Arsenal Holdings plc
Results for the six months ended 30 November 2012

ARSENAL ANNOUNCE HALF YEAR RESULTS

- Group profit before tax was £17.8 million (2011 - £49.5 million).
- Profit on sale of player registrations amounted to £42.5 million (2011 - £63.0 million).
- £40.9 million of investment in new players and extended contracts pushed amortisation charges up to £19.9 million (2011 - £17.3 million).
- The resulting profit from player trading was £23.2 million (2011 - £46.1 million).
- Turnover from football fell to £106.1 million (2011 - £113.5 million) as a consequence of there being four fewer home fixtures.
- As a result of this change in football turnover and increased wage costs, operating profits (before depreciation and player trading) from football decreased to £5.0 million (2011 - £15.2 million).
- Property revenues were boosted to £32.3 million (2011 - £3.2 million) by the sale of the market housing site at Queensland Road. However, the Queensland Road sale was essentially at break even in profit and loss terms. Overall operating profits from property increased to £1.9 million (2011 - £0.5 million).
- The Group has no short-term debt and continues to have a robust financial platform from cash reserves of £123.3 million (2011 - £115.2 million).
- Confirmed extension to Emirates partnership worth up to £150 million.

Commenting on the results for the six months, Peter Hill-Wood, non-executive Chairman, said:

“Our ability to compete at the top of the game here and in Europe is underpinned by our financial performance which gives the club strength and independence. Our desire is to make everyone connected with Arsenal proud of the Club. We know that comes through winning trophies but also through the way we do things and that will remain our constant guide.”

Arsenal Holdings plc
Chairman's Statement

I would like to start by thanking all of you who have sent me your best wishes in recent weeks. I am glad to report I am recovering well. This is due in no small part to the support of my family, friends and Arsenal colleagues who have been a wonderful source of strength.

Despite being unable to attend matches recently due to my health, I have been following the team's fortunes closely and am looking forward to another exciting end to the season. We are competing for a place in the top four of the Premier League and, for a tenth consecutive season, are involved in the UEFA Champions League Round of 16.

Whilst we have our sights set on a 16th straight season in the Champions League, our aims are higher; our ambition is to win trophies. No-one is more focussed on that than our manager Arsène Wenger, our majority shareholder Stan Kroenke and the Board and it is what we work towards every day.

Our ability to compete at the top of the game here and in Europe is underpinned by our financial performance. The financial results are covered in more detail later in this report but show a total pre-tax profit of £17.8 million for the six month period to November 30th 2012.

Player sales in the summer 2012 transfer window contributed £42.5 million. Let me be quite clear that our intention is to keep our best players and recruit new talent to make us stronger.

Although we were disappointed to see Robin van Persie leave the club, we have taken steps to secure our best players going forward and have recently signed Jack Wilshere, Theo Walcott, Kieran Gibbs, Aaron Ramsey, Alex Oxlade-Chamberlain and Carl Jenkinson to new long-term contracts. During this financial period we also invested £40.9 million in the acquisition of new players, Lukas Podolski, Santi Cazorla and Olivier Giroud, and the extension of other player contracts. More recently we added Nacho Monreal to our ranks from Malaga.

This is a strong indicator of our ambition to compete and win trophies and, looking ahead, this will be further underpinned financially as a result of our extended partnership with Emirates. This will be worth up to £150 million over the next five years. It is one of the biggest sponsorship deals in the game and is an endorsement of the commercial approach we are taking. Emirates know us as well as anyone and the fact they have been prepared to invest this substantial sum over this period of time shows their strong belief in what we are trying to achieve and our way of working. Our financial position will be further strengthened as a result of the new Premier League broadcast rights deal.

Central to our ethos is our self-sustaining model which gives the club strength and independence. The Board remains fully committed to this path and the rest of the football world is increasingly realising the strength of this model. As an early proponent, we welcome the development of Financial Fair Play rules in the Premier League, in addition to those adopted by UEFA. These new rules will be good for us, good for the Premier League and good for the game as a whole.

It is important that we maintain the quality and level of competition if the game is to continue being a compelling spectacle and we believe the introduction of tighter financial regulation will assist all clubs to compete while remaining financially responsible.

Once again we have been delighted by the level of support we have received home and away. My thanks go to all supporters for their continued support for the Club.

We fully recognise the time and money it takes for supporters to follow us, particularly in the current economic circumstances, and this has played a big part in our decision to hold our ticket prices at this year's level for next season (2013/14). It also informed our decision to introduce a new pricing structure at the start of this season which has created 90,000 cheaper tickets for home and away supporters.

Looking further afield we continue to make excellent progress in developing our supporter base all over the world. Last summer's tour of Malaysia and China was a great success and we have already announced a game in Indonesia this summer with more to follow.

