ARSENAL**HOLDINGS**PLC

STATEMENT OF ACCOUNTS AND ANNUAL REPORT 2015/16

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FINANCIAL HIGHLIGHTS

	2016 £m	2015 (restated) £m
Revenue		
Football	350.6	329.3
Property	2.9	15.2
Group	353.5	344.5
Wage Costs	**195.4**	**192.3**
Operating Profit (excluding player trading and depreciation)		
Football	82.2	64.4
Property	1.7	13.0
Group	**83.9**	**77.4**
Profit on player sales	**2.0**	**28.9**
Group profit before tax	**2.9**	**18.2**
Financing		
Cash	226.5	228.2
Debt	(232.6)	(238.7)
Net Debt	(6.1)	(10.5)


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CHAIRMAN'S REPORT

We enjoyed a season of progress both on and off the pitch. A second place finish in the Premier League clinched a 19th successive season in the UEFA Champions League and we are now all focussed on making a sustained challenge to go one step further in 2016/17.

The new broadcast revenue has provided a further competitive stimulus to the Premier League, which was already the best and most closely contested league in world football. We know that the competition will be even tougher this season. Accordingly, we have made further significant investment into what was already a very competitive squad. As a result, we can and do look forward to the 2016/17 season with optimism and confidence.

Midfielder Mohamed Elneny joined us in January, with Granit Xhaka, Lucas Perez and Shkodran Mustafi joining us during the summer, along with Rob Holding, Takuma Asano and Kelechi Nwakali who are all talented young players for the future.

This is in line with our philosophy of investing significantly when appropriate players, who can improve the squad, are available, whilst continuing to identify and nurture players for the future. As Arsène has said many times, we are not afraid to spend substantial sums, but it is important that when we do, the money is used wisely.

The arrival of the new players provides extra depth to our squad and this has also been boosted by the emergence of two young players: Alex Iwobi, who has grown up through our own Academy, and Jeff Reine-Adelaide.

Following these additions to our squad, Jack Wilshere and Calum Chambers have joined Bournemouth and Middlesbrough respectively on season-long loans, while Serge Gnabry has joined Werder Bremen on a permanent transfer. We wish all three the best of luck at their new clubs during 2016/17.

Looking back to the 2015/16 season, although the men's first team couldn't make it three in a row, we did still make another memorable trip to Wembley in May, courtesy of Arsenal Ladies. They produced a wonderful performance to beat Chelsea and win the Women's FA Cup for the 14th time. The team also lifted the FA Continental Cup and they continue to progress under manager Pedro Losa as the women's game grows in popularity.

Off the pitch, we have continued to make significant investments in our London Colney training facilities and we are in the final phase of the redevelopment works at our Academy in Hale End. These are hugely important investments which, whilst not grabbing headlines, will help underpin our long-term future.

In addition, we have constructed a completely new pitch at the Emirates Stadium which is a remarkable piece of work by our ground staff given the briefness of the close season period.

FINANCIALS

You will read in the following pages that our revenues for the year ending 31 May 2016 rose to £353.5m. The main source of this increase was football revenue which was up £21 million year on year, £16 million of that was broadcast related and £3.7 million arose from our commercial activities. The overall outcome being a small profit before tax of £2.9 million.

Our cash reserves at the end of the year stood at £226.5 million and this figure will doubtless attract the usual speculation from fans and other commentators. That being the case, it is my duty to point out that after excluding debt service reserves and amounts owed to other clubs on past transfers the balance reduces to £149 million. This figure is in itself inflated, due to the seasonality of our cash flows, by advance sponsorship and season ticket receipts for the new season.

Against the underlying balance of available funds we have, as mentioned above , invested strongly in player acquisitions during the summer at a total transfer in cost of more than £90 million with additional significant commitments to player wages, agent's fees and performance related contingencies

CHAIRMAN'S REPORT

to book on top of that.

Whilst we have spent strongly we have not over stretched. It would have been bad business practice not to have retained some small degree of flexibility to allow us to invest again in the right player and / or to maintain the current squad as and where we want to offer improved and extended contracts for key players. We make our investments on a prudent and reasoned basis which is something this Club does well and which is even more important in a competitively inflated marketplace. This approach has served us well and it will continue.

MAKING A DIFFERENCE

As a Club we recognise the power we have to transform people's lives at home and abroad. The Arsenal Foundation, working with partners here and around the world, continues to thrive and its influence is growing. This is due, in large part, to significant financial contributions from our players, staff and fans. We are very appreciative of every donation and are committed to ensuring that every pound is used to make a difference.

More recently the very entertaining Arsenal Legends v Milan Glorie match saw the Arsenal Foundation donate £1 million towards building pitches in Jordan, Somalia and here in North London. This was a first class achievement and we were delighted with the response from former players and all our fans who filled Emirates Stadium for a special day.

Our Arsenal in the Community team continues to deliver an outstanding programme in Islington and other nearby boroughs. The work is linked directly to the local areas of need and I am proud that we continue to have significant focus on this important work.

THANK YOU

I would like to thank our fans for their outstanding support. Emirates Stadium was sold out for most games last season and the support for the team on its travels is exceptional.

Finally, my thanks go to Stan Kroenke, for his continued support and guidance, and my fellow directors, our management team and entire staff for all their hard work and dedication. I would also like to recognise publicly 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.

We look forward with confidence. The Club is progressing across every aspect of its activities and we are optimistic of our future prospects.■

Chips Keswick

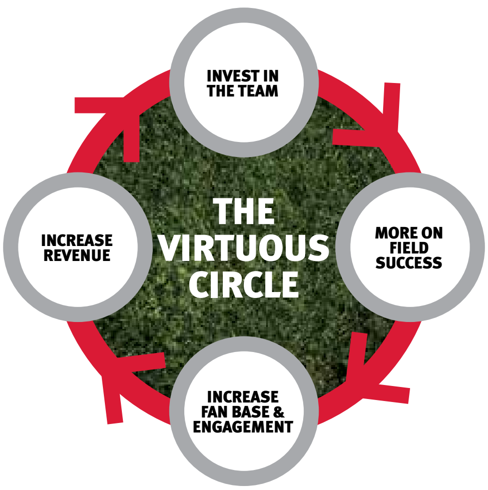
SIR CHIPS KESWICK
CHAIRMAN
30 September 2016

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 2015/16 year.

KEY PERFORMANCE INDICATORS

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

ON-FIELD PERFORMANCE

- FA Cup Quarter Finalists
- Finished Premier League 2nd place
- Champions League Round of 16
- Qualified for 2016/17 Champions League – 19th successive season

REVENUE

- 2015/16 £353.5 million
- 2014/15 £344.5 million
- 2013/14 £301.9 million

MATCH ATTENDANCE

- 27 home fixtures (2015 - 27)
- Average ticket sales of 59,834 represents › 99% of capacity (2015 – 59,930)
- Match day revenue of £99.9 million (2015 - £100.4 million)

COMMERCIAL REVENUE

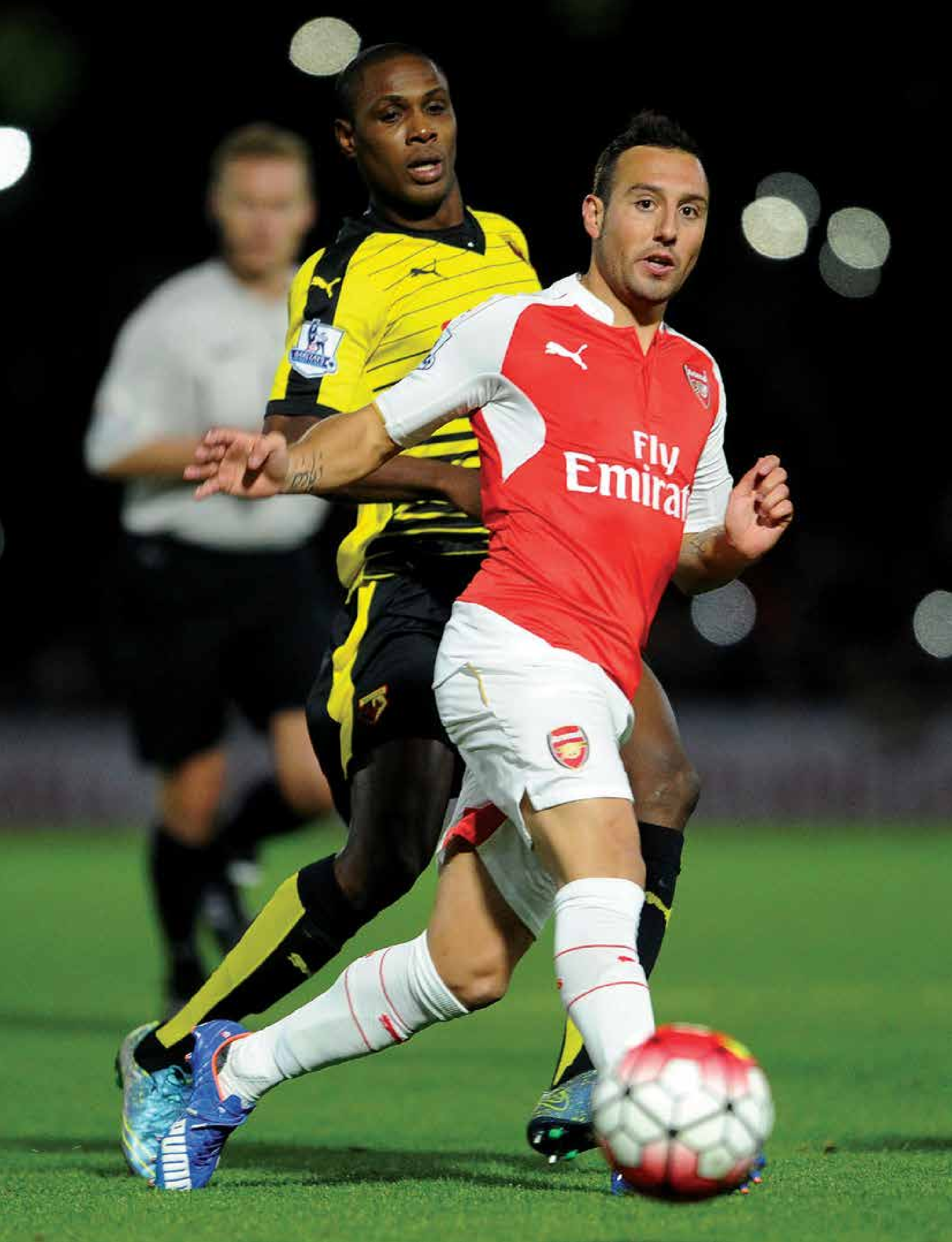
- 2015/16 £106.9 million
- 2014/15 £103.3 million
- 2013/14 £77.1 million
- Emirates and PUMA secured as lead partners on a long-term basis

