder Stan Kroenke, the board and everyone connected with the Club.

We look forward to the rest of the season with excitement and your continued support.■

**I E GAZIDIS**
CHIEF EXECUTIVE OFFICER
18 September 2015


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# FINANCIAL REVIEW

The Group recorded a profit before tax for the 2014/15 year of £24.7 million (2014 - £4.7 million).

The principal factors influencing this result were:

- Increased revenues from commercial activities and sponsorship of £26 million, taking the Group's commercial revenues above £100 million for the first time and ensuring overall revenues from football activities alone were comfortably in excess of £300 million.
- Increased profits from player transfers of £28.9 million (2014 - £6.9 million).
- Profits in the property development business of £13.3 million (2014 - £0.9 million).
- Significant investment in the playing squad resulting in higher amortisation charges on player registrations of £55.3 million (2014 - £40.0 million) and driving an overall increase of £25.8 million in our wage bill.

| | 2015 £m | 2014 £m |
|---|---|---|
| **Group turnover** | 344.5 | 301.9 |
| **Operating profit before amortisation, depreciation and player trading** | 77.3 | 62.4 |
| **Player trading (see table below)** | (25.6) | (32.6) |
| **Amortisation of goodwill and depreciation** | (15.0) | (12.8) |
| **Joint venture** | 0.8 | 0.7 |
| **Net finance charges** | (12.8) | (13.0) |
| **Profit before tax** | 24.7 | 4.7 |

The main reason for increased turnover from football was our new kit partnership with PUMA from July 2014 which has had a strong, positive impact across our sponsorship, retail and licensing revenue lines. We have also again increased our revenues from secondary partnerships.

The property business recorded an operating profit of £13.0 million (2014 - £0.4 million) which included a profit share / overage bonus in respect of one of the development land sites sold by the Group in a prior year. The overage receivable represents a share of the revenues achieved by the developer on its successful sale of completed residential units on the finished site.

The wage bill for the year of £192.2 million (2014 - £166.4 million) was increased primarily as a consequence of the players added to the squad in the year and the contract extensions agreed with existing players. There is also an impact from Champions League qualification bonuses, which are a feature of many of our First Team player contracts. By virtue of reaching the Group Stage of the 2014/15 competition, via the play-off round, and the Group Stage of the 2015/16 edition, via third place in the Premier League, there have been two bonus trigger events during the 2014/15 financial year.

Increased depreciation charges of £14.6 million (2014 - £12.4 million) reflect a fairly high level of fixed asset additions for the year at £12.8 million. There have been major projects developing the facilities and a new building at our Hale End Academy training ground and fitting out the Arsenal Hub community building on Queensland Road. Capital expenditure is expected to remain at an elevated level over the short term as the Club is committed to a major development project at its first team training ground at London Colney, a further phase of works at Hale End and a programme of upgrades at Emirates Stadium, which commenced with the new LED floodlights and perimeter boards installed this summer and the refit of the Royal Oak area in Club Tier.

Player trading consists of the profit from the sale of player registrations, the amortisation charge, including any impairment, on the cost of player registrations and fees charged for player loans.

| | 2015 £m | 2014 £m |
|---|---|---|
| **Profit on disposal of player registrations** | 28.9 | 6.9 |
| **Amortisation of player registrations** | (54.4) | (40.0) |
| **Impairment of player registrations** | (0.9) | - |
| **Loan fees** | 0.8 | 0.5 |
| **Total Player Trading** | (25.6) | (32.6) |

The profit on sale of players for the year amounted to £28.9 million (2014 - £6.9 million) which includes the transfer of Thomas Vermaelen and the proceeds of an agreement to cancel the Club's option to reacquire the registration of former player Carlos Vela.

The increased amortisation charge is a direct

# FINANCIAL REVIEW

result of the fact that we have invested strongly in the playing squad. Additions of £114 million have been booked in relation to the acquisition of new player registrations, including Alexis Sanchez, Calum Chambers, Danny Welbeck and Gabriel and, to a lesser extent, the extension of contract terms for certain existing players.

In cash terms the impact of these acquisitions was partially offset by the collection of receivables on player sales (both current and previous) and by the credit terms agreed with the vendor clubs; nonetheless £46.2 million of net cash paid out in the year for player registrations still represents a record high level for the Club.

At the balance sheet date, the Group's total cash and bank balances amounted to £228.2 million (2014 - £207.9 million), inclusive of debt service reserve balances of £35.0 million (2014 - £34.6 million). This is considered to be a robust position with the Group's overall net debt standing at £5.7 million (2014 - £32.6 million). However, proper consideration of the Group's cash balance must include allowance for the payments for the aforementioned transfers, as follows:

| | 2015 £m | 2014 £m |
|---|---|---|
| Bank balance excluding debt service | 193.1 | 173.3 |
| Net balance payable on transfers | (65.6) | (28.8) |
| | 127.5 | 144.5 |

In addition, it is important to understand that our year end bank balance includes advance receipts, of sponsorship and season ticket sales, which represent working capital for season 2015/16.

## FOOTBALL SEGMENT

| | 2015 £m | 2014 £m |
|---|---|---|
| Turnover | 329.3 | 298.7 |
| Operating profit before depreciation and player trading | 64.4 | 62.1 |
| Player trading | (25.6) | (32.6) |
| **Profit before tax** | 11.4 | 3.8 |

There were two fewer home fixtures than in the prior year, with two rounds in our successful defence of the FA Cup being drawn as away fixtures. Our 27 home fixtures (19 Barclays Premier League, five UEFA Champions League, two FA Cup and one Capital One Cup) achieved an average tickets sold per game of 59,930 (2014 – 59,790).

When the Club first moved to the Emirates for season 2006/07 our match-day revenues of £90 million represented the Group's main source of income. Despite achieving a highest ever level of £100.4 million for the 2014/15 season (2014 - £100.2 million) match-day has now been overtaken, by both Broadcasting and Commercial, in terms of its ranking as a source of revenue.

Broadcasting revenues this year were only slightly increased at £124.8 million (2014 - £120.8 million) as was to be expected given this was the second season of three for the current Premier League broadcasting contracts and the final year of a UEFA contract cycle. Our League form meant we once again attracted 25 live Premier League game facility fees (2014 – 25).

Looking to the next cycle of broadcasting revenues UEFA's successful marketing of Champions League broadcast and commercial rights (including BT's purchase of exclusive UK rights) will drive further growth in values for the participating English clubs for the 2015/16 season and beyond. The underlying revenue growth may be slightly offset by a weaker Euro. The Premier League has confirmed a significant uplift in the value achieved for the UK TV rights for the three seasons commencing 2016/17. The process for tendering the international broadcasting rights for these three seasons is ongoing. We note that an investigation into the sale of live broadcast rights in the UK is currently being undertaken by OFCOM the outcome of which cannot be predicted at this stage.

Combined commercial and retail revenues for the year rose by some 34% to £103.3 million (2014 – 24% growth to £77.1 million).

The main driver for this growth was the new kit partnership contract with PUMA which started in July 2014 and has had an excellent first 11 months. In addition, we benefited from a major re-fit of our flagship Armoury store which was completed to coincide with the launch of the first PUMA kits. The ▶


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PUMA contract signals the end of a period where our commercial revenues lagged behind a number of our competitors as a consequence of the long-term deals that were in place as part of the funding of the Emirates move.

We also made strong progress with secondary partnerships adding brands such as Cooper Tires, Vitality and Europcar to our roster and bringing the Club's total number of partnerships to 24 at the end of the 2014/15 year. During the year we opened our first commercial office outside the UK, in Singapore, and have already secured a number of new contracts from this location.

We have a healthy pipeline of potential partner deals and commercial opportunities; as such we expect that our commercial revenues will continue to grow. However, inevitably, the growth rate will now slow as we have our key partnerships with Emirates and PUMA in place for the medium term.

As ever payroll was the largest and most important area of cost. Wage costs for the year rose by 15.5% (2014 – 7.7%) to £192.2 million (2014 – £166.4 million), which was mainly attributable to increases in the cost of our football playing and support staff. As mentioned above, the Club's on field performance meant there were two trigger events in the year in respect of certain elements of remuneration linked to Champions League qualification.

The ratio of total wage bill to football revenues was slightly increased to 58.4% (2014 – 55.7%). We disclose this ratio as a benchmark which is widely used in the analysis of football finance although our own monitoring in this area is based on total player spend, a combination of wages plus transfer expenditure and related costs, on a rolling three year basis against projections for the available funds generated over that period by the Group's business activities.

The Club was fully compliant with the Premier League's wage cap / short term cost control regulations. In light of the strong correlation which exists between player wage expenditure and on-field success we should be clear that having the resources to grow our wage bill in a rational and responsible manner continues to represent a positive outcome.

Other operating costs, which include all the direct and indirect costs and overheads associated with the Club's football operations and revenues, rose 3.3% to £72.1 million (2014 – £69.8 million) and represented 21.9% of football revenues (2014 – 23.3%).

## PROPERTY SEGMENT

| | 2015 £m | 2014 £m |
|---|---|---|
| Turnover | 15.2 | 3.2 |
| Operating profit | 12.9 | 0.4 |
| **Profit before tax** | **13.3** | **0.9** |

In general, activity in the Group's property business was at a very low level with revenues limited to the rental of certain retained commercial units, such as the gym at Highbury Square, and sale of remaining car park spaces at Highbury Square.

