

**Company Registration No. 109244**

**ARSENAL FOOTBALL CLUB PLC**

**Report and Financial Statements**

**31 May 2007**

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# **ARSENAL FOOTBALL CLUB PLC**

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# **ARSENAL FOOTBALL CLUB PLC**

## **REPORT AND FINANCIAL STATEMENTS 2007 OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Lady Nina Bracewell-Smith  
R C L Carr  
K G Edelman  
D D Fiszman  
K J Friar OBE  
Lord Harris of Peckham  
P D Hill-Wood  
Sir Chips Keswick

### **SECRETARY**

D Miles

### **REGISTERED OFFICE**

Highbury House  
75 Drayton Park  
London  
N5 1BU

### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

# ARSENAL FOOTBALL CLUB PLC

## DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2007

### PRINCIPAL ACTIVITIES

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

### BUSINESS REVIEW AND FUTURE PROSPECTS

The Club achieved a respectable fourth place in the Barclays Premiership which has resulted in the Club qualifying for the group stage of the UEFA Champions League for a tenth consecutive season. The Club's new home - Emirates Stadium - was open for the start of the 2006/07 season and the first year of operations was very successful. Emirates Stadium provides high quality match day facilities which allow a far greater number of the Club's supporters to attend matches and also provides the Club with the sound financial base and level of financial resources from which it can build the strongest possible future.

The corporate structure together with the legal and financial agreements put in place in connection with the Arsenal Holdings plc group's financial arrangements for Emirates Stadium means that ticket revenues for Emirates Stadium are now managed, controlled and accounted for by a fellow subsidiary company, Arsenal Stadium Management Company Limited, rather than the Club itself. Arsenal Stadium Management Company Limited pays the Club an appearance fee out of the ticket revenues it collects.

There are a number of potential risks and uncertainties which could have a material impact on the company's long term performance and these risks and uncertainties are monitored by the Board on a regular basis. In particular, the company's income is affected by the performance and popularity of the first team because significant sources of revenue are derived from strong team performances in the FA Cup, FA Cup and UEFA Champions League (or UEFA Cup) and the level of income will vary dependent upon the team's participation and performance in these competitions. The Club is regulated by the rules of the FA, FA, FA, UEFA and FIFA and any change to FA, FA, UEFA and FIFA regulations in future could have an impact on the company as the regulations cover areas such as the format of competitions, the division of broadcasting income, the eligibility of players and the operation of the transfer market. The company monitors its compliance with all applicable rules and regulations on a continuous basis and also monitors and considers the impact of any potential changes.

### RESULTS AND DIVIDENDS

The results for the year are set out on page 6

The directors did not pay or declare a dividend for the year (2006 - £42 million)

### DIRECTORS AND THEIR INTERESTS

The directors of the Company at 31 May 2007, all of whom served during the year together with details of their interests in the Company's share capital are set out below -

	Ordinary shares of £1 each	
	At 31 May 2007	At 31 May 2006
Lady Nina Bracewell-Smith	-	-
R C L Carr	-	-
K G Edelman	1	1
D D Fisman	-	-
K J Friar OBE	1	1
Lord Harris of Peckham	-	-
P D Hill-Wood	-	-
Sir Chips Keswick	-	-

# ARSENAL FOOTBALL CLUB PLC

## DIRECTORS' REPORT (continued)

### DIRECTORS AND THEIR INTERESTS (continued)

In addition, Sir Roger Gibbs served as a director until 22 June 2006 and D B Dein served as a director until 18 April 2007

The shares held by K G Edelman and K J Friar are held in trust for Arsenal Holdings plc. No director had any interest in the share capital of any other Group company except for Arsenal Holdings plc. The interests of the directors in the share capital of Arsenal Holdings plc are shown in that company's accounts.