GLOBAL FAN BASE

- 35 million Arsenal.com unique visits
- Facebook fans - 36.3 million
- Twitter followers - 7.5 million
- 1.6 million Red and Digital Members
- 439,000 You Tube subscribers
- 6.7 million Instagram followers
- 250,000 Snapchat followers

WAGE COSTS

- Wage to football turnover ratio of 56% (2015 – 58%)
- Total wage costs of £195.4 million (2015 - £192.3 million (as restated))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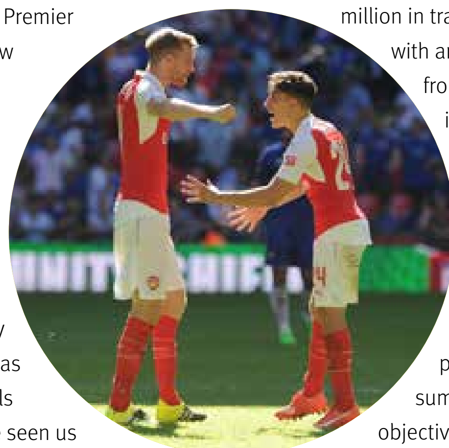
CHIEF EXECUTIVE'S REPORT

This annual update gives me a chance to pause and reflect on the progress we have made on and off the pitch in recent times.

When I arrived at this great club in 2009 we were in a transitionary position. We had made the move from our old Highbury home to Emirates Stadium a few years earlier. Momentous though that was, it was clear that this was really only the first step in a change in scale as we aspired to establish ourselves fully as one of the leading clubs in Europe, competing both on and off the field with the biggest clubs in the world.

At the same time the football landscape was developing dramatically, with unprecedented levels of transfer and salary spending from some of our closest rivals at the top of the Premier League and in Europe. The new stadium brought increased revenue and expectation; but also a continuing need to adhere to the principles of financial responsibility which had given us both the means and market credibility to make the move from Highbury possible in the first place. It was clear that resting on our laurels during this period would have seen us left behind and so we recommitted again to moving the club forward.



During the subsequent years we have worked tirelessly to build and develop the Club both on and off the field, across every aspect of its operations. Our main focus will always be on having the best possible players for the Arsenal first team but it is also vital to have first class infrastructure and support functions around the team and across the wider Group to underpin that and to make it sustainable over the longer term. In some areas all that has been required is a fine tuning of our already high standards, in others we have had to build capability from scratch. We have made substantial investments across the Club in areas such as our commercial and support functions, analytics, scouting, academy, medical and fitness support, as well as in our training ground facilities. In elite sport, playing in the most competitive league in the world, the margins between winning and losing are measured by fractions and everything we do is focused on moving us closer to the success we all want for the Club.

Thanks to huge efforts by everyone across the Club we have pushed the club forward but there is more to do. Finishing the Premier League in the top four 19 years in a row is a sign of remarkable consistency but that is not enough for us. We all want to win major trophies and that is what the hard work is about.

We now have the strongest squad we have had for many seasons. This has taken time and effort to construct and considerable investment. In the five seasons since Stan Kroenke became our majority shareholder we have invested some £350 million in transfer fees. This is coupled with an increase in our wage bill from £124 million to £195 million in the same period.

Our transfer policy has a simple and clear focus – to sign players who can add quality to our squad either immediately or in the medium term. I believe the players we have added this summer will deliver against that objective and help us move closer to our ambition of winning the Premier League. This summer we are delighted to have added Granit Xhaka, Shkodran Mustafi, Rob Holding and Lucas Perez to our first team squad.

Equally importantly we have continued to make significant investments to ensure we continue to sign talented young prospects and to bring young players through to the first team.

Last season saw Alex Iwobi, a young man who has been with our Academy since the age of eight, break into our first team squad and make an immediate impact. The sight of him playing and shining against Barcelona in the Nou Camp will remain one of my highlights of the season. To see a home grown talent performing at the elite level is testimony to all the hours of hard work by Alex, his family and the coaches and staff at Hale End. It is also testimony to our policy of investing in young talent and the confidence our manager has to give our young players the chance to succeed at the highest levels.

With continuing market escalation in transfer fees, it is vitally important that we continue to find and develop talent. In recent seasons, Alex, Hector Bellerin and Francis Coquelin have all broken into the first team and I am confident we will have more players coming through at our Academy. This remains a key part of our philosophy moving forwards and to that end we have further extended our scouting network and opened more development centres around London. We have also continued to invest significantly in acquiring top young talent and this summer we added Takuma Asano and Kelechi Nwakali both of whom we believe have potential for the future.

Work continues on the transformation of our Hale End Academy. This has involved a complete redevelopment of the site to create a state of the art environment for our players of the future. We are also redeveloping our training centre at London Colney. These investments are substantial and will create an outstanding environment for our players to train and develop.

That investment in world-class facilities has been coupled with the recruitment of expert staff. Within our football operation we have welcomed 27 new coaches, analysts, fitness experts and support staff in the last year. This is all part of our relentless growth and transformation across the club and continuing ambition to keep us at the top of the game and make our fans proud.

THE ARSENAL LADIES

The Arsenal Ladies are an important part of our club. We were pioneers in the women's game, setting up the team in 1987, and we have had unparalleled success in the intervening years. We are delighted that the women's game has developed significantly in recent years with the birth of the Women's Super League and increased investment from a number of competitor clubs. We are determined to respond to the increased competition. This season has seen the Arsenal Ladies go full-time and move into bespoke new facilities at our London Colney training centre.

Last season was capped by a thrilling victory over Chelsea in the Women's FA Cup Final. More than 30,000 fans were at Wembley as we won the trophy for a 14th time. It was a fantastic day for our club and one of the highlights of the season.

I have no doubt that women's football will continue to grow in popularity and Arsenal Ladies will remain a leading force at the top of the game.

BUSINESS UPDATE

The financial results for the year, which are covered in more detail in the Financial Review section, show our turnover moved in excess of £350 million, driven by our football revenue increasing by some £21 million. This was as a result of having more games shown on television plus an increased share of prize money by virtue of our runners-up finish in the League and the start of the new Champions League broadcasting cycle.

Our revenue from Commercial operations grew by a further £3.7 million with the key area of secondary commercial partnerships growing by some 40%.

COMMERCIAL PARTNERSHIPS

We now have commercial partnerships in North America, South America, Europe, Africa, Asia and Australasia. This demonstrates the worldwide interest from organisations to partner with Arsenal, as well as the global capability of our commercial operation to source and secure these partnership deals.

Over the course of this year new partnerships have been agreed with iRENA, Santa Rita, Star Lager (Nigerian Breweries), 12Bet and Tempobet and we have renewed our deals with Betfair and Markets.com. This means that we currently have 30 partnerships. We continue to have a strong pipeline of potential partnerships to further enhance our commercial revenues.

CHIEF EXECUTIVE'S REPORT

RETAIL

Our partnership with PUMA continues to develop and this summer saw us launch new away and third kits at a star-studded event in Los Angeles attended by Arsenal fans. We continue to build our e-commerce and retail presence internationally to make it easier for supporters to buy merchandise from us wherever they live. Closer to home, our Finsbury Park store has undergone a refit while our Emirates Stadium tours attracted more than 220,000 visitors last year from all around the world. Many of them are now also visiting the Arsenal Museum which has undergone a modern facelift.

ARSENAL MEDIA GROUP

Our media group creates the platforms for us to drive strong reach and engagement with supporters around the world through digital and social media channels. We have one of the biggest social media followings in sport. By the year end we had 36.3 million Facebook followers and 7.5 million on Twitter, and these figures are growing daily. Our YouTube, Instagram, and Sina Weibo (China) channels also continue to thrive. We launched on Snapchat earlier in the year and this is working well in terms of reaching hundreds of thousands of younger fans.

TICKETING

We announced earlier in the year we will be keeping general admission ticket prices flat for both 2016/17 and 2017/18 seasons. This means that general admission season ticket prices will have been held for 9 of the 12 seasons at Emirates Stadium, with inflation-only increases in the three non-static years. Thanks to the categorisation of matches, we also offer 43,000 tickets across the season at £26 to watch top Premier League football in our world class London stadium. In addition, some 14,000 £10 tickets are available per season to 12-16 year olds within the Young Guns Enclosure and there are 26,000 tickets priced as low as £10 for each potential home League Cup fixture.