However, one of the Group's prior land sales included provision for the receipt of a sales overage (effectively a profit share) in the event that the purchasing developer's final total revenues, from sale of completed residential units, exceeded a pre-agreed target level. That residential development has now reached a sufficient stage of completion that an overage payment has been calculated and agreed as due to us. Accordingly, the applicable overage income and certain limited direct costs have been recognised in the 2014/15 results of the Group's property business.

Unlocking the future sale value of the two remaining major property sites, on Hornsey Road and Holloway Road, is tied to the resolution of the underlying planning consents which are proving to be complex and long running. We remain confident that viable schemes will be agreed and implemented in due course.

## PROFIT AFTER TAX

Overall there is a tax charge of £4.7 million (2014 – credit of £2.6 million) on the pre-tax result for the period. This meant that the retained profit for the year has increased to £20.0 million (2014 – £7.3 million).

The tax deductibility of the amortisation charge

FINANCIAL REVIEW

on player registrations is partially restricted as a result of previous roll-over reliefs claimed on player sales. This means that our taxable profit is higher than our accounts pre-tax profit and resulted in corporation tax charge payable for the year of £6.3 million (2014 £3.7 million). The corporation tax charge was partially offset by a deferred tax credit of £1.6 million (2014 - credit of £6.3 million).

## RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties which could have a material impact on the Group'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 Group Executive (the senior management team including both the executive directors).

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

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

The Group's income is affected by the performance and popularity of the first team and significant sources of revenue are derived from strong performances in the Premier League, FA Cup and UEFA Champions League (or the Europa League). The Group 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 Group 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 Group's main competitors can determine trends in the market rates for transfers and wages that the Group may be required to follow in order to maintain the strength of its first team squad.

The Club is regulated by the rules of the FA, Premier League, UEFA and FIFA. Any change to FA, Premier League, UEFA and FIFA regulations in future could have an impact on the Group as the regulations cover areas such as: the format of competitions, financial fair play, the division of broadcasting income, the eligibility of players and the operation of the transfer market. The Group 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 Group does not have any direct influence, alone, on the outcome of the relevant contract negotiations. 2014/15 was the second year of the Premier League's current three year TV rights deal.

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

## FINANCIAL RISK MANAGEMENT

The Group's operations are exposed to a variety of financial risks that include credit risk, currency risk and the risks associated with liquidity and interest rates.

The Group 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 Group monitors this foreign exchange exposure on a continuous basis and will usually hedge any significant exposure in its currency receivables and payables.

The Group's policy is to eliminate, as far as possible, all of the interest rate risk which arises from its outstanding debt finance balances. Where debt balances are subject to floating rates of interest the Group will usually enter into interest rate swaps which serve to fix the rate of interest.

The financing arrangements for the Group's football and property business segments operate independently of each other. In addition, certain minimum bank deposits are required to be maintained as part of the security for the Group's debt finance balances. The Group 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 both its business segments hold an appropriate level of bank funds at all times.

Where income from material contracts is receivable on an instalment basis then the Group will usually seek to obtain an appropriate bank or similar guarantee.

## FRS 102

From next financial year Financial Reporting Standard 102 will become the accounting standard applicable to the Group's basis of accounting and its financial reporting. For the most part there will be no material change to the way in which the Group reports its financial results. However, there will be fairly significant changes in relation to the carrying value of certain financial instruments in the Group's balance sheet and accounting for the year on year changes to the carrying value of those liabilities. The instruments affected are the interest free A and B debentures issued in the early nineties in connection with the North Stand at Highbury and the interest rate swap taken out as part of the financing arrangements for the Emirates Stadium to ensure our long-term borrowings were at a fixed interest rate. Under FRS 102 these financial instruments will need to be accounted for at fair value rather than at historic cost, with year on year changes in valuation being accounted through the profit and loss account. The value of the swap is linked to movements in the underlying LIBOR long-term interest rates and therefore the application of FRS 102 will introduce a degree of volatility into the Group's P&L account.

On an illustrative and unaudited basis only, the after tax impact on the Group's balance sheet at 31 May 2015 had FRS 102 been adopted early would have been:

| £m | |
|---|---|
| Increase in short-term liabilities | (1) |
| Increase in long-term liabilities | (4) |
| Decrease in total net assets | (5) |
| Increase in brought forward profits | 1 |
| Decrease in profits for 2014/15 | (6) |
| Decrease in shareholders' funds | (5) |

## FINANCIAL REGULATION

The Club continues to be fully compliant with the Financial Fair Play regulations put in place by UEFA and the Premier League. The impact of these regulations on the financial hierarchy of the game remains unclear. The revenues from the new Premier League broadcasting contracts from 2016/17 are also likely to have a material impact on the future financial landscape.

Arsenal remains in a strong financial position. The Club has made significant affordable investments, both in terms of transfers and wage growth, but at the same time recorded another set of profitable results and maintained the cash resources to allow further investment toward on-field success.■

**STUART WISELY**
CHIEF FINANCIAL OFFICER
18 September 2015


Fly
Emirates

# SEASON REVIEW

Just as they had done a year earlier, Arsenal finished the season in some style with a squad of jubilant players proudly lifting the FA Cup. A superb 4-0 victory over Aston Villa meant Arsenal had successfully defended the trophy and in so doing become the first club to win the competition 12 times.

The Gunners began their cup campaign against Hull City in a re-run of the 2014 final. There would, however, be no repeat of the drama that had surrounded that Wembley showpiece as Per Mertesacker and Alexis Sanchez scored to send the holders through. Arsenal then saw off Championship opposition in both rounds four and five, winning at Brighton and Hove Albion before advancing to the last eight with a victory at home to Middlesbrough.

A memorable quarter-final tie at Manchester United followed, with Danny Welbeck marking his return to his former club by slotting home a second-half winner, while Alexis Sanchez scored twice to settle a tense semi-final against Reading.

The curtain came down on the 2014/15 season against Aston Villa at Wembley and Arsenal couldn't have wished for a better ending. Theo Walcott opened the scoring just before the break. Then, five minutes after the restart, Alexis added his 25th goal of a superb debut season with perhaps the best of the lot - arrowing a 30-yard shot into the roof of the net. Per Mertesacker's header made it three and Olivier Giroud added a late fourth.

The Frenchman had also scored at Wembley as Arsenal began the season by comprehensively beating Manchester City 3-0 to win the Community Shield.

In the Premier League, a strong second half to the campaign ensured a 19th successive top-four finish.

The Gunners went unbeaten in the first six matches of the season, with Aaron Ramsey's stoppage-time winner securing victory against Crystal Palace on the opening day.

However, a difficult November saw Arsenal beaten by Swansea City and Manchester United but Arsène Wenger's side responded strongly, collecting 13 points from a possible 18 in December.

After beginning 2015 with defeat at Southampton, the Gunners embarked on a terrific run of form, winning 12 and losing just one of their next 14 league matches, to cement a place in the top four. Highlights included a 2-0 win at defending champions Manchester City and eye-catching victories over Aston Villa (5-0) and Liverpool (4-1).

Arsenal made sure of a third-place finish on the final day of the season, with Walcott scoring a hat-trick and Jack Wilshere thundering home Match of the Day's Goal of the Season in a 4-1 win at home to West

# SEASON REVIEW

Bromwich Albion.

Arsenal reached the Group Stage of the Champions League for the 17th year running after beating Besiktas in a close fought and tense play-off round. In the Group Stage despite losing on match-day one in Dortmund, the Gunners responded strongly to qualify for the last 16 of the tournament with a game to spare. Welbeck scored a fine hat-trick against Galatasaray at the Emirates, while Ramsey's incredible long-range volley in Istanbul was subsequently voted as the Club's Goal of the Season.

Disappointingly, for a fifth consecutive season, the Club was then eliminated at the first knock-out round of the competition. A 3-1 home defeat against Monaco in the first leg made Arsenal outsiders to reach the quarter-final and, despite a fine 2-0 victory in Monte Carlo, Arsène Wenger's side exited on away goals.

In the Capital One Cup promising youngsters Chuba Akpom and Isaac Hayden featured but could not prevent the Gunners from losing 2-1 to Southampton in the third round.

Steve Gatting's Reserves side impressed over the course of the 2014/15 season, often playing attractive and fluent football, and eventually finished fourth in the Under-21 Premier League Division 2.

The young Gunners won eight of their first nine matches, with Akpom scoring hat-tricks against West Bromwich Albion and Brighton and Hove Albion. Daniel Crowley and Ainsley Maitland-Niles - who, along with Stefan O'Connor, made his first-team debut in the Champions League match at Galatasaray - also excelled throughout. During the second half of the season Alex Iwobi thrived in his new role as centre forward, scoring seven times in the final five matches of the campaign.

In the UEFA Youth League, Arsenal progressed to the knockout stages before losing to Atletico Madrid in the last 16. The Gunners were knocked out at the same stage of the FA Youth Cup after a 3-2 defeat at home to Crewe Alexandra.

The Under-18s won four of their first six league matches but, with a number of players regularly called up to the Under-21s, saw a decline in results thereafter.