In accordance with the provisions of Article 90 of the Articles of Association D D Fiszman and Lady Nina Bracewell-Smith retire by rotation and, being eligible, offer themselves for re-election.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the Company made donations for charitable purposes amounting to £55,985 (2006 - £26,795) and £Nil political contributions (2006 - £Nil).

### CREDITOR PAYMENT POLICY

The Company's policy is to pay all creditors in accordance with contractual and other legal obligations. Advantage is taken of available discounts for prompt payment whenever possible. The rate, expressed in days, between the amounts invoiced to the Company by its suppliers in the year and the amount owing to trade and other creditors at the year end was 57 days (2006 - 55 days).

### EMPLOYEES

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

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

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

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

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period and which comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **ARSENAL FOOTBALL CLUB PLC**

### **DIRECTORS' REPORT (continued)**

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

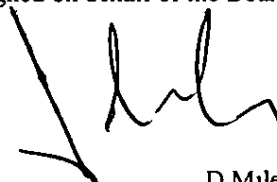
In the case of each of the persons who is a director of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information

#### **AUDITORS**

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting

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

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

D Miles  
Secretary

15 November 2007

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARSENAL FOOTBALL CLUB PLC**

We have audited the financial statements of Arsenal Football Club plc for the year ended 31 May 2007 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2007 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

London

15 November 2007

# ARSENAL FOOTBALL CLUB PLC

## PROFIT AND LOSS ACCOUNT

Year ended 31 May 2007

		2007			2006		
	Note	Operations excluding player trading £'000	Player trading £'000	Total £'000	Operations excluding player trading £'000	Player Trading £'000	Total £'000
<b>Turnover</b>	1,2	138,459	544	139,003	131,973	139	132,112
Operating expenses - ordinary	3	(128,699)	(18,782)	(147,481)	(128,120)	(15,401)	(143,521)
Operating expenses - exceptional	3	(50,000)	-	(50,000)	-	-	-
<b>Total operating expenses</b>		<u>(178,699)</u>	<u>(18,782)</u>	<u>(197,481)</u>	<u>(128,120)</u>	<u>(15,401)</u>	<u>(143,521)</u>
<b>Operating (loss)/profit</b>		<u>(40,240)</u>	<u>(18,238)</u>	<u>(58,478)</u>	<u>3,853</u>	<u>(15,262)</u>	<u>(11,409)</u>
Profit on disposal of tangible fixed assets		836	-	836	19	-	19
Profit on disposal of player registrations		-	18,467	18,467	-	19,150	19,150
<b>(Loss)/profit on ordinary activities before interest</b>		<u>(39,404)</u>	<u>229</u>	<u>(39,175)</u>	<u>3,872</u>	<u>3,888</u>	<u>7,760</u>
Net interest (payable)/receivable	4			(296)			22,018
<b>(Loss)/profit on ordinary activities before taxation</b>				<u>(39,471)</u>			<u>29,778</u>
Taxation credit	7			354			2,252
<b>(Loss)/profit after taxation retained for the financial year</b>	19			<u>(39,117)</u>			<u>32,030</u>

All trading resulted from continuing operations

Player trading consists primarily of the amortisation of the costs of acquiring player registrations, any impairment charges and profit on disposal of player registrations

There were no recognised gains or losses in the current or previous year other than those recorded in the profit and loss account and, accordingly, no statement of total recognised gains and losses is presented