Our away support is fantastic and we have been strong supporters of the initiative to reduce the cost of away games. We went further than the £30 cap agreed by the Premier League, ensuring our fans will not have to pay more than £26 to attend our away Premier League matches. We also continue to provide subsidised travel to games when public transport is difficult due to match schedules.

Ticket Exchange and Ticket Transfer have been further enhanced, making it easier for season ticket holders unable to attend matches to sell or transfer their seats to other Arsenal supporters. Last season more than 85,000 tickets were processed through these platforms.

For the 2016/17 season we have introduced a new cash back service, making it quicker for fans to get their money back after selling tickets through the Exchange.

PRE-SEASON 2016/17

Our pre-season schedule started with a short trip to Lens in France. This was followed by a highly successful visit to the United States to play in the MLS All-Star match in San Jose. We then travelled to Los Angeles for a game against the Mexican side Chivas Guadalajara. We received a fantastic reception from our US fans. On a personal note it was great to meet up with many of my old colleagues from Major League Soccer. The value of the US broadcast rights sold by the Premier League increased significantly for the new cycle and this reflects ever growing support for our game in the States. I am sure it will not be long before we play there again.

Due to player availability issues, driven by the European Championships, and our own major pitch renovation at Emirates Stadium, we were unable to hold our annual Emirates Cup competition and so the week before the season began we headed to Scandinavia for games in Norway and Sweden. This was a great opportunity for our passionate Scandinavian fans to see us in action and we came back following victories over Viking FK and Manchester City. We look forward to welcoming back the Emirates Cup to our pre-season schedule next year.

ARSENAL FOUNDATION AND ARSENAL IN THE COMMUNITY

We recognise that Arsenal can make a genuine difference to people's lives and our commitment to the local and wider community remains a central part of what we stand for as a football club.

Earlier this year the Arsenal Foundation and Save the Children combined to build football pitches in camps for internally displaced people in Iraq, giving boys and girls fleeing war a safe place to play and the chance to be children again. Arsenal Ladies captain Alex Scott visited the camp in March and found it a moving and inspirational experience. I am delighted that, thanks to the recent Legends match here at Emirates Stadium, The Arsenal Foundation is dedicating £1 million to support similar football projects in Jordan and Somalia, as well as nearer to home in North London. We have also given our support to a range of local charitable causes during the year.

Arsenal in the Community's 'Arsenal Hub' has been open for more than a year now, and is getting busier all the time. We now welcome around 1,000 individuals to the centre every week for sports and education activities. As ever, our community team is working hard across the local area to provide support and guidance to young people who need it most.

Thanks to the generous donations from our supporters, players, manager and partners I am proud to say the Arsenal Foundation continues to go from strength to strength.

LOOKING AHEAD

We are in a strong position to continue moving forward at every level of the club. On the pitch we have an outstanding squad. Off the pitch we have developed our infrastructure across all aspects of our operations to ensure we have the right assets and skills to progress.

I am confident this progress, coupled with strong underlying values, will bring the success we all seek. Our ultimate ambition is clear: to win major trophies and make Arsenal fans at home and around the world proud of this great club. Proud of our values, proud of the way we act and proud of our team.

Thank you for your support. ■

I E GAZIDIS
CHIEF EXECUTIVE OFFICER
30 September 2016

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FINANCIAL REVIEW

The Group recorded a profit before tax for the 2015/16 year of £2.9 million as compared to a profit of £18.2 million (as restated) in the prior year.

The principal factors influencing this result were:

- An increase of £15.8 million in revenue from broadcasting as a consequence of higher Champions League distributions (in the first year of a new three year UEFA revenue cycle), a record level of domestic live coverage for Premier League matches involving the Club and the merit award associated with our second place Premier League finish;
- Further investment into our playing resources leading to a combined increase of £7.9 million in our wage bill and player amortisation costs;
- Significantly lower profits from the sale of player registrations at £2.0 million (2015 - £28.9 million);
- Reduced activity in the Group's property development business, contributing only £2.0 million of pre-tax profits as against £13.4 million in the prior year; and
- Less volatility in the market value of the Group's interest rate swaps (which are now accounted for under the rules of FRS 102 – see below) with a consequent reduction in net finance charges (as restated) of £5.8 million.

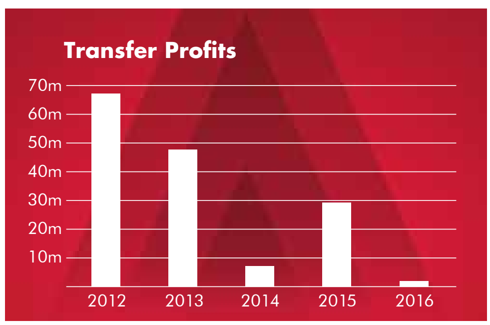
	2016	2015 (restated)
	£m	£m
Group turnover	353.5	344.5
Operating profit before amortisation, depreciation and player trading	84.0	77.2
Player trading (see table below)	(54.0)	(25.6)
Amortisation of goodwill and depreciation	(14.7)	(15.0)
Joint venture	1.0	0.8
Net finance charges	(13.4)	(19.2)
Profit before tax	2.9	18.2

PLAYER TRADING

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.

	2016	2015
	£m	£m
Profit on disposal of player registrations	2.0	28.9
Amortisation of player registrations	(59.2)	(54.4)
Impairment of player registrations	-	(0.9)
Loan fees	3.2	0.8
Total Player Trading	(54.0)	(25.6)

There were no major sales in the period as the Club retained all of its key players going into the 2015/16 campaign. A sell on percentage from former youth player, Benik Afobe's transfer to Bournemouth was the main element of transfer profits of £2.0 million. Improved player retention is a direct consequence of the Club's improved financial position over the last five years with a clear trend away from transfer profits as an essential component of the profit and loss account.

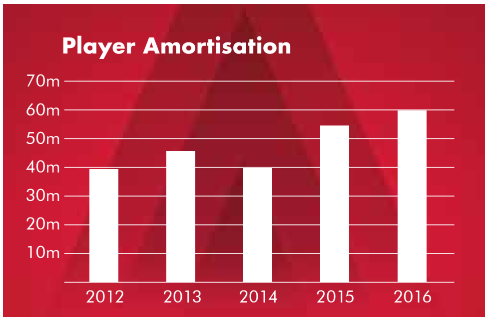


The increased amortisation charge is a direct result of continued investment into the Club's playing resources at all levels. The acquisitions of Petr Cech, Mohamed Elneny and the extension of contract terms for certain existing players were the main components within £35.4 million of additions to the cost of player registrations.

The amortisation charge, being the mechanism by which the cost of player acquisitions is expensed to profit and loss over the term of a player's contract, provides a direct indication of the level of underlying investment in transfers and again the trend over the last five years is progressive.

In cash terms the impact of this year's

acquisitions, together with instalments due on those prior year acquisitions payable on deferred terms, 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. For the second year running the net cash outflow on transfers established a new record level for the Club of £54.2 million (2015 - £46.2 million). With the level of transfer activity undertaken during this summer it is virtually certain that these figures will be eclipsed in the 2016/17 accounts.



CASH POSITION

At the balance sheet date, the Group's total cash and bank balances amounted to £226.5 million (2015 - £228.2 million), inclusive of debt service reserve balances of £35.4 million (2015 - £35.0 million). The Group's overall net debt stood at £6.1 million (2015 - £10.5 million (as restated)).

Proper consideration of the Group's cash balance must include allowance for the payments for the aforementioned transfers, as follows:

	2016	2015
	£m	£m
Bank balance excluding debt service	191.1	193.1
Net balance payable on transfers	(42.5)	(65.6)
	148.6	**127.5**

In addition, our year end bank balance includes advance receipts, of primary sponsorship and season ticket sales, which represent working capital for the 2016/17 season. These advance receipts amounted to £100.6 million (2015 - £102.4 million).

FOOTBALL SEGMENT

	2016	2015 restated
	£m	£m
Turnover	350.6	329.3
Operating profit before depreciation and player trading	82.2	64.4
Player trading	(54.0)	(25.6)
Profit before tax	**0.9**	**4.8**

There were 27 home fixtures (19 Barclays Premier League, four UEFA Champions League and four FA Cup), the same number as in the prior year, with an average tickets sold per game of 59,834 (2015 – 59,930). The mix of games (one Champions League game less) and no involvement in the FA Cup semi-finals meant that gate and match day revenue fell slightly to £99.9 million (2015 - £100.4 million).

Broadcasting revenues increased to £140.6 million (2015 - £124.8 million) for the reasons referred to at the start of this commentary. Our League form meant we attracted 27 live Premier League game facility fees (2015 – 25). Looking ahead the Premier League broadcasting revenues will be at a significant uplift for the three seasons commencing 2016/17 and Champions League revenues for 2016/17 will be boosted by our 30% share of the first market pool (following Premier League second place) and by a stronger Euro exchange rate.

Combined commercial and retail revenues for the year rose to £106.9 million (2015 – £103.3 million). This is a lower level of growth than that reported in the two previous years but this is not unexpected, given that both the primary partnership deals, with Emirates and Puma, are effectively mid-term. Encouragingly secondary partnership revenues rose, in a competitive marketplace, by 39.6% to £17.1 million.