Under new manager Pedro Martinez Losa, the Arsenal Ladies continued to build a young and exciting team. The Ladies reached the final of the Continental Cup, where they were narrowly beaten 1-0 by Manchester City. In the Women's Super League the team narrowly missed out on a Champions League place, after finishing fourth.

No fewer than five Arsenal players were part of the England squad that finished third at the Women's World Cup in Canada - with Siobhan Chamberlain, Alex Scott, Casey Stoney, Jordan Nobbs and Lianne Sanderson all returning home from the tournament as bronze medalists.■


HUTTON
Fly Emirates
FA CUP


Fly Emirates
THE FA CUP

# THE ARSENAL FOUNDATION & ARSENAL IN THE COMMUNITY

The Arsenal Foundation and the Arsenal in the Community team continue to work hard to provide inspiration and support to young people. The team's activities range from Islington to as far afield as Indonesia and China, through the Foundation's global partnership with Save the Children.

## THE ARSENAL FOUNDATION

Through its ongoing partnerships with Save the Children, Willow Foundation and Islington Giving, and its support for a large number of projects, The Arsenal Foundation has continued to make a meaningful difference to the lives of thousands of individuals over the past year.

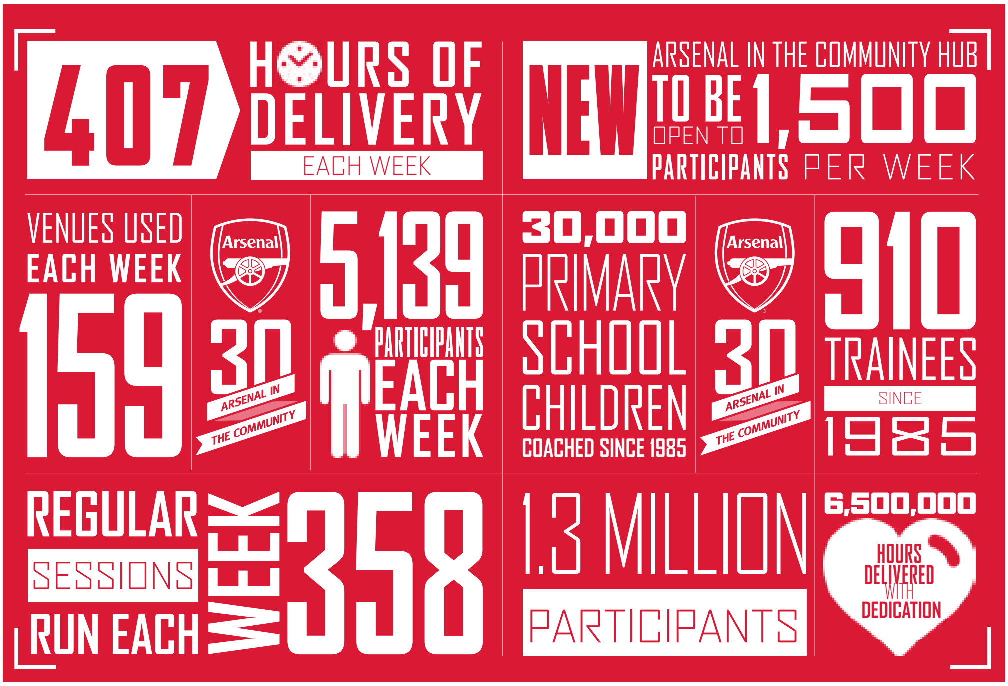
In April the Foundation supported Save the Children's Nepal Earthquake appeal and we encouraged supporters to donate through a dedicated giving page.

Notably, during the year, we reached a significant milestone with Save the Children when we celebrated our cumulative fundraising for the charity passing £1 million. This funding has helped over 100,000 vulnerable young people locally, through projects run in Islington schools, and globally through our emergency work and ongoing projects in China and Indonesia.

In December 2014, we were pleased to support the opening of Centrepoint's new health and wellbeing facility for homeless young people in Soho. This facility was funded by Arsenal through its Charity of the Season partnership in 2010/11. Alexis Sanchez and Santi Cazorla officially opened the centre and met with some of the young people who will benefit from its services. The centre will help these youngsters to learn appropriate life skills to get them back on their feet and back into society.

The Arsenal Foundation has, to date, contributed to 13 pitch upgrades in local schools and parks across Islington, Hackney and Camden. Olivier

# THE ARSENAL FOUNDATION & ARSENAL IN THE COMMUNITY




Giroud and David Ospina opened the refurbished pitch at St Mark's Church of England School in Islington. Later this year an exciting overseas collaboration is expected to take place which will see Arsenal and Save the Children's expertise come together again in a project to benefit vulnerable children by providing safe places to play.

Smaller organisations and projects in Islington also continued to benefit from the Foundation's Gunners' Fund grants during the last year. £50,000 was distributed locally where smaller grants can have a big impact on the lives of our local community.

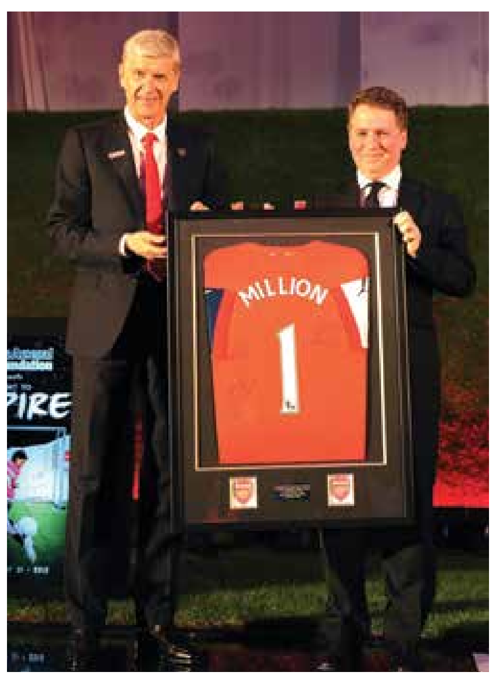
## ARSENAL IN THE COMMUNITY

Arsenal in the Community has celebrated a number of notable milestones this year.

The team celebrated its 30th anniversary in 2015, and marked the occasion with the opening of the Arsenal Hub – Home of Arsenal in the Community.

The new £5 million sports and community facility, situated next door to Emirates Stadium, will welcome some 1,500 local people each week, participating in a range of activities. The Hub has already enjoyed visits from Arsène Wenger, Per Mertesacker, Mesut Özil and, Arsenal legend, Thierry Henry who have all dropped in to witness a number of Arsenal in the Community projects in action.

Another highlight of an exciting year saw Head of Arsenal in the Community, Alan Sefton's inclusion on the New Year's Honours list. Alan received an MBE in recognition of his services to Education and to Young People in the UK and abroad.■




MIRATES STADIUM
WILSON
1
GEORGE
11
Emirates
THE
FA CUP
2015
WINNERS


EMIRATES
YOU - OUR 12TH

# DIRECTORS' REPORT

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

## PRINCIPAL ACTIVITIES

The principal activity of the Group is that of a professional football club and the related commercial activities. The Group is also engaged in a number of property developments associated with its relocation to the Emirates Stadium.

## PROFITS AND DIVIDENDS

The results for the year are set out on page 37 and are considered, together with a review of the Group's business performance for the year and its future prospects, in the Strategic Report and Financial Review sections of the Annual Report.

The directors do not recommend the payment of a dividend for the year (2014 - £Nil).

## GOING CONCERN

The Group's business activities together with the factors likely to affect its future development and performance are summarised in the Chairman's Report, the Chief Executive's Report and the Financial Review. The Financial Review describes the financial position of the Group and its cash flows and liquidity position.

The Group's unused bank facilities are not currently due for renewal, however, the Group has held a discussion 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 Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financial resources and bank facilities.

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

## DIRECTORS

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

- Sir Chips Keswick
- K.J. Friar OBE
- I.E. Gazidis
- Lord Harris of Peckham
- E.S. Kroenke
- J.W. Kroenke

## DIRECTORS INDEMNITIES

The Group 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.

## EMPLOYEES

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

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

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

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

## DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DISCLOSURE OF INFORMATION TO AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report was approved:

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

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

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

D. Miles

**D MILES**
COMPANY SECRETARY
18 September 2015
Registered office:
Highbury House
75 Drayton Park
London N5 1BU

# CORPORATE GOVERNANCE

The directors acknowledge the importance of the UK Corporate Governance Code and endeavour to comply with its requirements so far as the directors consider is appropriate to a Group of the size and nature of Arsenal Holdings plc.

## DIRECTORS

The Board currently consists of two executive directors and four non-executive directors. The Board meets on a regular basis to review the performance of the Group and to determine long-term objectives and strategies and is supplied with management accounts and other relevant information.

Each of the directors is subject to re-election at least every three years.

## INTERNAL CONTROL

The Board is responsible for ensuring that the Group maintains a system of internal controls, including suitable monitoring procedures, and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatements or loss.

The Board continuously reviews the effectiveness of the Group's system of internal controls. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Audit Committee assists the Board in discharging its review responsibilities.

## AUDIT COMMITTEE

The Audit Committee consists of two non-executive directors, Sir Chips Keswick (Chairman) and Lord Harris of Peckham.