# ARSENAL FOOTBALL CLUB PLC

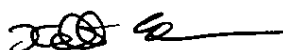
## BALANCE SHEET

31 May 2007

	Note	2007 £'000	2006 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	35,982	27,045
Intangible fixed assets	10	66,871	66,555
Investments	11	6,520	1,520
		<u>109,373</u>	<u>95,120</u>
<b>Current assets</b>			
Stock - retail merchandise	12	1,162	500
Debtors - due within one year	13	23,832	32,272
- due after one year	13	188,894	187,057
Cash at bank and in hand		21,529	20,770
		<u>235,417</u>	<u>240,599</u>
<b>Creditors</b> amounts falling due within one year	14	(64,066)	(88,197)
<b>Net current assets</b>		<u>171,351</u>	<u>152,402</u>
<b>Total assets less current liabilities</b>		<u>280,724</u>	<u>247,522</u>
<b>Creditors</b> amounts falling due after more than one year	15	(241,020)	(172,155)
<b>Provisions for liabilities</b>	16	(15,032)	(11,578)
<b>Net assets</b>		<u>24,672</u>	<u>63,789</u>
<b>Equity capital and reserves</b>			
Called up share capital	17	62	62
Share premium	18	56,696	56,696
Joint venture reserve	18	1,470	1,470
Profit and loss account	19	(33,556)	5,561
<b>Equity shareholders' funds</b>		<u>24,672</u>	<u>63,789</u>

These financial statements were approved and authorised for issue by the Board of Directors on 15 November 2007

Signed on behalf of the Board of Directors



K G Edelman  
Director

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 1. Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

#### Basis of preparation of financial statements

The Company has not produced consolidated financial statements as it qualifies for exemption as a wholly owned subsidiary of a United Kingdom parent company, Arsenal Holdings plc, which publishes consolidated financial statements.

#### Cash flow statement

As a wholly owned subsidiary of a parent company which publishes a consolidated cash flow statement, the Company is exempt from the requirement to present a cash flow statement.

#### Employee benefit trust

Assets and liabilities held in the Company's employee benefit trusts are consolidated in accordance with the requirements of UITF 32. Long term receivables included in the trust's balance sheet have been discounted to their net present value by applying a discount rate of 5%.

#### Investment in joint venture

The joint venture is an undertaking in which the Company holds an interest on a long term basis and which is jointly controlled by the Company (which holds 50% of the voting rights) and Granada Media Limited under a contractual arrangement.

Investments are stated at cost less provisions for impairment. Impairment charges on investments are reported as exceptional items after operating profits.

#### Turnover and income recognition

Turnover represents income receivable, net of VAT, from football and related commercial activities. The Company has one class of business which is the principal activity of operating a professional football club.

Certain special purpose arrangements have been established in connection with the Arsenal Holdings plc group's financing arrangements for Emirates Stadium and, with effect from the start of the 2006/07 football season, ticket revenues for Emirates Stadium are received and accounted for by a fellow subsidiary company, Arsenal Stadium Management Company Limited. Under the terms of the related financial and legal agreements, the company receives appearance fees from Arsenal Stadium Management Company Limited which are accounted for as part of match day revenue. Match day revenue is recognised over the period of the football season as games are played. 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. 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.

#### Depreciation

Depreciation is calculated to reduce the cost of plant, equipment, motor vehicles and land and buildings to the anticipated residual value of the assets concerned in equal annual instalments over their estimated useful lives as follows:

Freehold land	0% per annum
Freehold buildings	2% per annum
Leasehold properties	Over the period of the lease
Plant and equipment	10% to 20% per annum
Motor vehicles	25% per annum

Assets in the course of construction represent freehold buildings on which construction work is ongoing. No depreciation is charged until the buildings are complete and have been brought into use in the Company's business.

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 1. Accounting policies (continued)

#### Stocks

Stocks comprise retail merchandise and are stated at the lower of cost and net realisable value

#### Player costs

The costs associated with acquiring players' registrations or extending their contracts, including agents' fees, are capitalised and amortised, in equal instalments, over the period of the respective players' contracts. Where a contract life is renegotiated the unamortised costs, together with the new costs relating to the contract extension, are amortised over the term of the new contract. Where the acquisition of a player registration involves a non-cash consideration, such as an exchange for another player registration, the transaction is accounted for using an estimate of the market value for the non-cash consideration. Provision is made for any impairment and player registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Under the conditions of certain transfer agreements or contract renegotiations, further fees will be payable in the event of the players concerned making a certain number of First Team appearances or on the occurrence of certain other specified future events. Liabilities in respect of these additional transfer fees are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur.