Our payroll was the largest and most important area of cost. Wage costs for the year rose to £195.4 million (2015 - £192.3 million (as restated)), which was mainly attributable to increases in the cost of our football playing and support staff. As previously reported the wage cost for 2014/15 was inflated by two trigger events for Champions League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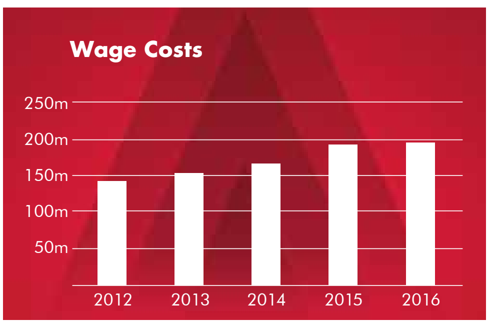
qualification bonuses. There was a single trigger event in 2015/16.

The ratio of total wage bill to football revenues was reduced to 55.7% (2015 – 58.4%). 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, a progressive wage bill, where growth is rational and responsible, should be regarded as 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, fell to £70.2 million (2015 -£72.1 million) and represented 20.0% of football revenues (2015 – 21.9%).

PROPERTY SEGMENT

There was limited activity in the Group's property business, with the only transactions of note being recognition of the final instalment of the Queensland Road overage payment, consequent to the developer's sale of the remaining units, and the sale of our last flat at Highbury Square following the expiry of a tenancy on the unit. The operating profit from property was £1.7 million (2015 - £13.0 million).

	2016	2015
	£m	£m
Turnover	2.9	15.2
Operating profit	1.7	13.0
Profit before tax	**2.0**	**13.3**

Of the two remaining development sites, we have carried out some preliminary construction works at Holloway Road whilst progressing the various complex negotiations and agreements which need to be concluded before a sale can be finalised. Unlocking the future sale value of the other development site, at Hornsey Road, requires viable planning consent and our discussions with the local authority continue.

PROFIT AFTER TAX

Overall there is a tax charge of £1.2 million (2015 – £3.4 million (as restated)) on the pre-tax result for the period. This meant that the retained profit for the year was £1.6 million (2015 - £14.8 million (as restated)).

The tax deductibility of the amortisation charge 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 this resulted in a corporation tax charge for the year of £5.6 million (2015 - £6.3 million). During the year the Group paid UK corporation tax of £8.3 million being the balance of the 2014/15 charge and due instalments on account of the 2015/16 liability.

The corporation tax charge has been partially offset by a deferred tax credit of £4.4 million (2015 - credit of £2.9 million (as restated)). This credit reflects the downward revaluation of the Group's deferred tax liabilities in light of the lower future rates of corporation tax enacted by the government and expected to apply when the underlying tax deferrals unwind.

FRS 102

Throughout this commentary and the financial statements you will see various references to the figures for the prior year being restated. This is because 2015/16 is the first reporting period where our results have been compiled under the newly introduced Financial Reporting Standard 102 (FRS 102). As is normal on adoption of a new set of

FINANCIAL REVIEW

accounting rules, the comparative numbers have been restated in order to maintain comparability. The impact on the current period is relatively minor – pre-tax profits would have been some £1.0 million higher under the previous UK accounting rules.

The most significant change on adoption of FRS 102 is that the interest rate swap, used to fix the interest rate on our floating rate stadium finance bonds, has to be included on the balance sheet at fair value (market value) with changes in fair value reported in the profit and loss of each period. For the swap there was a significant increase in negative value last year as the financial markets anticipated that UK interest rates would remain lower and for longer than previously expected. As a consequence, net finance costs appear reduced against the restated comparative period at £13.4 million (2015 - £19.2 million). The volatility introduced by fair value accounting for the swap is not particularly helpful in understanding our results – in reality, we continue to pay and account for the underlying stadium bonds (our "mortgage" on the stadium) at the same fixed interest rate as last year. If the stadium debt runs to its full maturity, this will continue to be the case. The value of the swap will vary with market rates; however, at maturity, its fair value will be zero such that all the negative fair value of £24.4 million accounted for in this year's balance sheet will have reversed with no cash flow impact.

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, and UEFA Champions 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.

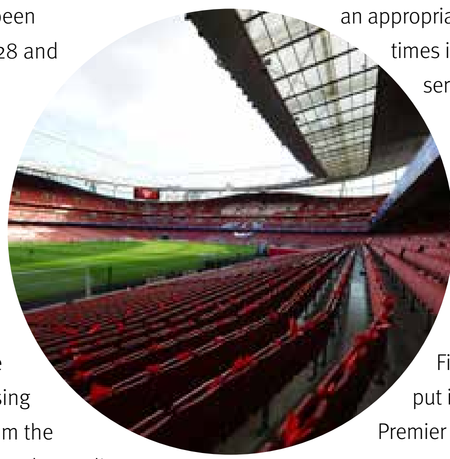
The Club is regulated by the rules of the FA, Premier League, UEFA and FIFA. Any change to FA, Premier League, UEFA and FIFA regulations in the future could have an impact on the Group as the regulations cover areas such as: the format of competitions, financial fair play, the division of broadcasting 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

FINANCIAL REVIEW

have any direct influence, alone, on the outcome of the relevant contract negotiations. The Premier League has secured TV rights sales for the next three year cycle, commencing season 2016/17, at a significant uplift in value.

The Group derives a material 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.



The Group is monitoring the impact of the UK's decision to leave the European Union. In the short term this has seen the value of sterling weaken against the Euro; on the one hand increasing the cost of player transfers from the EU and, on the other, increasing the sterling value of Champions League distributions paid out to clubs by UEFA in Euros. The most significant risk to the Group would appear to be a downturn to the UK or wider economy impacting ticket revenues and / or the value of broadcasting and / or sponsorship rights. The Group's financial performance has previously remained reasonably immune to recessionary economic conditions.

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 net 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 Group monitors its compliance with the applicable terms of its stadium debt finance arrangements on a continuous basis and regularly reviews its forecast cash flow to ensure that both its business segments operate independently and hold an appropriate level of bank funds at all times including the required debt service reserves.

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

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

OUTLOOK

The Club has made significant investments since the year end both in terms of transfers and wage growth. These investments were determined purely on the basis of our football requirements but backed by a rational assessment of the financial impacts. This has always been the way we operate and is the reason that Arsenal remains in a strong financial position at the start of a new season.■

STUART WISELY
CHIEF FINANCIAL OFFICER
30 September 2016


Fly
Emirates

SEASON REVIEW

At the start of the 2015/16 season the Club won the The FA Community Shield, beating Jose Mourinho's Chelsea 1-0 with a goal from Alex Oxlade-Chamberlain.

Our on-field progression continued over the season and we ultimately secured second place in one of the most competitive Premier League campaigns ever.

After a solid start to the season, we headed into the new year at the summit of the table after a run of victories that included a memorable 3-0 win against Manchester United at Emirates Stadium. Alexis scored twice, while Mesut Ozil also hit the target during a sensational opening 20-minute spell that the visitors were unable to recover from.

Petr Cech made history in the final game of 2015, recording his 170th Premier League clean sheet in the 2-0 win against Bournemouth. The goalkeeper would end the season by winning the Golden Glove award for the fourth time in his career. Meanwhile, at the other end of the pitch, Mesut Ozil was earning plenty of praise for his eye-catching displays and he would finish the campaign with 19 assists - just one short of Thierry Henry's record haul in 2002/03.

However, a difficult end to February and March saw us slip behind the eventual champions Leicester City, despite being the only team to beat them home and away.

We finished the season strongly, going unbeaten for the final nine games to keep the pressure on the Foxes during the closing stages. Despite missing out on the title, the team's efforts were rewarded as we overtook Tottenham to take second place on the final day of the season.

Our Champions League campaign got off to a sluggish start as we lost our first two games in the group. With Bayern Munich still to play, many felt we were destined for a premature exit from the competition. But a thrilling 2-0 win against the Germans at Emirates Stadium gave us hope, before it all went to the final game - away at Olympiacos.

With a win by two or more goals required to progress, Olivier Giroud's first hat-trick for the Club capped a famous night in Europe and set-up a round of sixteen tie against Barcelona. Despite two closely-fought encounters, the Spanish side proved too strong as they sealed their place in the quarter-finals.

We were unable to win a third consecutive Emirates FA Cup, after suffering a 2-1 defeat at the hands of Watford in the quarter-finals, and lost in the fourth round of the Capital One Cup to Sheffield Wednesday. Despite the defeat at Hillsborough, senior debuts for Alex Iwobi, Glen Kamara, Ismael Bennacer and Krystian Bielik showed there was plenty of promise

SEASON REVIEW

in the youth ranks.

Alex Iwobi went on to cement his place in the first team with two goals in his first two Premier League starts, he also made his senior Nigeria international debut to cap off a stellar season for the youngster.

We had no fewer than 10 players at Euro 2016 this year, with Olivier Giroud and Laurent Koscielny's France finishing runners-up to Portugal. Honourable mentions also go to Mesut Ozil and Aaron Ramsey, who reached the semi-finals with Germany and Wales respectively, with Ramsey earning a fully deserved place in the team of the tournament.

We also had four players representing the club at the Olympic Games. Serge Gnabry's Germany won silver, while new signing Takuma Asano impressed for Japan and youth goalkeeper Joao Virginia benefitted from the experience with Portugal. Arsenal Ladies defender Josephine Henning became the first Arsenal player to win an Olympic gold medal, when she helped Germany beat Sweden 2-1 in the women's final.