The Committee considers matters relating to the financial accounting controls, the reporting of results and the effectiveness and cost of the audit. It meets at least twice a year with the Group's auditor.

## NOMINATIONS COMMITTEE

The Nominations Committee is chaired by Lord Harris of Peckham and its other member is Sir Chips Keswick.

The Nominations Committee reviews the composition of and succession to the Board and senior management, within agreed terms of reference, and recommends to the Board appointments of executive and non-executive directors following a formal and rigorous review process. This involves an ongoing assessment of the overall balance and performance of the Board and its individual members ensuring a strong executive and independent non-executive team. The Committee in particular considers the experience and skills of individuals who may be suitable as directors. The Committee considers and takes account of existing and proposed corporate governance requirements where relevant.

## REMUNERATION COMMITTEE

The Remuneration Report is set out on page 35.

# THE REMUNERATION REPORT

## THE REMUNERATION COMMITTEE

The Committee consists of four non-executive directors, Lord Harris of Peckham (Chairman), Sir Chips Keswick, E.S. Kroenke and J.W. Kroenke.

## POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The purpose of the Remuneration Committee is to consider all aspects of executive directors' remuneration and to determine the specific remuneration packages of each of the executive directors and, as appropriate, other senior executives, ensuring that the remuneration packages are competitive within the industry in which the Group operates and reflect both Group and personal performance during the year.

The present opinion of the Committee is that the Group's executives are best remunerated by a salary, discretionary bonus and pension contribution, the aggregate of which is intended to reflect market conditions and the performance of the Group and of the individual.

## POLICY ON REMUNERATION OF THE NON-EXECUTIVE DIRECTORS

The Board as a whole sets the remuneration of the non-executive directors.

## DIRECTORS' REMUNERATION

A full analysis of the directors' remuneration is set out in note 7 to the financial statements.

**LORD HARRIS OF PECKHAM**
CHAIRMAN OF THE REMUNERATION COMMITTEE
18 September 2015

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL HOLDINGS PLC

We have audited the financial statements of Arsenal Holdings plc for the year ended 31 May 2015 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Group and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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

## SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

## OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2015 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent 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.

M. R. Lee-Amies

**MARK LEE-AMIES**
**SENIOR STATUTORY AUDITOR**
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
18 September 2015

# CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2015

| | Note | 2015 Operations excluding player trading £'000 | 2015 Player trading £'000 | 2015 Total £'000 | 2014 Operations excluding player trading £'000 | 2014 Player trading £'000 | 2014 Total £'000 |
|---|---|---|---|---|---|---|---|
| **Turnover of the Group including its share of joint ventures** | | 346,498 | 805 | 347,303 | 303,754 | 513 | 304,267 |
| Share of turnover of joint venture | | (2,779) | - | (2,779) | (2,395) | - | (2,395) |
| **Group turnover** | 3 | 343,719 | 805 | 344,524 | 301,359 | 513 | 301,872 |
| Operating expenses | 4 | (281,400) | (55,365) | (336,765) | (251,736) | (40,072) | (291,808) |
| **Operating profit/(loss)** | | 62,319 | (54,560) | 7,759 | 49,623 | (39,559) | 10,064 |
| Share of joint venture operating result | | 762 | - | 762 | 710 | - | 710 |
| Profit on disposal of player registrations | | - | 28,944 | 28,944 | - | 6,912 | 6,912 |
| **Profit/(loss) on ordinary activities before net finance charges** | | 63,081 | (25,616) | 37,465 | 50,333 | (32,647) | 17,686 |
| Net finance charges | 5 | | | (12,751) | | | (13,018) |
| **Profit on ordinary activities before taxation** | | | | 24,714 | | | 4,668 |
| Taxation (charge)/credit | 8 | | | (4,670) | | | 2,603 |
| **Profit after taxation retained for the financial year** | | | | 20,044 | | | 7,271 |
| **Earnings per share** | | | | | | | |
| Basic and diluted | 9 | | | £322.16 | | | £116.87 |

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.

All trading resulted from continuing operations.

**Consolidated statement of total recognised gains and losses**

For the year ended 31 May 2015

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Profit after taxation | 20,044 | 7,271 |
| Exchange difference | 7 | (8) |
| **Total recognised gains and losses relating to the year** | 20,051 | 7,263 |

# BALANCE SHEET

## AS AT 31 MAY 2015

| | Note | Group 2015 £'000 | Group 2014 £'000 | Company 2015 £'000 | Company 2014 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Goodwill | 10 | 1,082 | 1,498 | - | - |
| Tangible fixed assets | 11 | 419,180 | 421,402 | - | - |
| Intangible fixed assets | 12 | 171,658 | 114,986 | - | - |
| Investments | 13 | 4,174 | 3,571 | 30,059 | 30,059 |
| | | 596,094 | 541,457 | 30,059 | 30,059 |
| **Current assets** | | | | | |
| Stock - development properties | 14 | 9,741 | 9,849 | - | - |
| Stock - retail merchandise | | 4,530 | 4,935 | - | - |
| Debtors - due within one year | 15 | 74,175 | 65,642 | 4 | 6 |
| - due after one year | 15 | 6,658 | 4,861 | 127,400 | 127,752 |
| Cash and short-term deposits | 16 | 228,167 | 207,878 | 10,235 | 9,492 |
| | | 323,271 | 293,165 | 137,639 | 137,250 |
| **Creditors: amounts falling due within one year** | 17 | (273,733) | (203,032) | (3,022) | (23) |
| **Net current assets** | | 49,538 | 90,133 | 134,617 | 137,227 |
| **Total assets less current liabilities** | | 645,632 | 631,590 | 164,676 | 167,286 |
| **Creditors: amounts falling due after more than one year** | 18 | (264,362) | (266,478) | (15,566) | (15,189) |
| **Provisions for liabilities and charges** | 20 | (50,601) | (54,494) | - | - |
| **Net assets** | | 330,669 | 310,618 | 149,110 | 152,097 |
| **Capital and reserves** | | | | | |
| Called up share capital | 21 | 62 | 62 | 62 | 62 |
| Share premium | 22 | 29,997 | 29,997 | 29,997 | 29,997 |
| Merger reserve | 23 | 26,699 | 26,699 | - | - |
| Profit and loss account | 24 | 273,911 | 253,860 | 119,051 | 122,038 |
| **Shareholders' funds** | | 330,669 | 310,618 | 149,110 | 152,097 |

These financial statements of Arsenal Holdings Plc (registered number 4250459) were approved and authorised for issue by the Board of Directors on 18 September 2015.

Signed on behalf of the Board of Directors

**SIR CHIPS KESWICK**
DIRECTOR

# CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 MAY 2015

| | Note | 2015 £'000 | 2014 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 26a | 102,395 | 96,169 |
| Player registrations | 26d | (46,241) | (11,121) |
| Returns on investment and servicing of finance | 26d | (12,130) | (12,409) |
| Taxation | | (2,206) | (2,445) |
| Capital expenditure | 26d | (14,255) | (8,873) |
| Net cash inflow before financing | | 27,563 | 61,321 |
| Financing | 26d | (7,274) | (6,900) |
| Management of liquid resources | | 7,770 | (39,781) |
| Change in cash in the year | | 28,059 | 14,640 |
| Change in short-term deposits | | (7,770) | 39,781 |
| **Increase in cash and short-term deposits** | | 20,289 | 54,421 |

Management of liquid resources represents the transfer of cash to/(from) the Group's bank accounts to short-term bank treasury deposits.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2015

## 1. PRINCIPAL ACCOUNTING POLICIES

### (A) BASIS OF ACCOUNTING

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

### (B) BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS

The Group financial statements consolidate the assets, liabilities and results of the Company and its subsidiary undertakings made up to 31 May 2015.

As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the year was £2,987,000 (2014 – loss of £2,994,000).

### (C) JOINT VENTURE

The joint venture is an undertaking in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group, which holds 50% of the voting rights, and KSE UK Inc under a contractual arrangement.

The Group's share of the results of the joint venture are included in the consolidated profit and loss account on the basis of audited financial statements. The Group's share of the results and net assets of the joint venture is included under the gross equity method and stated after adjustment to eliminate the Group's share of profits resulting from transactions between the Group and the joint venture which are included in the carrying amount of assets reported in the joint venture's balance sheet.

### (D) TURNOVER AND INCOME RECOGNITION

Turnover represents income receivable, net of VAT, from football and related commercial activities and income from the sale of development properties completed in the year. The Group has two classes of business - the principal activity of operating a professional football club and property development - both businesses are carried out principally within the United Kingdom. Gate, match and other event day revenue is recognised over the period of the football season as games are played and events are staged. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees for live coverage or highlights are taken when earned at the point of broadcast. Merit awards are accounted for only when known at the end of the financial period. UEFA pool distributions relating to participation in the Champions League are spread over the matches played in the competition whilst distributions relating to match performance are taken when earned; these distributions are classified as broadcasting revenues. Fees receivable in respect of the loan of players are included in turnover over the period of the loan.

Income from the sale of development properties is recognised on completion of the relevant sale contract. Where elements of the sale price are subject to retentions by the purchaser the retained element of the sale price is not recognised until such time as all of the conditions relating to the retention have been satisfied.

### (E) DEPRECIATION

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to reduce the carrying value of buildings, plant, equipment and motor vehicles 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 |

Freehold land is not depreciated.