Profits or losses on the sale of players represent the transfer fee receivable, net of any transaction costs, less the unamortised cost of the 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.

#### Debt

The carrying value of long term debt is not discounted.

#### Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year end are translated at year-end exchange rates or the exchange rate of a related forward exchange contract where appropriate. Exchange gains or losses are dealt with in the profit and loss account.

#### Deferred income

Deferred income represents income from sponsorship agreements and other contractual agreements which is credited to the profit and loss account over the period of the agreements.

#### Leases

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

#### Pensions

The Company makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes the principal one of which is The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate.

In addition the Company is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). A provision has been established for the Company's share of the deficit which exists in this section of the scheme and this additional contribution is being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have retired or who have left the Company has been charged to the profit and loss account.

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

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

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 1. Accounting policies (continued)

#### Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

A deferred tax asset is recognised only when, on the basis of available evidence, it can be regarded as more likely than not that the reversal of underlying timing differences will result in a reduction in future tax payments

### 2. Turnover

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

	2007 £'000	2006 £'000
Match day revenues	53,109	44,099
Broadcasting	44,312	54,870
Retail	12,059	10,208
Commercial	28,979	22,796
Player trading	544	139
	<u>139,003</u>	<u>132,112</u>

### 3. Operating expenses

Operating expenses comprise

	2007 £'000	2006 £'000
Amortisation of player registrations	18,782	15,401
Depreciation	2,110	2,351
	<u>20,892</u>	<u>17,752</u>
Total depreciation and amortisation	87,788	77,384
Staff costs (see note 6)	38,801	48,385
Other operating charges		
	<u>147,481</u>	<u>143,521</u>
<b>Operating expenses - ordinary</b>		
	50,000	-
<b>Operating expenses - exceptional</b>		
	<u>197,481</u>	<u>143,521</u>
<b>Total operating expenses</b>		

The exceptional item relates to the waiver by the company of £50,000,000 of inter-company debt owing to it by a fellow group undertaking

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 3. Operating expenses (continued)

	2007 £'000	2006 £'000
Other operating charges are stated after charging		
Auditors' remuneration - audit	53	55
- non-audit services	312	652
Operating lease payments - plant and machinery	158	232
- other	1,801	7,267

The fees for non-audit services primarily relate to advice for corporate and employee taxation

4. Net interest receivable	2007 £'000	2006 £'000
Interest payable and similar charges -		
Bank loans and overdrafts	(148)	(6)
Other	(504)	(559)
Cost of raising finance	(599)	-
Total interest payable and similar charges	(1,251)	(565)
Interest receivable	955	22,583
Net interest receivable	(296)	22,018

5 Directors' emoluments	2007 £'000	2006 £'000
Emoluments	2,224	2,150
Pension contributions	5	227
	2,229	2,377
Emoluments of the highest paid director	1,157	1,033
Pension contributions of the highest paid director	5	5