Elsewhere, Steve Gatting's under-21 side secured promotion to the newly formed Premier League 2 courtesy of a play-off victory against Aston Villa. In the Uefa Youth League, the under-19s exited the competition in the play-off round against Anderlecht but there were plenty of encouraging performances from the likes of Dan Crowley, Chris Willock and Stephy Mavididi. Meanwhile the under-18s were beaten 4-3 on aggregate by Manchester City in the FA Youth Cup semi-final.

The Ladies team continued their tradition of success, winning a trophy for the 11th successive season by lifting the Continental Cup and then the FA Women's Cup.

We missed out on a Champions League spot with a third place finish in the Women's Super League, but our fourth Continental Cup victory in the competition's five-year history was just reward for the football played in manager, Pedro Martinez Losa's first full season in charge.

We finished the season on a high by lifting the Women's FA Cup at Wembley, for a record 14th time, beating Chelsea 1-0 in front of a record crowd of 32,912 fans as Dan Carter's sensational long-range effort separated the two sides.■


RESPECT

THE ARSENAL FOUNDATION & ARSENAL IN THE COMMUNITY

We recognise that Arsenal can make a genuine difference to people's lives and our commitment to the local and wider community remains a central part of what we stand for as a football club.

As the club continues to grow, so does our ability to make a difference. The Arsenal Foundation's reach has extended to Iraq, Indonesia, Jordan and Somalia this year, while Arsenal in the Community support and inspire ever more young people in North London.

THE ARSENAL FOUNDATION

Earlier this year, The Arsenal Foundation and Save the Children combined to build football pitches in camps for internally displaced people in Iraq, giving boys and girls fleeing war a safe place to play and the chance to be children again. Alex Scott, Arsenal Ladies captain, visited the camp in March and found it a moving, but inspirational experience.

Thanks to money raised from the Club's annual charity ball, attended as usual by the Manager and First Team squad, and the recent Legends' match at Emirates Stadium, The Arsenal Foundation is building a further three football pitches in Indonesia, five in Jordan and two in Somalia with Save the Children. Arsenal in the Community will also receive further funding to upgrade pitches in Islington and neighbouring boroughs where its work reaches over 5,000 people every week.

We continue to work with Bob Wilson's Willow, to help provide special days for seriously ill young

THE ARSENAL FOUNDATION & ARSENAL IN THE COMMUNITY

adults. With Freedom from Torture, we bring together survivors of torture for football coaching, English language lessons and therapeutic support. During the last year we have also issued grants to support the good work of a wide range of other local community and charitable groups.

Thanks to the generous donations from our supporters, players and manager, we are proud to say The Arsenal Foundation continues to go from strength to strength.

ARSENAL IN THE COMMUNITY

Arsenal in the Community's 'Arsenal Hub' by Emirates Stadium has been open for over a year now, and is getting busier all the time. We now welcome around 1,000 individuals to the centre every week for sports and educational activities. We also host an adult learning zone in partnership with Islington Council – offering free courses for adults wanting to gain new skills, build confidence and find work.

As ever, our community team is working hard across the local area too – organising and supporting a diverse range of activities from delivering language programmes in primary schools to bowls sessions for older local residents.

Through a range of social inclusion initiatives and our estates football programme, we continue to provide support and guidance to young people who need it most.

We work with adults suffering from mental health issues, using football as a way to instil confidence and belief.

This year, our Arsenal employability programme – which provides school leavers and over 50s with support in their search for work - will help its 350th participant into employment.■


Arsenal


Arsenal

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2016.

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, its future prospects and its approach to financial risk management, 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 (2015 - £Nil).

GOING CONCERN

The directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements. Further details regarding the adoption of the going concern basis can be found in the accounting policies at note 1 to the financial statements.

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

DIRECTORS' REPORT

Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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
COMPANY SECRETARY
30 September 2016
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 Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. In addition as part of its compliance with the covenants attaching to its stadium finance bonds the Group prepares half yearly look forward financial analysis using certain adverse performance assumptions.

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
30 September 2016

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 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 33. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 2016 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
30 September 2016

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MAY 2016

	Note	2016 Operations excluding player trading £'000	2016 Player trading £'000	2016 Total £'000	2015 (restated) Operations excluding player trading £'000	2015 (restated) Player trading £'000	2015 (restated) Total £'000
Turnover of the Group including its share of joint ventures		353,318	3,230	356,548	346,498	805	347,303
Share of turnover of joint venture		(3,009)	-	(3,009)	(2,779)	-	(2,779)
Group turnover	3	350,309	3,230	353,539	343,719	805	344,524
Operating expenses	4	(281,093)	(59,257)	(340,350)	(281,446)	(55,365)	(336,811)
Operating profit/(loss)		69,216	(56,027)	13,189	62,273	(54,560)	7,713
Share of joint venture operating result		1,004	-	1,004	762	-	762
Profit on disposal of player registrations		-	2,047	2,047	-	28,944	28,944
Profit/(loss) on ordinary activities before net finance charges		70,220	(53,980)	16,240	63,035	(25,616)	37,419
Net finance charges	5			(13,373)			(19,227)
Profit on ordinary activities before taxation				2,867			18,192
Taxation charge	8			(1,218)			(3,376)
Profit after taxation retained for the financial year				1,649			14,816
Earnings per share							
Basic and diluted	9			£26.50			£238.13

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.

The comparative figures have been restated on the adoption of FRS 102 as explained in note 33.

Consolidated Statement of Comprehensive Income

For the year ended 31 May 2016

	2016 £'000	2015 (restated) £'000
Profit after taxation	1,649	14,816
Gains/(losses) in cash flow hedges	1,092	(1,000)
Exchange differences	9	7
Total comprehensive income	2,750	13,823

BALANCE SHEET

AS AT 31 MAY 2016

	Note	Group 2016 £'000	Group 2015 (restated) £'000	Company 2016 £'000	Company 2015 £'000
Fixed assets					
Goodwill	10	666	1,082	-	-
Tangible fixed assets	11	421,059	419,180	-	-
Intangible fixed assets	12	146,005	171,658	-	-
Investments	13	4,977	4,174	30,059	30,059
		572,707	596,094	30,059	30,059
Current assets					
Stock - development properties	14	11,148	9,741	-	-
Stock - retail merchandise		4,834	4,530	-	-
Debtors - due within one year	15	57,961	74,175	108,599	127,404
- due after one year	15	4,404	6,658	-	-
Cash and cash equivalents	16	226,459	228,167	26,505	10,235
		304,806	323,271	135,104	137,639
Creditors: amounts falling due within one year	17	(239,945)	(275,332)	(1,808)	(4,808)
Net current assets		64,861	47,939	133,296	132,831
Total assets less current liabilities		637,568	644,033	163,355	162,890
Creditors: amounts falling due after more than one year	18	(265,460)	(269,174)	(14,168)	(13,780)
Provisions for liabilities and charges	21	(44,047)	(49,548)	-	-
Net assets		328,061	325,311	149,187	149,110
Capital and reserves					
Called up share capital	22	62	62	62	62
Share premium	23	29,997	29,997	29,997	29,997
Merger reserve	24	26,699	26,699	-	-
Hedging reserve		-	(1,092)	-	-
Profit and loss account	25	271,303	269,645	119,128	119,051
Shareholders' funds		328,061	325,311	149,187	149,110

These financial statements of Arsenal Holdings Plc (registered number 4250459) were approved and authorised for issue by the Board of Directors on 30 September 2016.

Signed on behalf of the Board of Directors

Chips Keswick

SIR CHIPS KESWICK
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2016

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Hedging Reserve £'000	Profit and Loss £'000	Total £'000
At 31 May 2014	62	29,997	26,699	-	253,860	310,618
Transition to FRS 102 (see note 33)	-	-	-	(92)	962	870
At 1 June 2014 restated	62	29,997	26,699	(92)	254,822	311,488
Total comprehensive income for year ended 31 May 2015 restated	-	-	-	(1,000)	14,823	13,823
At 31 May 2015 restated	62	29,997	26,699	(1,092)	269,645	325,311
Total comprehensive income for the year ended 31 May 2016	-	-	-	1,092	1,658	2,750
As at 31 May 2016	62	29,997	26,699	-	271,303	328,061

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2016

	Note	2016 £'000	2015 £'000
Net cash inflow from operating activities	26a	93,841	102,395
Taxation paid		(8,331)	(2,206)
Cash flow from investing activities			
Interest received		746	863
Proceeds from sale of fixed assets		748	47
Purchase of fixed assets		(14,232)	(14,302)
Player registrations	26c	(54,190)	(46,241)
Net cash flow from investing activities		(66,928)	(59,633)
Cash flow from financing activities			
Interest paid		(12,622)	(12,993)
Repayment of debt		(7,668)	(7,274)
Net cash flow from financing activities		(20,290)	(20,267)
Net (decrease)/increase in cash and cash equivalents in the year		(1,708)	20,289
Cash and cash equivalents at start of year		228,167	207,878
Cash and cash equivalents at end of year	16	226,459	228,167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1. ACCOUNTING POLICIES

The principal accounting policies are summarised below.

They have all been applied consistently throughout the year and to the preceding year.

(A) GENERAL INFORMATION AND BASIS OF ACCOUNTING

Arsenal Holdings plc is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in the strategic report on pages 8 to 9.

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

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 33.