### (F) DEBT

Debt is initially stated at the amount of the net proceeds after deduction of the costs of obtaining the finance. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. The carrying value of long-term debt is not discounted.

### (G) FINANCE COSTS

Finance costs of debt, in the form of bonds or bank loans, (including the costs directly attributable to obtaining the debt finance) are recognised in the profit and loss account over the term of the debt at a constant rate on the carrying amount. Finance costs directly attributable to the funding of property development projects are included within stock.

### (H) DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to reduce exposure to interest rate and foreign exchange movements.
The Group does not hold derivative financial instruments for speculative purposes.
The Group's interest rate swaps are treated as hedges because the instruments relate to actual liabilities and change the nature of the interest rate by converting variable rates into fixed rates. Interest differentials under the swaps are recognised by adjusting net interest payable over the period of the contracts.

### (I) STOCK

Stock comprises retail merchandise and development property for onward sale and is stated at the lower of cost and net realisable value.
Where properties which are intended to be sold have been acquired they have been included in stock as development properties. Development property comprises freehold land inclusive of the direct cost of acquisition and other directly attributable property development costs including interest costs.

### (J) GRANTS

Grants received in respect of tangible fixed assets are credited to the profit and loss account over the expected useful economic lives of the assets to which they relate. Grants received but not yet released to the profit and loss account are included in the balance sheet as deferred income.
Other grants are credited to the profit and loss account as the related expenditure is incurred.

### (K) 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 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.

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2015

## 1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### (L) IMPAIRMENT

The Group 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 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 Group's best estimate of the player's fair value less any costs to sell and, if necessary, a provision would be made.

The Group'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 Group'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 Group's best estimation of disposal value taking into account recent player disposals by both the Group and other clubs.

### (M) PROVISIONS

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

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

### (N) ONEROUS CONTRACTS

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

### (O) FOREIGN CURRENCIES

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency denominated 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.

### (P) DEFERRED INCOME

Deferred income represents income from sponsorship agreements and other contractual agreements which will be credited to the profit and loss account over the period of the agreements, season ticket renewals for the 2015/16 season and advance income from executive boxes and Club Tier seats at Emirates Stadium.

### (Q) LEASES

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

### (R) PENSIONS

The Group makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes including 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 Group 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 Group'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 already retired or who have left the Group has been charged to the profit and loss account.

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

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

### (S) 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 Group'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.

### (T) GOODWILL

Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is considered to be five years. Provision is made for any impairment.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2015

## 2. SEGMENTAL ANALYSIS

| Class of business: | Football | | Property development | | Group | |
|---|---|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| **Turnover** | 329,337 | 298,658 | 15,187 | 3,214 | 344,524 | 301,872 |
| **Segment operating (loss)/profit** | (5,198) | 9,650 | 12,957 | 414 | 7,759 | 10,064 |
| Share of operating profit of joint venture | 762 | 710 | - | - | 762 | 710 |
| Profit on disposal of player registrations | 28,944 | 6,912 | - | - | 28,944 | 6,912 |
| Net finance charges | (13,149) | (13,455) | 398 | 437 | (12,751) | (13,018) |
| **Profit on ordinary activities before taxation** | 11,359 | 3,817 | 13,355 | 851 | 24,714 | 4,668 |
| **Segment net assets** | 279,181 | 272,449 | 51,488 | 38,169 | 330,669 | 310,618 |

Operating profit from football before amortisation, depreciation and player trading amounted to £64.4 million (2014 - £62.1 million); being segment operating loss (as above) of £5.2 million (2014 – profit of £9.7 million), adding back depreciation (net of grant amortisation) of £14.6 million (2014 - £12.4 million), amortisation of goodwill of £0.4 million (2014 - £0.4 million) and operating loss from player trading of £54.6 million (2014 - £39.6 million).

## 3. TURNOVER

| Turnover, all of which originates in the UK, comprises the following: | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Gate and other match day revenues | 100,401 | 100,229 |
| Broadcasting | 124,844 | 120,762 |
| Retail and licensing | 24,685 | 17,938 |
| Commercial | 78,602 | 59,216 |
| Property development | 15,187 | 3,214 |
| Player trading | 805 | 513 |
| | 344,524 | 301,872 |

## 4. OPERATING EXPENSES

| Operating expenses comprise: | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Amortisation of goodwill | 416 | 426 |
| Amortisation of player registrations | 54,430 | 40,072 |
| Impairment of player registrations | 935 | - |
| Depreciation and impairment charges (less amortisation of grants) | 14,618 | 12,418 |
| Total depreciation, amortisation and impairment | 70,399 | 52,916 |
| Staff costs (see note 6) | 192,213 | 166,403 |
| Cost of property sales | 2,044 | 2,703 |
| Other operating charges | 72,109 | 69,786 |
| **Total operating expenses** | 336,765 | 291,808 |

| Other operating charges include: | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Auditor's remuneration | | |
| - audit of the company's annual accounts | 20 | 20 |
| - audit of the subsidiaries pursuant to legislation | 137 | 135 |
| Total audit fees | 157 | 155 |
| - other services | 33 | 39 |
| - tax services | 176 | 162 |
| Total non-audit fees | 209 | 201 |
| Operating lease payments | | |
| - plant and machinery | 292 | 182 |
| - other | 925 | 1,235 |
| Loss/(profit) on disposal of tangible fixed assets | 273 | (140) |

# NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2015

## 5. NET FINANCE CHARGES

| **Interest payable and similar charges:** | **2015** £'000 | **2014** £'000 |
|---|---|---|
| Bank loans and overdrafts | 8 | 1 |
| Fixed/ floating rate bonds | 12,356 | 12,755 |
| Other | 380 | 372 |
| Costs of raising long term finance | 835 | 777 |
| Total interest payable and similar charges | 13,579 | 13,905 |
| Interest receivable | (828) | (887) |
| Net finance charges | 12,751 | 13,018 |

## 6. EMPLOYEES

| The average number of persons employed by the Group during the year was: | **2015 Number** | **2014 Number** |
|---|---|---|
| Playing staff | 66 | 67 |
| Training staff | 95 | 80 |
| Administrative staff | 345 | 304 |
| Ground staff | 99 | 97 |
| | 605 | 548 |

In addition the Group used on average 830 temporary staff on match days (2014 – 860).

| **Staff costs:** | £'000 | £'000 |
|---|---|---|
| Wages and salaries | 168,228 | 145,839 |
| Social security costs | 20,960 | 18,724 |
| Other pension costs | 3,025 | 1,840 |
| | 192,213 | 166,403 |

## 7. DIRECTORS' EMOLUMENTS

| | 2015 | | | | | | 2014 |
|---|---|---|---|---|---|---|---|
| | Salary/fees £'000 | Bonus £'000 | Benefits £'000 | Sub total £'000 | Pension £'000 | Total £'000 | Total £'000 |
| KJ Friar OBE | 349 | 215 | 28 | 592 | - | 592 | 484 |
| Sir Chips Keswick | 25 | - | - | 25 | - | 25 | 25 |
| Lord Harris of Peckham | - | - | - | - | - | - | - |
| I Gazidis | 1,437 | 786 | 9 | 2,232 | 67 | 2,299 | 2,191 |
| ES Kroenke | 25 | - | - | 25 | - | 25 | 25 |
| JW Kroenke | 25 | - | - | 25 | - | 25 | 12 |
| | 1,861 | 1,001 | 37 | 2,899 | 67 | 2,966 | 2,737 |

In both the current and prior year, Lord Harris of Peckham waived director's fees of £25,000 and the Group donated this amount to appropriate charities.

In addition, the pension charge for the year (note 6) includes £0.41 million in relation to K J Friar OBE, being part of the deficit in the defined benefit section of the Football League Pension and Life Assurance Scheme.

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| UK corporation tax charge at 20.83% (2014 – 22.67%) | 6,301 | 3,677 |
| Overseas tax | - | 4 |
| (Over)/under provision in respect of prior years | (35) | 2 |
| **Total current taxation** | 6,266 | 3,683 |
| **Deferred taxation (see note 20)** | | |
| Origination and reversal of timing differences | (1,608) | (1,410) |
| Impact of change in tax rate | - | (5,142) |
| Under provision in respect of prior years | 12 | 266 |
| **Total tax charge/(credit) on profit on ordinary activities** | 4,670 | (2,603) |

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MAY 2015

## 8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows: | | |
| **Group profit on ordinary activities before tax** | 24,714 | 4,668 |
| Tax on Group profit on ordinary activities before tax at standard UK corporation tax rate of 20.83% (2014 – 22.67%) | 5,148 | 1,058 |
| Effects of: | | |
| Capital allowances in excess of depreciation | 696 | 352 |
| Roll-over relief on player registrations | 954 | 1,553 |
| Other timing differences | 24 | (306) |
| (Non taxable income)/expenses not deductible | (521) | 1,020 |
| Adjustments to tax charge in respect of prior years | (35) | 2 |
| Overseas tax | - | 4 |
| **Group current tax for the year** | 6,266 | 3,683 |

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 20).

The Group tax charge in future years may be affected by the legislation relating to taxation of profits on disposal of intangible assets, including player registrations, and rollover relief thereon.