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

<b>6. Employees (including directors)</b>	<b>2007</b>	<b>2006</b>
	<b>Number</b>	<b>Number</b>
The average number of persons employed by the Company during the year was		
Playing staff	52	49
Training staff	31	32
Administrative staff	206	190
Ground staff	85	41
	<u>374</u>	<u>312</u>
In addition the company employs on average 879 temporary staff on match days (2006 - 685)		
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs:</b>		
Wages and salaries	77,635	69,743
Social security costs	9,501	6,567
Other pension costs	652	1,074
	<u>87,788</u>	<u>77,384</u>
<b>7. Tax on (loss)/profit on ordinary activities</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Group relief at 0% (2006 - 0%)	-	-
UK corporation tax charge at 30% (2006 - 30%)	-	700
Over provision in respect of prior years	-	(3,266)
<b>Total current taxation credit</b>	-	(2,566)
<b>Deferred taxation (see note 16)</b>		
Origination and reversal of timing differences	(134)	374
Over provision in respect of prior years	(220)	(60)
<b>Total tax credit on (loss)/profit on ordinary activities</b>	<u>(354)</u>	<u>(2,252)</u>
The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/profit before tax is as follows		
	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
<b>(Loss)/profit on ordinary activities before tax</b>	<u>(39,471)</u>	<u>29,778</u>
Tax on (loss)/profit on ordinary activities at standard UK corporation tax rate of 30% (2006 - 30%)	(11,841)	8,933
Effects of		
Capital allowances in excess of depreciation	228	(31)
Other timing differences	(94)	(343)
Expenses not deductible for tax purposes	15,730	4,436
Group relief and intra-group adjustments	(4,023)	(12,295)
Adjustments to tax charge in respect of prior years	-	(3,266)
<b>Current taxation for the year (credit)</b>	<u>-</u>	<u>(2,566)</u>

Tax losses have been claimed from other group companies for no consideration

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 7 Tax on (loss)/profit on ordinary activities (continued)

The tax charge in future years may be affected by

- The change in the standard rate of UK taxation (currently 30%) to 28% in 2008
- A change in the consideration paid for group relief
- The legislation relating to taxation of profits on disposal of intangible assets, including player registrations, and rollover relief thereon

### 8. Dividends

The company did not pay or declare a dividend for the year (2006 - £42,000,066)

### 9 Tangible fixed assets

Company	Assets in course of construction £'000	Freehold properties £'000	Leasehold properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>						
At 1 June 2006	11,711	17,994	4,633	10,301	113	44,752
Additions	4,217	2,539	201	2,943	9	9,909
Disposals	-	(4,996)	-	(6,319)	-	(11,315)
Transfers	(15,928)	14,915	1,616	179	-	782
At 31 May 2007	-	30,452	6,450	7,104	122	44,128
<b>Depreciation</b>						
At 1 June 2006	-	7,443	1,553	8,619	92	17,707
Charge for the year	-	972	397	733	8	2,110
Disposals	-	(4,995)	-	(6,319)	-	(11,314)
Transfers	-	-	-	(357)	-	(357)
At 31 May 2007	-	3,420	1,950	2,676	100	8,146
<b>Net book amount</b>						
At 31 May 2007	-	27,032	4,500	4,428	22	35,982
At 31 May 2006	11,711	10,551	3,080	1,682	21	27,045

Transfers include amounts in respect of assets which have been transferred to or from fellow subsidiary companies during the year

At 31 May 2007 the Company had contracted capital commitments of £1 2 million (2006 - £7 1 million)

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 10. Intangible fixed assets

	£'000
<b>Cost of player registrations</b>	
At 1 June 2006	133,162
Additions	19,785
Disposals	(28,532)
	<hr/>
At 31 May 2007	124,415
	<hr/>
<b>Amortisation of player registrations</b>	
At 1 June 2006	66,607
Charge for the year	18,782
Disposals	(27,845)
	<hr/>
At 31 May 2007	57,544
	<hr/>
<b>Net book amount</b>	
At 31 May 2007	66,871
	<hr/>
At 31 May 2006	66,555
	<hr/>

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

### 11. Investments

	£'000
<b>Cost of investments</b>	
At 1 June 2006	20,050
Additions	5,000
	<hr/>
At 31 May 2007	25,050
	<hr/>
Being	
Investment in joint venture	20,000
Investments in subsidiary companies	5,050
	<hr/>
	25,050
	<hr/>

	2007 £'000	2006 £'000
<b>Investment in joint venture</b>		
Investments at cost	20,000	20,000
Provision for impairment	(18,530)	(18,530)
<b>Investment in subsidiary companies</b>		
Investments at cost	5,050	50
	<hr/>	<hr/>
	6,520	1,520
	<hr/>	<hr/>



# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 11. Investments (continued)

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 Company owns all of the 20,000,001 Ordinary "A" shares of £1 each and the one "C" share of £1 issued by Arsenal Broadband and controls 50 per cent of the voting rights.