The functional currency of Arsenal Holdings plc is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

(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 2016. All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

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 and there were no other movements in equity (2015 - £nil). The parent company's profit for the year was £0.1 million (2015 – loss of £3.0 million). The parent company is exempt from the requirement to prepare a cash flow statement.

(C) GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Financial Review further describes the financial position of the Group and its cash flows, liquidity position, objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. The Group currently meets its day to day working capital requirements through its own financial resources and has no reliance on bank facilities.

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 Group's unused bank facilities are not currently due for renewal, however, the Group has held 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 directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(D) 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.

(E) 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.
Turnover is recognised in respect of barter transactions only where services are exchanged for dissimilar services and the transaction is deemed to have commercial substance. Such transactions are measured at the fair value of the services received, adjusted by any amount of cash and cash equivalents transferred.
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.

(F) 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.

(G) FINANCE COSTS

Finance costs of debt are recognised in the profit and loss account over the term of the debt using the effective interest method.
Any non-current assets, e.g. player registrations, acquired on deferred terms are recorded at the discounted present value at the date of acquisition. The associated payable is then increased to the settlement value over the period of deferral, with this value being charged as a notional finance cost through the profit and loss account.
Similarly any intangible asset disposed of on deferred terms will be initially recorded at the discounted present value of future receipts and the receivable is then increased to the settlement value over the period of deferral with this value being charged as notional finance income through the profit and loss account.

(H) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and are classified according to the substance of the contractual arrangements entered into.

i. Financial liabilities

Basic financial instruments (including the stadium finance bonds and the C and D debentures) are measured at amortised cost, using the effective interest method. The effective interest rate is the rate which exactly discounts the estimated future payments of receipts over the life of the instrument to its carrying amount at initial recognition, re-estimated periodically to reflect changes in the market rate of interest.
Non basic financial instruments (including the A and B debentures) are recognised at fair value, and measured at the present value of the future payments, discounted at a market rate of interest. Any periodic changes in fair value are recognised in the profit and loss account.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii. Derivative financial instruments

The Group uses derivative financial instruments to reduce its exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a heding instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

iii. Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign exchange risk for certain contracted commitments and highly probable forecast transactions.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item. Furthermore, at the inception of the hedge and on an ongoing basis, the Group assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

The effective portion of changes in the fair value of the designated hedging instrument is recognised in other comprehensive income. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated at that time is reclassified to the profit and loss account.

(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.

(M) 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.

(N) 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.

(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.

Exchange gains or losses are dealt with in the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rate ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income.

(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 2016/17 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 102 Section 28 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 102 Section 28.

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.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Provisions and contingent liabilities for player transactions

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

Property trading stocks

The directors consider that the net realisable value of the Group's property development stocks, making an appropriate allowance for costs to complete, is greater than their book value.

Current taxation

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


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2. SEGMENTAL ANALYSIS

Class of business:	Football		Property development		Group	
	2016 £'000	2015 (restated) £'000	2016 £'000	2015 £'000	2016 £'000	2015 (restated) £'000
Turnover	350,623	329,337	2,916	15,187	353,539	344,524
Segment operating profit/(loss)	11,537	(5,244)	1,652	12,957	13,189	7,713
Share of operating profit of joint venture	1,004	762	-	-	1,004	762
Profit on disposal of player registrations	2,047	28,944	-	-	2,047	28,944
Net finance charges	(13,705)	(19,625)	332	398	(13,373)	(19,227)
Profit on ordinary activities before taxation	883	4,837	1,984	13,355	2,867	18,192
Segment net assets	274,572	273,823	53,489	51,488	328,061	325,311

Operating profit from football before amortisation, depreciation and player trading amounted to £82.2 million (2015 - £64.4 million); being segment operating profit (as above) of £11.5 million (2015 – loss of £5.2 million), adding back depreciation (net of grant amortisation) of £14.3 million (2015 - £14.6 million), amortisation of goodwill of £0.4 million (2015 - £0.4 million) and operating loss from player trading of £56.0 million (2015 - £54.6 million).

3. TURNOVER

Turnover, all of which originates in the UK, comprises the following:	2016 £'000	2015 £'000
Gate and other match day revenues	99,907	100,401
Broadcasting	140,579	124,844
Retail and licensing	24,626	24,685
Commercial	82,281	78,602
Property development	2,916	15,187
Player trading	3,230	805
	353,539	344,524

4. OPERATING EXPENSES

Operating expenses comprise:	2016 £'000	2015 (restated) £'000
Amortisation of goodwill	416	416
Amortisation of player registrations	59,257	54,430
Impairment of player registrations	-	935
Depreciation and impairment charges (less amortisation of grants)	14,258	14,618
Total depreciation, amortisation and impairment	73,931	70,399
Staff costs (see note 6)	195,387	192,259
Cost of property sales	818	2,044
Other operating charges	70,214	72,109
Total operating expenses	340,350	336,811

Other operating charges include:	2016 £'000	2015 £'000
Auditor's remuneration		
- audit of the company's annual accounts	25	20
- audit of the subsidiaries pursuant to legislation	155	137
Total audit fees	180	157
- other services	49	33
- tax services	132	176
Total non-audit fees	181	209
Operating lease payments		
- plant and machinery	339	292
- other	893	925
(Profit)/loss on disposal of tangible fixed assets	(72)	273

5. NET FINANCE CHARGES

Interest payable and similar charges:	2016 £'000	2015 (restated) £'000
Bank loans and overdrafts	25	8
Fixed/ floating rate bonds	12,218	12,356
Other	415	380
Costs of raising long term finance	825	835
Total interest payable and similar charges	13,483	13,579
Interest receivable	(785)	(828)
	12,698	12,751
Change in fair value of financial instruments	675	6,476
Net finance charges	13,373	19,227

6. EMPLOYEES

The average number of persons employed by the Group during the year was:	2016 Number	2015 Number
Playing staff	68	66
Training staff	122	95
Administrative staff	355	345
Ground staff	106	99
	651	605

In addition the Group used on average 835 temporary staff on match days (2015 – 830).

Staff costs:	2016 £'000	2015 (restated) £'000
Wages and salaries	172,244	168,274
Social security costs	20,866	20,960
Other pension costs	2,277	3,025
	195,387	192,259

7. DIRECTORS' EMOLUMENTS

	2016						2015
	Salary/fees £'000	Bonus £'000	Benefits £'000	Sub total £'000	Pension £'000	Total £'000	Total £'000
KJ Friar OBE	362	270	29	661	-	661	592
Sir Chips Keswick	25	-	-	25	-	25	25
Lord Harris of Peckham	-	-	-	-	-	-	-
I Gazidis	1,503	1,096	9	2,608	40	2,648	2,299
ES Kroenke	25	-	-	25	-	25	25
JW Kroenke	25	-	-	25	-	25	25
	1,940	1,366	38	3,344	40	3,384	2,966

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.

The pension charge for the prior year (note 6) included £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.

The total remuneration for key management personnel, being the board of directors, amounted to £3.38 million (2015 - £3.0 million).

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 (restated) £'000
UK corporation tax charge at 20% (2015 – 20.83%)	5,608	6,301
Overseas tax	(17)	-
Under/(over) provision in respect of prior years	7	(35)
Total current taxation	5,598	6,266
Deferred taxation (see note 21)		
Origination and reversal of timing differences	(4,026)	(2,902)
Impact of change in tax rate	(1,854)	-
Under provision in respect of prior years	1,500	12
Total deferred taxation	(4,380)	(2,890)
Total tax charge on profit on ordinary activities	1,218	3,376

The enacted rate of corporation tax will reduce to 19% from April 2017 and 18% from April 2020. The Group's deferred tax liabilities have been valued based on the tax rates that are expected to apply in the periods in which the underlying timing differences are predicted to reverse. The impact of the lower future rates of corporation tax on the Group's deferred tax balances gives rise to a credit in the current year of £1.9 million. A further reduction in the rate of corporation tax, to 17% from April 2020, has been announced but had not been enacted at the balance sheet date.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

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:

	2016 £'000	2015 (restated) £'000
Group profit on ordinary activities before tax	2,867	18,192
Tax on Group profit on ordinary activities before tax at standard UK corporation tax rate of 20% (2015 – 20.83%)	573	3,789
Effects of:		
Impact of reduction in corporation tax rate on deferred tax balances	(1,854)	131
Expenses not deductible/(non-taxable income)	1,009	(521)
Adjustments to tax charge in respect of prior years	1,507	(23)
Overseas tax	(17)	-
Group total tax charge for the year	1,218	3,376

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

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 (2015 - 62,217 shares).

10. INTANGIBLE FIXED ASSETS - GOODWILL

	£'000
Cost	
At 1 June 2015 and 31 May 2016	2,137
Amortisation	
At 1 June 2015	1,055
Charge for the year	416
At 31 May 2016	1,471
Net book value at 31 May 2016	666
Net book value at 31 May 2015	1,082

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 2015	4,304	407,630	9,881	106,838	528,653
Transfers	(3,346)	541	2,805	-	-
Additions	4,346	1,975	1,434	9,148	16,903
Disposals	-	-	-	(3,981)	(3,981)
At 31 May 2016	5,304	410,146	14,120	112,005	541,575
Depreciation					
At 1 June 2015	-	51,700	4,221	53,552	109,473
Charge for the year	-	5,885	603	7,860	14,348
Disposals	-	-	-	(3,305)	(3,305)
At 31 May 2016	-	57,585	4,824	58,107	120,516
Net book value					
At 31 May 2016	5,304	352,561	9,296	53,898	421,059
At 31 May 2015	4,304	355,930	5,660	53,286	419,180

The Group has commenced development projects to enhance the facilities at both its first team and academy training grounds and the costs of these projects, where not yet completed, are included within assets in the course of construction as at the balance sheet date. Completed works are reclassified to the appropriate fixed asset categories.