A further reduction in the rate of corporation tax to 19% from April 2017 and 18% from April 2020 has been announced but had not been substantively enacted at the balance sheet date. As this legislation was not substantively enacted at the balance sheet date, the rate reduction is not reflected in these financial statements. This is in accordance with FRS 21, as the rate change is a non-adjusting event occurring after the reporting period. The impact of the rate reduction will be reflected in the next reporting period when it is estimated to reduce the Group's deferred tax liability at 31 May 2015 by £3.2 million.

## 9. EARNINGS PER SHARE

Earnings per share (basic and diluted) are based on the weighted average number of ordinary shares of the Company in issue being 62,217 shares (2014 - 62,217 shares).

## 10. INTANGIBLE FIXED ASSETS - GOODWILL

| | £'000 |
|---|---|
| **Cost** | |
| At 1 June 2014 and 31 May 2015 | 2,137 |
| **Amortisation** | |
| At 1 June 2014 | 639 |
| Charge for the year | 416 |
| At 31 May 2015 | 1,055 |
| **Net book value at 31 May 2015** | 1,082 |
| **Net book value at 31 May 2014** | 1,498 |

## 11. TANGIBLE FIXED ASSETS

| **Group** | **Assets in course of construction** £'000 | **Freehold properties** £'000 | **Short Leasehold properties** £'000 | **Plant and equipment** £'000 | **Total** £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 June 2014 | 2,806 | 406,922 | 6,613 | 101,540 | 517,881 |
| Transfers | (5,626) | (76) | 2,916 | 2,786 | - |
| Additions | 7,124 | 898 | 352 | 4,432 | 12,806 |
| Disposals | - | (114) | - | (1,920) | (2,034) |
| At 31 May 2015 | 4,304 | 407,630 | 9,881 | 106,838 | 528,653 |
| **Depreciation** | | | | | |
| At 1 June 2014 | - | 45,933 | 3,844 | 46,702 | 96,479 |
| Charge for the year | - | 5,767 | 377 | 8,564 | 14,708 |
| Disposals | - | - | - | (1,714) | (1,714) |
| At 31 May 2015 | - | 51,700 | 4,221 | 53,552 | 109,473 |
| **Net book value** | | | | | |
| At 31 May 2015 | 4,304 | 355,930 | 5,660 | 53,286 | 419,180 |
| At 31 May 2014 | 2,806 | 360,989 | 2,769 | 54,838 | 421,402 |

At the start of the year assets in the course of construction represented an indoor community and sports facility on Queensland Road which the Group was fitting out – this project was completed during the year and the asset is now in use. The costs have been reclassified to the appropriate fixed asset categories. During the year the Group commenced development projects to enhance the facilities at both its first team and academy training grounds and the costs of these projects are included within assets in the course of construction as at the balance sheet date. At 31 May 2015 the Group had contracted capital commitments of £17.0 million (2014 - £9.5 million). The cost of fixed assets includes £38.6 million of interest costs which were incurred on the stadium financing bank facilities during the periods when Emirates Stadium was under construction. The capitalisation of interest ceased in 2006 when Emirates Stadium came into use.

## 12. INTANGIBLE FIXED ASSETS

| | £'000<br>£'000 |
|---|---:|
| **Cost of player registrations** | |
| At 1 June 2014 | 249,265 |
| Additions | 113,950 |
| Disposals | (34,693) |
| At 31 May 2015 | 328,522 |
| **Amortisation of player registrations** | |
| At 1 June 2014 | 134,279 |
| Charge for the year | 54,430 |
| Impairment | 935 |
| Disposals | (32,780) |
| At 31 May 2015 | 156,864 |
| **Net book value** | |
| At 31 May 2015 | 171,658 |
| At 31 May 2014 | 114,986 |

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

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

## 13. INVESTMENTS

| | Group | |
|---|---:|---:|
| | **2015**<br>£'000 | **2014**<br>£'000 |
| **Investment in joint venture** | | |
| Investment at cost | 20,000 | 20,000 |
| Accumulated share of profit of joint venture | 4,174 | 3,571 |
| Adjustment to eliminate unrealised profit on sale of intangible assets | (20,000) | (20,000) |
| Share of joint venture | 4,174 | 3,571 |

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

The Group's share of the net assets included in the audited balance sheet of Arsenal Broadband Limited for the year ended 31 May 2015 is as follows:

| | 2015<br>£'000 | 2014<br>£'000 |
|---|---|---|
| Fixed assets | 329 | 398 |
| Current assets | 4,871 | 4,653 |
| Liabilities | (1,026) | (1,480) |
| | 4,174 | 3,571 |

| **Investments in subsidary undertakings** | **Company**<br>**£'000** |
|---|---|
| Balance at 1 June 2014 and 31 May 2015 | 30,059 |

The Company has the following subsidiary companies (of which those marked * are indirectly held):

| | Country of incorporation | Proportion of ordinary shares owned | Principal activity |
|---|---|---|---|
| Arsenal (AFC Holdings) Limited | Great Britain | 100% | Share holding |
| The Arsenal Football Club plc* | Great Britain | 100% | Professional football club |
| Arsenal (Emirates Stadium) Limited* | Great Britain | 100% | Property development |
| Arsenal Overseas Holdings Limited* | Great Britain | 100% | Share holding |
| AOH-USA, LLC* | USA | 100% | Data management |
| Arsenal Overseas Limited* | Jersey | 100% | Retail operations |
| Arsenal Securities plc* | Great Britain | 100% | Financing |
| Arsenal Stadium Management Company Limited* | Great Britain | 100% | Stadium operations |
| ATL (Holdings) Limited | Great Britain | 100% | Share holding |
| Ashburton Trading Limited* | Great Britain | 100% | Property development |
| HHL Holding Company Limited | Great Britain | 100% | Share holding |
| Highbury Holdings Limited* | Great Britain | 100% | Property holding |
| Arsenal Ladies Limited* | Great Britain | 100% | Ladies football |
| Arsenal Football Club Asia PTE Limited* | Singapore | 100% | Commercial operations |
| Ashburton Properties (Northern Triangle) Limited* | Great Britain | 100% | Dormant |
| Drayton Park Trading Limited* | Great Britain | 100% | Dormant |
| Queensland Road Trading Limited* | Great Britain | 100% | Dormant |
| Ashburton PropertiesHoldings Limited | Great Britain | 100% | Dormant |
| Arsenal Stadium Management Holdings Limited | Great Britain | 100% | Dormant |

## 14. STOCK - DEVELOPMENT PROPERTIES

Properties are held for resale and are recorded at the lower of cost and net realisable value. The directors consider the net realisable value of development property stocks to be greater than their book value.

## 15. DEBTORS

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** £'000 | **2014** £'000 | **2015** £'000 | **2014** £'000 |
| **Amounts recoverable within one year** | | | | |
| Trade debtors | 25,556 | 33,415 | - | - |
| Other debtors | 14,084 | 8,984 | - | - |
| Prepayments and accrued income | 34,535 | 23,243 | 4 | 6 |
| | 74,175 | 65,642 | 4 | 6 |
| **Amounts recoverable in more than one year** | | | | |
| Other debtors | 5,202 | 3,247 | - | - |
| Amount due from group undertakings | - | - | 127,400 | 127,752 |
| Prepayments and accrued income | 1,456 | 1,614 | - | - |
| | 6,658 | 4,861 | 127,400 | 127,752 |

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

## 16. CASH AND SHORT-TERM DEPOSITS

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| Debt service reserve accounts | 35,024 | 34,557 | - | - |
| Other accounts | 193,143 | 173,321 | 10,235 | 9,492 |
| | 228,167 | 207,878 | 10,235 | 9,492 |

The Group is required under the terms of its fixed rate bonds and floating rate bonds to maintain specified amounts on bank deposit as security against future payments of interest and principal. Accordingly the use of these debt service reserve accounts is restricted to that purpose. Included in other accounts is a balance of £0.2 million (2014 - £0.3 million) which is held in connection with the site works at Queensland Road. The use of this deposit is restricted to that purpose and Newlon Housing Trust is a joint signatory. The Group uses short-term bank treasury deposits as a means of maximising the interest earned on its cash balances.