#### Investments in subsidiary undertakings

At 31 May 2007 the Company had the following subsidiary companies (of which those marked \* are indirectly held)

	Country of incorporation	Proportion of Shares owned	Principal Activity
Arsenal (Emirates Stadium) Limited	Great Britain	100%	Property development
Arsenal Stadium Management Company Limited*	Great Britain	100%	Stadium operations
Arsenal Securities plc	Great Britain	100%	Financing
Arsenal Overseas Limited	Jersey	100%	Retail operations
Filepack Nominees Limited	Great Britain	100%	Dormant

### 12. Stocks

	2007 £'000	2006 £'000
Retail merchandise	1,162	500

### 13. Debtors

	2007 £'000	2006 £'000
Amounts receivable within one year		
Trade debtors	3,834	6,599
Other debtors	7,600	5,755
Deferred taxation	312	-
Prepayments and accrued income	12,086	19,918
	<u>23,832</u>	<u>32,272</u>
Amounts recoverable in more than one year		
Amounts due from group undertakings	186,463	182,804
Other debtors	1,778	3,561
Prepayments and accrued income	653	692
	<u>188,894</u>	<u>187,057</u>

Total other debtors of £9.4 million include £9.0 million in respect of player transfers (2006 - £9.3 million) of which £1.7 million is recoverable in more than one year and £3.4 million is covered by bank guarantees.

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

14	Creditors amounts falling due within one year	2007 £'000	2006 £'000
	Trade creditors	7,702	8,889
	Corporation tax	3,037	3,089
	Other tax and social security	5,097	9,074
	Other creditors and loans	12,128	21,237
	Accruals and deferred income	36,102	45,908
		<u>64,066</u>	<u>88,197</u>

Other creditors, above and as disclosed in note 15, include £16.5 million (2006 - £27.2 million) in respect of player transfers and directly related costs

15.	Creditors: amounts falling due after more than one year	2007 £'000	2006 £'000
	Debenture subscriptions	14,432	14,438
	Amount due to group undertakings	186,828	136,134
	Other creditors	6,638	6,343
	Deferred income	33,122	15,240
		<u>241,020</u>	<u>172,155</u>

Under the issue terms the debentures are repayable at par after 135 years. The debentures are interest free.

16.	Provision for liabilities	2007 £'000	2006 £'000
	Pensions provision (Note 24 (b))	705	834
	Transfers	14,327	10,702
	Deferred taxation	-	42
		<u>15,032</u>	<u>11,578</u>

The deferred tax credit for the year was £0.35 million (2006 - credit of £0.31 million)

The transfers provision relates to the probable additional fees payable based on the players concerned achieving a specified number of appearances or the occurrence of certain other specified events

Deferred tax provision	2007 £'000	2006 £'000
Deferred tax provision in respect of -		
Corporation tax deferred by accelerated capital allowances	764	1,212
Other timing differences	(1,076)	(1,170)
Total (asset)/provision for deferred taxation	<u>(312)</u>	<u>42</u>

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

<b>17. Called up equity share capital</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Authorised		
62,217 Ordinary shares of £1 each	62	62
	<hr/>	<hr/>
Called up, allotted and fully paid		
61,947 Ordinary shares of £1 each	62	62
	<hr/>	<hr/>
<b>18. Share premium and other reserves</b>	<b>Joint</b>	<b>Share</b>
	<b>venture</b>	<b>premium</b>
	<b>reserve</b>	<b>£'000</b>
	<b>£'000</b>	
Balance at start and end of year	1,470	56,696
	<hr/>	<hr/>
<b>19. Profit and loss account</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of year	5,561	15,531
(Loss)/profit for the year before dividends	(39,117)	32,030
Dividends	-	(42,000)
	<hr/>	<hr/>
Balance at end of year	(33,556)	5,561
	<hr/>	<hr/>
<b>20 Reconciliation of movement in equity shareholders' funds</b>	<b>2007</b>	<b>2006</b>
	<b>£'000</b>	<b>£'000</b>
Opening equity shareholders' funds	63,789	73,759
Loss for the year	(39,117)	(9,970)
	<hr/>	<hr/>
Closing equity shareholders' funds	24,672	63,789
	<hr/>	<hr/>