At 31 May 2016 the Group had contracted capital commitments of £17.7 million (2015 - £17.0 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

Cost of player registrations	£'000
At 1 June 2015	328,522
Additions	35,412
Disposals	(19,897)
At 31 May 2016	344,037
Amortisation of player registrations	
At 1 June 2015	156,864
Charge for the year	59,257
Disposals	(18,089)
At 31 May 2016	198,032
Net book value	
At 31 May 2016	146,005
At 31 May 2015	171,658

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	
	2016 £'000	**2015** £'000
Investment in joint venture		
Investment at cost	20,000	20,000
Accumulated share of profit of joint venture	4,977	4,174
Adjustment to eliminate unrealised profit on sale of intangible assets	(20,000)	(20,000)
Share of joint venture	4,977	4,174

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 2016 is as follows:

	2016 £'000	2015 £'000
Fixed assets	255	329
Current assets	6,397	4,871
Liabilities	(1,675)	(1,026)
	4,977	4,174

Investments in subsidary undertakings	**Company £'000**
Balance at 1 June 2015 and 31 May 2016	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 Properties Holdings 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	
	2016 £'000	**2015** £'000	**2016** £'000	**2015** £'000
Amounts recoverable within one year				
Trade debtors	28,901	25,556	-	-
Other debtors	6,362	14,084	-	-
Amount due from group undertakings	-	-	108,588	127,400
Prepayments and accrued income	22,698	34,535	11	4
	57,961	74,175	108,599	127,404
Amounts recoverable in more than one year				
Other debtors	3,146	5,202	-	-
Prepayments and accrued income	1,258	1,456	-	-
	4,404	6,658	111,538	127,400

Other debtors include £6.1 million in respect of player transfers (2015 - £14.9 million).

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Debt service reserve accounts	35,355	35,024	-	-
Other accounts	191,104	193,143	26,505	10,235
	226,459	228,167	26,505	10,235

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 (2015 - £0.2 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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash at bank and in hand	117,622	108,614	7,467	3,985
Cash equivalents (short-term deposits)	108,837	119,553	19,038	6,250
	226,459	228,167	26,505	10,235

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016 £'000	2015 (restated) £'000	2016 £'000	2015 £'000
Foreign exchange derivatives	414	1,092		
Fixed rate bonds - secured	7,557	7,119	-	-
Trade creditors	10,771	7,618	-	-
Corporation tax	2,122	5,056	-	-
Other tax and social security	20,791	19,879	-	-
Amount due to parent undertaking	-	3,000	-	3,000
Amounts due to group undertakings	-	-	1,786	1,786
Other creditors	41,823	57,795	-	-
Accruals and deferred income	156,467	173,773	22	22
	239,945	275,332	1,808	4,808

Other creditors, above and as disclosed in note 18, include £48.6 million (2015 - £80.5 million) in respect of player transfers.

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

	Group		Company	
	2016 £'000	2015 (restated) £'000	2016 £'000	2015 £'000
Fixed rate bonds - secured	138,402	146,095	-	-
Floating rate bonds - secured	48,039	47,902	-	-
Derivative financial instruments (see note 20)	24,411	23,736	-	-
Debenture loans	14,197	13,808	14,168	13,780
Other creditors	18,968	32,922	-	-
Grants	3,615	3,705	-	-
Deferred income	17,828	1,006	-	-
	265,460	269,174	14,168	13,780

	Group		Company	
Debenture loans comprise:				
Par value of debentures plus accumulated interest	28,906	28,518	14,479	14,091
Costs of raising finance	(311)	(311)	(311)	(311)
Fair value adjustment	(14,398)	(14,399)	-	-
	14,197	13,808	14,168	13,780

Under the issue terms A and B debentures with a par value of £14,427,000 are repayable at par after 127 years and these debentures are interest free. C and D debentures with a par value of £10,224,000 are repayable at the option of the debenture holders in 12 years and carry cumulative compound interest at 2.75% per annum.

The fixed rate bonds above and disclosed in note 17 comprise:	2016 £'000	2015 £'000
Fixed rate bonds	148,832	156,500
Costs of raising finance	(2,873)	(3,286)
	145,959	153,214
Due within one year	7,557	7,119
Due after more than one year	138,402	146,095
	145,959	153,214

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

The floating rate bonds above comprise:	2016 £'000	2015 £'000
Floating rate bonds	50,000	50,000
Costs of raising finance	(1,961)	(2,098)
	48,039	47,902
Due within one year	-	-
Due after more than one year	48,039	47,902
	48,039	47,902

The floating rate bonds bear interest at LIBOR for three month deposits plus a margin of 0.55% (2015 – 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 £550,000 (2015 - £570,000).

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 £58.1 million (2015 - £54.0 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 are repayable as follows:	2016 £'000	2015 (restated) £'000
Between one and two years	8,522	8,084
Between two and five years	28,439	26,977
After five years	168,295	177,890
	205,256	212,951
Within one year	8,084	7,668
Total debt	213,340	220,619

19. FINANCIAL INSTRUMENTS

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 relate to interest rate, liquidity and foreign currency and the Board reviews and agrees its policy for managing these risks.

The carrying value of the Group's financial instruments is analysed as follows:-

Financial assets	**2016** £'000	**2015** £'000
Measured at undiscounted amount receivable:		
Cash at bank	226,459	228,167
Tarde and other debtors	38,409	44,842
	264,868	273,009

Financial liabilities	**2016** £'000	**2015** £'000
Measured at amortised cost:		
Fixed rate and floating rate bonds	(193,998)	(201,116)
C&D Debentures	(14,168)	(13,780)
Measured at fair value through profit and loss:		
A & B Debentures	(29)	(28)
Foreign exchange derivatives	(414)	-
Interest rate swaps	(24,411)	(23,736)
Measured at fair value and designated in an effective hedging relationship:		
Foreign exchange derivatives	-	(1,092)
Measured at undiscounted amount payable:		
Trade and other creditors	(71,562)	(98,335)
	(304,582)	(338,087)

The fair value of the interest rate swaps was determined by relevence to the market price at the reporting date. The Group's cash and bank deposits earn interest at rates linked to LIBOR. The Group's other financial assets do not earn interest. Total interest income for the year is shown in note 5.

The interest rates attaching the Group's fixed rate bonds, floating rate bonds and debentures are detailed in note 18.

The Group's other financial liabilities do not attract interest. The cost for the year of the Group's financial liabilities was as follows (all of these costs are also disclosed within finance charges in note 5 save for the change in fair value of foreign exchange derivatives which is included partly in the Statement of Comprehensive Income and partly in operating expenses within profit and loss):-

	2016 £'000	2015 £'000
Fair value gains and losses:		
A & B Debentures	(1)	(1)
Foreign exchange derivatives	678	(1,000)
Interest rate swaps	(675)	(6,476)
Interest expense at amortised cost:		
Fixed rate and floating rate bonds	(12,218)	(12,356)
C & D Debentures	(388)	(377)
	(12,604)	(20,210)

20. FINANCIAL DERIVATIVES

	Current		Non-current	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Derivatives designated as hedging				
instruments at fair value				
Foreign forward currency contracts (effective)	-	(1,092)	-	-
Foreign forward currency contracts (ineffective)	(414)	-	-	-
Other derivatives				
Interest rate swaps	-	-	(24,411)	(23,736)
	(414)	(1,092)	(24,411)	(23,736)

Interest rate risk

The Group is exposed to interest rate risk because part of its long-term debt is at floating rates of interest.

The Group has entered into interest rate swaps the purpose of which is to minimise its exposure to this interest rate risk.

After taking into account these interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 May 2016 was as follows:

	Fixed rate 2016 £'000	Floating rate 2016 £'000	Interest free 2016 £'000	Total 2016 £'000	Weighted average fixed rate %	Weighted average period for which rate is fixed yrs
Bonds - fixed rate	148,832	-	-	148,832	5.8	13
Bonds - floating rate	50,000	-	-	50,000	7.0	15
Debenture loans	14,479	-	29	14,508	2.8	12
	213,311	-	29	213,340		

20. FINANCIAL DERIVATIVES (CONTINUED)

Interest rate risk (continued)

The interest rate profile at 31 May 2015 for comparative purposes (as restated) was:

	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	-	28	14,119	2.8	13
	220,591	-	28	220,619		

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:

	2016 £'000	2015 £'000
Expiring in: One year or less	50,000	50,000

Foreign currency management

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

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

The Group has entered into certain foreign currency contracts which hedge its net exposure to exchange rate fluctuations and which provide for the future sale of up to €5.0 million at a rate from €1.40 and the future purchase of €0.9 million at rates ranging from €1.18 to €1.21.

Included in cash and cash equivalents are amounts of £6.1 million (2015 - £16.9 million) denominated in Euros and £0.7 million (2015 - £0.0 million) denominated in US dollars.

Included in trade debtors are amounts of £0.0 million (2015 - £0.6 million) denominated in Euros and £1.2 million (2015 - £0.1 million) denominated in US dollars. Included in other debtors are amounts of £4.6 million (2015 - £12.5 million) denominated in Euros.