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| Cash at bank and in hand | 108,614 | 80,555 | 3,985 | 9,492 |
| Short-term deposits | 119,553 | 127,323 | 6,250 | - |
| | 228,167 | 207,878 | 10,235 | 9,492 |

## 17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| Fixed rate bonds - secured | 7,119 | 6,704 | - | - |
| Trade creditors | 7,618 | 11,404 | - | - |
| Corporation tax | 5,056 | 1,155 | - | - |
| Other tax and social security | 19,879 | 20,233 | - | - |
| Amount due to parent undertaking | 3,000 | - | 3,000 | - |
| Other creditors | 57,795 | 30,977 | - | - |
| Accruals and deferred income | 173,266 | 132,559 | 22 | 23 |
| | 273,733 | 203,032 | 3,022 | 23 |

Other creditors, above and as disclosed in note 18, include £80.5 million (2014 - £38.3 million) in respect of player transfers.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MAY 2015

## 18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 £'000 | 2014 £'000 | 2015 £'000 | 2014 £'000 |
| Fixed rate bonds - secured | 146,095 | 153,351 | - | - |
| Floating rate bonds - secured | 52,427 | 52,570 | - | - |
| Debenture loans | 28,207 | 27,830 | 13,780 | 13,403 |
| Amounts due to group undertakings | - | - | 1,786 | 1,786 |
| Other creditors | 32,922 | 15,866 | - | - |
| Grants | 3,705 | 3,795 | - | - |
| Deferred income | 1,006 | 13,066 | - | - |
| | 264,362 | 266,478 | 15,566 | 15,189 |
| Debenture loans comprise: | | | | |
| Par value of debentures plus accumulated interest | 28,518 | 28,141 | 14,091 | 13,714 |
| Costs of raising finance | (311) | (311) | (311) | (311) |
| | 28,207 | 27,830 | 13,780 | 13,403 |

Under the issue terms debentures with a par value of £14,427,000 are repayable at par after 128 years and these debentures are interest free. Debentures with a par value of £10,224,000 are repayable at the option of the debenture holders in 13 years and carry cumulative compound interest at 2.75% per annum.

| The fixed rate bonds above and disclosed in note 17 comprise: | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Fixed rate bonds | 156,500 | 163,774 |
| Costs of raising finance | (3,286) | (3,719) |
| | 153,214 | 160,055 |
| Due within one year | 7,119 | 6,704 |
| Due after more than one year | 146,095 | 153,351 |
| | 153,214 | 160,055 |

The fixed rate bonds bear interest at 5.1418% per annum.

| The floating rate bonds above comprise: | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Floating rate bonds | 50,000 | 50,000 |
| Interest rate swap | 4,525 | 4,805 |
| Costs of raising finance | (2,098) | (2,235) |
| | 52,427 | 52,570 |
| Due within one year | - | - |
| Due after more than one year | 52,427 | 52,570 |
| | 52,427 | 52,570 |

The floating rate bonds bear interest at LIBOR for three month deposits plus a margin of 0.55% (2014 – 0.55%) and the Group has entered into interest rate swaps which fix the LIBOR element of this cost at 5.75%.

The costs of raising debt finance, in the form of fixed and floating rate bonds, are amortised to the profit and loss account over the term of the bonds. The amortisation charge for the year was £570,000 (2014 - £590,000).

The fixed rate bonds and floating rate bonds are guaranteed as to scheduled payments of principal and interest by certain members of the Group and by Ambac Assurance UK Limited. The Group pays Ambac Assurance UK Limited annual guarantee fees at a rate of 0.65% of fixed rate bond principal outstanding and 0.65% of the floating rate bond principal outstanding.

The Group's fixed rate bonds and floating rate bonds are secured by a mixture of legal mortgages and fixed charges on certain freehold and leasehold property and certain plant and machinery owned by the Group, by fixed charges over certain of the Group's trade debtors, by fixed charges over £54.0 million (2014 - £59.3 million) of the Group's bank deposits, by legal mortgages or fixed charges over the share capital and intellectual property rights of certain subsidiary companies and fixed and floating charges over the other assets of certain subsidiary companies.

| The Group's financial liabilities/debt is repayable as follows: | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Between one and two years | 8,084 | 7,668 |
| Between two and five years | 26,977 | 25,590 |
| After five years | 192,289 | 201,383 |
| | 227,350 | 234,641 |
| Within one year | 7,668 | 7,274 |
| Total debt | 235,018 | 241,915 |

## 19. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The numerical disclosures in this note deal with financial assets and liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures (other than the currency disclosures).

**Interest rate profile**

After taking into account these interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 May 2015 was as follows:

| | Fixed rate 2015 £'000 | Floating rate 2015 £'000 | Interest free 2015 £'000 | Total 2015 £'000 | Weighted average fixed rate % | Weighted average period for which rate is fixed yrs |
|---|---|---|---|---|---|---|
| Bonds - fixed rate | 156,500 | - | - | 156,500 | 5.8 | 14 |
| Bonds - floating rate | 50,000 | - | - | 50,000 | 7.0 | 16 |
| Debenture loans | 14,091 | - | 14,427 | 28,518 | 2.8 | 13 |
| | 220,591 | - | 14,427 | 235,018 | | |

The interest rate profile at 31 May 2014 for comparative purposes was:

| | Fixed rate 2014 £'000 | Floating rate 2014 £'000 | Interest free 2014 £'000 | Total 2014 £'000 | Weighted average fixed rate % | Weighted average period for which rate is fixed yrs |
|---|---|---|---|---|---|---|
| Bonds - fixed rate | 163,774 | - | - | 163,774 | 5.8 | 15 |
| Bonds - floating rate | 50,000 | - | - | 50,000 | 7.0 | 17 |
| Debenture loans | 13,714 | - | 14,427 | 28,141 | 2.8 | 14 |
| | 227,488 | - | 14,427 | 241,915 | | |

The Group's bank deposits earn interest at rates linked to LIBOR. The Group's other financial assets, comprising mainly debtor balances, do not earn interest.

**Borrowing facilities**

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

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Expiring in: One year or less | 50,000 | 50,000 |

**Fair values**

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

| | Book value 2015 £'000 | Fair value 2015 £'000 | Book value 2014 £'000 | Fair value 2014 £'000 |
|---|---|---|---|---|
| Derivative financial instruments held to manage the Group's foreign exchange/interest rate profile: | | | | |
| Interest rate swaps | - | (23,736) | - | (17,541) |
| Forward exchange contracts | - | (1,293) | - | 11 |

The fair value of interest rate swaps have been determined by reference to relevant market data and the discounted value of expected cash flows arising from the transactions. The Group makes a credit risk adjustment by considering its own credit worthiness when determining the fair value of the swaps.

Changes in the fair value of interest rate swaps, which are used as hedges, are not recognised in the financial statements until the hedged position matures.

## 19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

**Fair values (continued)**

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| An analysis of these unrecognised gains and losses is as follows: | £'000 | £'000 |
| Unrecognised losses at start of year | (17,530) | (19,502) |
| Unrecognised (loss)/profit arising in year | (7,499) | 1,972 |
| Unrecognised losses at end of year | (25,029) | (17,530) |
| Of which: | | |
| Losses expected to be recognised in 2015/16 | (1,293) | 11 |
| Losses expected to be recognised later than 2015/16 | (23,736) | (17,541) |
| | (25,029) | (17,530) |

**Foreign currencies**

Included in cash and short term deposits are amounts of £16.9 million (2014 - £7.1 million) denominated in Euros and £Nil (2014 - £3.0 million) denominated in US dollars.

The Group has entered into certain foreign currency contracts which hedge its exposure to exchange rate fluctuations and provide for the future purchase of up to €9.7 million at rates ranging from £1: €1.18 to €1.27.

Included in trade debtors are amounts of £0.6 million (2014 - £Nil) denominated in Euros and £0.1 million (2014 - £Nil) denominated in US dollars.

Included in other debtors are amounts of £12.5 million (2014 - £6.0 million) denominated in Euros.

Included in prepayments and accrued income are amounts of £8.3 million (2014 - £6.9 million) denominated in Euros and £0.4 million (2014 - £0.5 million) denominated in US dollars.

Included in other creditors are amounts of £33.4 million (2014 - £23.0 million) denominated in Euros. Included in provisions are amounts of £4.7 million (2014 - £6.1 million) denominated in Euros and £0.0 million (2014 - £0.1 million) denominated in US dollars.

Accruals and deferred income includes balance of £1.1 million (2014 - £Nil) where the underlying contracts are denominated in US dollars.

## 20. PROVISIONS FOR LIABILITIES AND CHARGES

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | £'000 | £'000 |
| Pensions provision (see note 30 (b)) | 1,571 | 2,188 |
| Deferred taxation | 31,548 | 33,144 |
| Transfers | 17,482 | 17,473 |
| Onerous contracts - players | - | 207 |
| Property | - | 1,482 |
| | 50,601 | 54,494 |

The Transfers provision relates mainly to the probable additional transfer fees payable based on the players concerned achieving a specified number of appearances. In this respect, new provisions of £7.7 million were made during the year, £5.9 million of provisions were reclassified as creditors and £1.8 million of provisions were cancelled as no longer required.

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

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

The deferred tax credit for the year was £1.6 million (see note 8) (2014 – credit of £6.3 million).

| | Group | |
|---|---|---|
| **Deferred tax provision** | **2015**<br>£'000 | **2014**<br>£'000 |
| Accelerated capital allowances | 10,000 | 10,657 |
| Capitalised interest | 7,003 | 7,128 |
| Rollover relief on player registrations | 15,128 | 16,096 |
| Other timing differences | (583) | (737) |
| Total provision for deferred taxation | 31,548 | 33,144 |

## 21. CALLED UP SHARE CAPITAL

| **Alloted, issued and fully paid** | **£** | **£** |
|---|---|---|
| Subscriber Ordinary shares of £1 each | 2 | 2 |
| Ordinary shares of £1 each | 62,217 | 62,217 |

The two Subscriber Ordinary shares carry no right to vote or to income and a deferred right to a return of capital paid up.