## 21. Leasing commitments

Commitments due under operating leases for the year to 31 May 2007 are in respect of

	<b>2007</b>		<b>2006</b>	
	<b>Land and</b>	<b>Other</b>	<b>Land and</b>	<b>Other</b>
	<b>buildings</b>	<b>£'000</b>	<b>buildings</b>	<b>£'000</b>
	<b>£'000</b>		<b>£'000</b>	
Leases expiring				
Within one year	-	1	-	4
Between two and five years	143	138	-	170
After five years	124	-	7,267	-
	<hr/>	<hr/>	<hr/>	<hr/>
	267	139	7,267	174
	<hr/>	<hr/>	<hr/>	<hr/>

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2007

### 22. Contingent liabilities

Under the conditions of certain transfer agreements in respect of players purchased, further transfer fees will be payable to the vendors in the event of the players concerned making a certain number of First Team appearances or in the event of certain other future events specified in the transfer agreements. In accordance with the Company's accounting policy for transfer fees, any additional fees which may be payable under these agreements, will be accounted for in the year that it becomes probable that the number of appearances will be achieved or the specified future events will occur. The maximum unprovided liability amounts to £9.9 million (2006 - £3.5 million).

The Company is a member of a VAT group and, consequently, is contingently liable for the VAT liabilities of that group. The amount outstanding at 31 May 2007 was £9.64 million.

### 23. Related party transactions

	2007 Income/ (charge) £'000	2006 Income/ (charge) £'000
The Company has the following transaction with Arsenal Broadband Limited in the year		
Provision of office services	107	74
Merchandising and advertising sales	(751)	(786)

At 31 May 2007 the balance owing from the Company to Arsenal Broadband Limited was £582,000 (2006 £997,000).

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

### 24. Pensions

#### a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £567,972 (2006 - £704,720).

#### b) Defined benefit scheme

	2007 £'000	2006 £'000
Provision at start of year	834	645
Payments in year	(129)	(303)
Increase in provision	-	492
Provision at end of year	705	834

The Company is advised of its share of the deficit in the Scheme. The most recent actuarial valuation of the Scheme was as at 31 August 2005 and indicated that the contribution required from the Company towards making good the deficit was £0.87 million at 1 April 2006 (the total deficit in the Scheme at this date was £8.8 million).

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

The agreed revised deficit is being paid off over a period of 10 years commencing May 2006. Payments for the year amounted to £128,916 and the profit and loss account charge was £84,000 (2006 - £368,836).

## ARSENAL FOOTBALL CLUB PLC

### NOTES TO THE ACCOUNTS

Year ended 31 May 2007

#### 25 Post balance sheet events

##### *Player transactions*

Since the end of the financial year the Company has contracted for the purchase, sale and loan of various players. The net income resulting from these transactions, taking into account the applicable levies, is £11.8 million. These transactions will be accounted for in the year ending 31 May 2008.

#### 26 Ultimate parent company

The company is a wholly owned subsidiary of Arsenal (AFC Holdings) Limited, a company incorporated in Great Britain. The largest and smallest group in which the Company's results are included is the consolidated accounts of the ultimate and immediate parent company, Arsenal Holdings plc, a company incorporated in Great Britain. These consolidated accounts are available to the public and may be obtained from Arsenal Holdings plc, Highbury House, 75 Drayton Park, London N5 1BU.