Included in prepayments and accrued income are amounts of £11.0 million (2015 - £8.3 million) denominated in Euros and £0.0 million (2015 - £0.4 million) denominated in US dollars.

Included in other creditors are amounts of £15.7 million (2015 - £33.4 million) denominated in Euros. Included in provisions are amounts of £3.7 million (2015 - £4.7 million) denominated in Euros and £0.3 million (2015 - £0.0 million) denominated in US dollars.

Accruals and deferred income includes balance of £0.0 million (2015 - £1.1 million) where the underlying contracts are denominated in US dollars.

21. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 2016 £'000	Group 2015 (restated) £'000
Pensions provision (see note 30 (b))	1,140	1,571
Deferred taxation	26,115	30,495
Transfers	16,792	17,482
	44,047	49,548

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 £5.0 million were made during the year, £4.1 million of provisions were reclassified as creditors and £1.6 million of provisions were cancelled as no longer required. The deferred tax credit for the year was £4.4 million (see note 8) (2015 – credit of £2.9 million).

Deferred tax provision	Group 2016 £'000	Group 2015 (restated) £'000
Accelerated capital allowances	8,630	10,000
Capitalised interest	6,191	7,003
Rollover relief on player registrations	12,824	15,128
Other timing differences	(1,530)	(1,636)
Total provision for deferred taxation	26,115	30,495

22. 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.

23. SHARE PREMIUM

	Group £'000	Company £'000
Balance at 1 June 2015 and 31 May 2016	29,997	29,997

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MAY 2016

24. OTHER RESERVES

Group	Merger reserve £'000
Balance at 1 June 2015 and 31 May 2016	26,699

25. PROFIT AND LOSS ACCOUNT

	Group Profit and loss account £'000	Company Profit and loss account £'000
Balance at 1 June 2015 (as restated)	269,645	119,051
Profit for the year	1,649	77
Exchange difference	9	-
Balance at 31 May 2016	271,303	119,128

26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2016 £'000	2015 (restated) £'000
Operating profit	13,189	7,713
Amortisation of player registrations	59,257	54,430
Impairment of player registrations	-	935
Amortisation of goodwill	416	416
(Profit)/loss on disposal of tangible fixed assets	(72)	273
Depreciation (net of grant amortisation)	14,258	14,618
Operating cash flow before working capital	87,048	78,385
(Increase)/decrease in stock	(1,711)	513
Decrease/(increase) in debtors	9,707	(4,983)
(Decrease)/increase in creditors	(1,203)	28,480
Net cash inflow from operating activities	93,841	102,395

(b) Analysis of changes in net debt	**At 1 June 2015 (restated) £'000**	**Non cash changes £'000**	**Cash flows £'000**	**At 31 May 2016 £'000**
Cash at bank and in hand	108,614	-	9,008	117,622
Cash equivalents	119,553	-	(10,716)	108,837
	228,167	-	(1,708)	226,459
Debt due within one year (bonds)	(7,119)	(8,106)	7,668	(7,557)
Debt due after more than one year (bonds)	(193,997)	7,556	-	(186,441)
Derivative financial instruments	(23,736)	(675)	-	(24,411)
Debt due after more than one year (debentures)	(13,808)	(389)	-	(14,197)
Net debt	(10,493)	(1,614)	5,960	(6,147)

Non cash changes represent £550,000 in respect of the amortisation of costs of raising finance, £389,000 in respect of rolled up, unpaid debenture interest and £675,000 in respect of the change in fair value of the Group's interest rate swaps.

(c) Gross cash flows	**2016 £'000**	**2015 £'000**
Player registrations		
Payments for purchase of players	(66,833)	(71,704)
Receipts from sale of players	12,643	25,463
	(54,190)	(46,241)

27. LEASING COMMITMENTS

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

	2016		**2015**	
	Land and buildings £'000	**Other £'000**	**Land and buildings £'000**	**Other £'000**
Group				
One year or less	772	235	768	236
Two to five years	859	38	1,331	217
Over five years	643	-	174	-
	2,274	273	2,273	453

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 £8.7 million (2015 - £8.8 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:-

	2016 Income/ (charge) £'000	2015 Income/ (charge) £'000
Provision of office services	337	249
Merchandising and advertising sales	(2,080)	(1,770)
Arsenal TV	(1,158)	(1,103)

At 31 May 2016 the balance owing from the Group to Arsenal Broadband Limited was £9.7 million (2015 - £8.2 million).

b) In the prior year the Group was charged a fee of £3 million by Kroenke Sports & Entertainment LLC, for strategic and advisory services. For the year ended 31 May 2016 Kroenke Sports & Entertainment LLC has waived its entitlement to any fee in respect of services provided to the Group. 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 2016 was £Nil (2015: £3 million).

30. PENSIONS

a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £2,256,000 (2015 - £2,079,000).

b) Defined benefit scheme	2016 £'000	2015 £'000
Provision at start of year	1,571	2,188
Payments in year	(431)	(1,508)
Increase in provision	-	891
Provision at end of year	1,140	1,571

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 £0.4 million (2015 - £1.5 million) and the profit and loss account charge was £21,000 (2015 - £946,000).

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 £87.3 million (2015 – net payment of £10.5 million). These transfers will be accounted for in the year ending 31 May 2017.

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.

33. EXPLANATION OF TRANSITION TO FRS 102

This is the first reporting period that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 May 2015 and the date of transition to FRS 102 was therefore 1 June 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. The key accounting policy changes are noted below, all other accounting policies are consistent with those set out in the last set of audited annual financial statements.

Financial assets and liabilities

Basic financial instruments (including the stadium finance bonds and the C and D debentures) are measured at amortised cost, using the effective interest method. The effective interest rate is the rate which exactly discounts the estimated future payments of receipts over the life of the instrument to its carrying amount at initial recognition, re-estimated periodically to reflect changes in the market rate of interest.

Non basic financial instruments (including the A and B debentures) are recognised at fair value, and measured at the present value of the future payments, discounted at a market rate of interest. Any periodic changes in fair value are recognised in the profit and loss. These debentures were previously accounted for at their undiscounted historic cost. Derivative financial instruments (including forward foreign exchange contracts and the Group's interest rate swap) are recognised at fair value as described in note 20. The swap was previously accounted for at historic cost less amortisation over the term of the swap.

Deferred tax

Deferred tax is recognised in respect of all timing differences that may result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date. The transition to FRS 102 has resulted in a requirement to recognise certain additional deferred tax assets and liabilities, in particular where the taxation of opening FRS 102 adjustments is subject to a ten year transitional rule for tax purposes.

Holiday pay

An accrual is made for the holiday pay entitlement of the Group's employees which has not been taken as holiday at the financial period end. Prior to the introduction of FRS 102 no provision was made.

33. EXPLANATION OF TRANSITION TO FRS 102 (CONTINUED)

Reconciliation of Equity	**Group At 1 June 2014** £'000	**Group At 31 May 2015** £'000
Capital and Reserves (as previously reported)	310,618	330,669
Revaluation of Debentures	14,400	14,399
Revaluation of Interest Rate Swap	(12,736)	(19,211)
Movement in value of Forward Exchange contracts	(92)	(1,092)
Holiday pay	(461)	(507)
Tax	(241)	1,053
Capital and Reserves (as restated under FRS 102)	311,488	325,311

Reconciliation of Profit	**Group Year ended 31 May 2015** £'000
Profit for the financial period (as previously reported)	20,044
Revaluation of Debentures	(1)
Revaluation of Interest Rate Swap	(6,475)
Holiday pay	(46)
Tax	1,294
Capital and Reserves (as restated under FRS 102)	14,816


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FIVE YEAR SUMMARY

UNAUDITED

Profit and Loss Account	2012 (restated) £'000	2013 (restated) £'000	2014 (restated) £'000	2015 (restated) £'000	2016 £'000
Group Turnover	243,013	280,374	301,872	344,524	353,539
Operating profit before player trading and exceptional costs	23,059	17,108	49,613	62,273	69,216
Operating expenses - player registrations	(39,418)	(45,423)	(39,559)	(54,560)	(56,027)
Operating (loss)/profit	(16,359)	(28,315)	10,054	7,713	13,189
Share of results of joint venture	952	945	710	762	1,004
Profit on disposal of player registrations	65,456	46,986	6,912	28,944	2,047
Net interest	(17,159)	(14,193)	(11,797)	(19,227)	(13,373)
Profit before tax	32,890	5,423	5,879	18,192	2,867
Profit after tax	26,881	4,869	8,239	14,816	1,649
Earnings per share	£432.05	£78.26	£132.42	£238.13	£26.50
Balance Sheet					
Tangible fixed assets	429,483	424,570	424,973	423,354	426,036
Intangible fixed assets	85,708	98,494	116,484	172,740	146,671
Net current assets	104,964	114,505	89,580	47,939	64,861
Long term creditors and provisions	(321,571)	(334,679)	(319,549)	(318,722)	(309,507)
Net assets	298,584	302,890	311,488	325,311	328,061
Share capital	62	62	62	62	62
Share premium	29,997	29,997	29,997	29,997	29,997
Reserves	268,525	272,832	281,429	295,252	298, 002
Shareholders' funds	298,548	302,891	311,488	325,311	328,061
Net assets per share	£4,799.07	£4,868.30	£5,006.48	£5,228.65	£5,272.85
Playing record					
FA Premier League	3rd	4th	4th	3rd	2nd
FA Challenge Cup	5th round	5th round	Winners	Winners	Quarter final
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

Emirates

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