## 22. SHARE PREMIUM

| | Group £'000 | Company £'000 |
|---|---|---|
| Balance at 1 June 2014 and 31 May 2015 | 29,997 | 29,997 |

## 23. OTHER RESERVES

| Group | Merger reserve £'000 |
|---|---|
| Balance at 1 June 2014 and 31 May 2015 | 26,699 |

## 24. PROFIT AND LOSS ACCOUNT

| | Group Profit and loss account £'000 | Company Profit and loss account £'000 |
|---|---|---|
| Balance at 1 June 2014 | 253,860 | 122,038 |
| Profit/(loss) for the year | 20,044 | (2,987) |
| Exchange difference | 7 | - |
| Balance at 31 May 2015 | 273,911 | 119,051 |

## 25. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | 2015 £000's | 2014 £000's |
|---|---|---|
| Profit for the year | 20,044 | 7,271 |
| Exchange difference | 7 | (8) |
| Opening shareholders' funds | 310,618 | 303,355 |
| **Closing shareholders' funds** | 330,669 | 310,618 |

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of operating profit to net cash inflow from operating activities

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Operating profit** | 7,759 | 10,064 |
| Amortisation of player registrations | 54,430 | 40,072 |
| Impairment of player registrations | 935 | - |
| Amortisation of goodwill | 416 | 426 |
| Loss/(profit) on disposal of tangible fixed assets | 273 | (140) |
| Depreciation (net of grant amortisation) | 14,618 | 12,418 |
| Decrease/(increase) in stock | 513 | (2,472) |
| (Increase)/decrease in debtors | (4,983) | 9,657 |
| Increase in creditors | 28,434 | 26,144 |
| **Net cash inflow from operating activities** | 102,395 | 96,169 |

### (b) Reconciliation of net cash flow to movement in net debt

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Increase in cash in the year | 28,059 | 14,640 |
| (Decrease)/increase in short-term deposits in the year | (7,770) | 39,781 |
| Increase in cash and short-term deposits in the year | 20,289 | 54,421 |
| Cash outflow from change in debt | 7,274 | 6,900 |
| Change in net debt resulting from cash flows | 27,563 | 61,321 |
| Change in debt resulting from non cash changes | (667) | (677) |
| Net debt at start of year | (32,577) | (93,221) |
| Net debt at end of year | (5,681) | (32,577) |

As disclosed in note 16, a bank balance of £0.2 million (2014 - £0.3 million), included within net debt, is held in connection with Queensland Road site works.

## 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

**(c) Analysis of changes in net debt**

| | At 1 June 2014 £'000 | Non cash changes £'000 | Cash flows £'000 | At 31 May 2015 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 80,555 | - | 28,059 | 108,614 |
| Short-term deposits | 127,323 | - | (7,770) | 119,553 |
| | 207,878 | - | 20,289 | 228,167 |
| Debt due within one year (bonds) | (6,704) | (7,689) | 7,274 | (7,119) |
| Debt due after more than one year (bonds) | (205,921) | 7,399 | - | (198,522) |
| Debt due after more than one year (debentures) | (27,830) | (377) | - | (28,207) |
| Net debt | (32,577) | (667) | 27,563 | (5,681) |

Non cash changes represent £570,000 in respect of the amortisation of costs of raising finance, £377,000 in respect of rolled up, unpaid debenture interest and £280,000 in respect of amortisation of the premium on certain of the Group's interest rate swaps.

**(d) Gross cash flows**

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Player registrations** | | |
| Payments for purchase of players | (71,704) | (40,419) |
| Receipts from sale of players | 25,463 | 29,298 |
| | (46,241) | (11,121) |
| **Returns on investment and servicing of finance** | | |
| Interest received | 863 | 862 |
| Finance charges paid | (12,993) | (13,271) |
| | (12,130) | (12,409) |
| **Capital expenditure** | | |
| Payments to acquire tangible fixed assets | (14,302) | (9,019) |
| Receipts from sale of tangible fixed assets | 47 | 146 |
| | (14,255) | (8,873) |
| **Financing** | | |
| Repayment of borrowings | (7,274) | (6,900) |
| Total debt financing | (7,274) | (6,900) |

## 27. LEASING COMMITMENTS

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

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Leases expiring in: | | | | |
| One year or less | 46 | 17 | 39 | 6 |
| Two to five years | 619 | 218 | 1,080 | 244 |
| Over five years | 451 | - | 131 | - |
| | 1,116 | 235 | 1,250 | 250 |

## 28. COMMITMENTS AND 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 Group'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, in respect of contracts in force at the year end date, is £8.8 million (2014 - £5.5 million).

## 29. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the year:-

a) The Group had the following transactions with Arsenal Broadband Limited:-

| | 2015 Income/ (charge) £'000 | 2014 Income/ (charge) £'000 |
|---|---|---|
| Provision of office services | 249 | 208 |
| Merchandising and advertising sales | (1,770) | (1,549) |
| Arsenal TV | (1,103) | (1,075) |

At 31 May 2015 the balance owing from the Group to Arsenal Broadband Limited was £8.0 million (2014 - £7.2 million).

b) The Group was charged a fee of £3 million by Kroenke Sports & Entertainment LLC, for strategic and advisory services. Kroenke Sports & Entertainment LLC is a US company, which is ultimately wholly owned and controlled by Mr E S Kroenke. The balance owing to Kroenke Sports & Entertainment LLC at 31 May 2015 was £3 million.

## 30. PENSIONS

**a) Defined contribution schemes**

Total contributions charged to the profit and loss account during the year amounted to £2,079,000 (2014 - £1,786,000).

**b) Defined benefit scheme**

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

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

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

Payments for the year amounted to £1,508,000 (2014 - £431,000) and the profit and loss account charge was £946,000 (2014 - £54,000).

## 31. POST BALANCE SHEET EVENTS

**Player transactions**

Since the end of the financial year a subsidiary company, Arsenal Football Club plc, has contracted for the purchase and sale of various players. The net payment resulting from these transfers, taking into account the applicable levies, is £10.5 million (2014 – net payment of £52.5 million). These transfers will be accounted for in the year ending 31 May 2016.

## 32. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

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


KOSCIELNY
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# FIVE YEAR SUMMARY

| Profit and Loss Account | 2011 £'000 | 2012 £'000 | 2013 £'000 | 2014 £'000 | 2015 £'000 |
|---|---|---|---|---|---|
| **Group Turnover** | 255,692 | 243,013 | 280,374 | 301,872 | 344,524 |
| **Operating profit before player trading and exceptional costs** | 38,046 | 23,094 | 17,142 | 49,623 | 62,319 |
| Operating expenses - player registrations | (20,923) | (39,418) | (45,423) | (39,559) | (54,560) |
| Operating expenses - exceptional | 4,783 | - | - | - | - |
| **Operating profit/(loss)** | 21,906 | (16,324) | (28,281) | 10,064 | 7,759 |
| Share of results of joint venture | 822 | 952 | 945 | 710 | 762 |
| Profit on disposal of player registrations | 6,256 | 65,456 | 46,986 | 6,912 | 28,944 |
| Net interest | (14,208) | (13,496) | (12,996) | (13,018) | (12,751) |
| **Profit before tax** | 14,776 | 36,588 | 6,654 | 4,668 | 24,714 |
| **Profit after tax** | 12,633 | 29,593 | 5,805 | 7,271 | 20,044 |
| **Earnings per share** | £203.05 | £475.64 | £93.30 | £116.87 | £322.16 |
| **Earnings per share (excluding exceptional items)** | £161.13 | £475.64 | £93.30 | £116.87 | £322.16 |
| **Balance Sheet** | | | | | |
| Tangible fixed assets | 433,076 | 429,483 | 424,570 | 424,973 | 423,354 |
| Intangible fixed assets | 55,717 | 85,708 | 98,494 | 116,484 | 172,740 |
| Net current assets | 93,348 | 105,275 | 115,415 | 90,133 | 49,538 |
| Long term creditors and provisions | (314,186) | (322,918) | (335,124) | (320,972) | (314,963) |
| **Net assets** | 267,955 | 297,548 | 303,355 | 310,618 | 330,669 |
| Share capital | 62 | 62 | 62 | 62 | 62 |
| Share premium | 29,997 | 29,997 | 29,997 | 29,997 | 29,997 |
| Reserves | 237,896 | 267,489 | 273,296 | 280,559 | 300,610 |
| **Shareholders' funds** | 267,955 | 297,548 | 303,355 | 310,618 | 330,669 |
| **Net assets per share** | £4,306.78 | £4,782.42 | £4,875.76 | £4,992.49 | £5,314.77 |
| **Playing record** | | | | | |
| FA Premier League | 4th | 3rd | 4th | 4th | 3rd |
| FA Challenge Cup | 6th round | 5th round | 5th round | Winners | Winners |
| Europe | 1st k/o round Champions League | 1st k/o round Champions League | 1st k/o round Champions League | 1st k/o round Champions League | 1st k/o round Champions League |

# CLUB PARTNERS

## LEAD

Emirates

PUMA

## OFFICIAL

CITROËN

COOPERTIRES

Europcar

GATORADE

HUAWEI

INDESIT Life proof.

JR JEANRICHARD WATCHES

MARKETS.COM

Vitality

## REGIONAL

betfair

bodog 博狗

BT Sport

CapitalBank.kz

DJI Holdings

HANSA PILSENER

IMPERIAL BANK Looking after your interest.

INDIA ON TRACK

indosat member of Ooredoo Group

mbna

PADDYPOWER

Sterling Bank The one-customer bank.

The Arsenal Foundation