Chairman's Statement (continued)

In all this, our aim is to bring Arsenal supporters together to share their passion for the Club wherever they may be in the world. Our Facebook following has passed 13 million while we have 2 million people following us on Twitter. We have recently launched a new version of our website www.Arsenal.com. In addition we have a website running in China http://arsenal.qq.com/ and have more than 1 million followers on Weibo – China's equivalent of Twitter.
As we move towards the centenary of the Club's arrival in Islington, we continue to ensure we play a prominent role in making a difference in the community through the work of The Arsenal Foundation, which focuses on raising money and giving grants to help transform the lives of young people. In any given week 2,160 young people are engaged through Arsenal in the Community projects in the Islington area and in addition we continue to work with our global charity partner, Save the Children to make a difference both here in London and further afield in China. Once again many of you have provided great support to our fundraising activities for which we are very grateful. To learn more about our activities or to make a donation please visit http://www.arsenal.com/thearsenalfoundation/donate.

FINANCIAL REVIEW
The financial results for the six months ended 30 November 2012, show a profit before tax of £17.8 million (2011 – full year profit of £36.6 million).

Once again the half year results have been significantly influenced by the changes in the squad which occurred in the summer transfer window. Profits from sale of player registrations contributed an amount of £42.5 million although this was significantly lower than the £63.0 million gain accounted for in the comparative period last year.

During the period we invested £40.9 million in the acquisition of new players and, to a lesser extent, extended contracts for certain existing players. The cost of this investment will be charged against profit over the life of the underlying player contracts and, as a consequence, the amortisation charge for the six month period has again increased to £19.9 million (2011 - £17.3 million).

The changes in playing personnel have also contributed to an increased wage bill. However, the full wage impact of the revised contracts awarded to a number of key young players - including Walcott, Wilshere, Ramsey, Gibbs, Jenkinson and Oxlade-Chamberlain – will not come through until the second half of the year and subsequent periods.

	2012	**2011**
	£m	**£m**
Turnover		
Football	106.1	113.5
Property development	32.3	3.2
Total turnover	**138.4**	**116.7**
Operating profits*		
Football*	5.0	15.2
Property development	1.9	0.5
Total operating profit*	**6.9**	**15.7**
Player trading	22.6	45.8
Depreciation	(5.6)	(5.8)
Joint venture	0.4	0.5
Net finance charges	(6.5)	(6.7)
Profit before tax	**17.8**	**49.5**

*= operating profits before depreciation and player trading

Broadcasting revenues for the period were slightly down on the previous year at £40.1 million (2011 - £40.6 million) which reflects the fact we were not involved in the qualifying Champions League round and a reduction in the UEFA market pool for English clubs for this season.

The first six months of the year saw continued growth in our Commercial revenue line with the addition of Airtel and Malta Guinness to our partnership portfolio and additional sponsorships connected to the pre-season tour. In the second half of the year Commercial revenues will increase significantly as we will start to account for the extended partnership contract with Emirates; revenues from the £150 million contract extension will be combined with the remaining revenues from the original contract and spread evenly over the revised contract term.

Chairman's Statement (continued)

Compared to the same period for last year, there were four fewer home games (1 Premier League, 1 UEFA Champions League (qualifying round) and 2 Capital One Cup) although the Premier League fixture is only a scheduling difference with that game being played in the second half of the year. At the half year stage we had played 10 of the 26 fixtures we are so far certain of playing for the full season. As a result of the lower number of home games the Club's match day revenues for the half year fell by £8.1 million and this is the principal factor behind lower total football revenues of £106.1 million (2011 - £113.5 million).

The impact of the new player signings and contract extensions previously referred to is an increase in our player wage costs. The Group's employment costs are the principal driver for the increase in football operating costs to £101.1 million (2011 - £98.4 million). Operating profits from football (before depreciation and player trading) were decreased to £5.0 million from £15.2 million for the prior half year.

Revenues from the Group's property business were significantly increased to £32.3 million (2011 - £3.2 million).

This included the completion of the sale of the north-east section of Queensland Road to Barratts for a consideration of some £27 million and Barratts have subsequently started work to construct three towers of market residential accommodation. This site had previously been re-valued in the Group's books, to reflect its expected sale price, and as such the transaction is effectively at break-even in profit and loss terms. Of the proceeds, £20 million is receivable in instalments over a two year period.

At Highbury Square we completed the sale of three apartments to leave a single remaining unit, which is currently expected to be retained by the Group. The final phase of the Highbury development, a mix of 21 new / refurbished property units with addresses on Avenell Road, Gillespie Road and Highbury Hill, is also progressing well and 8 apartment sales were completed in the half year generating revenue of £2.9 million. 10 houses will be released for sale in the near future as the final stage of this project.

The property business made an overall contribution to operating profits of £1.9 million (2011 - £0.5 million). There is an ongoing dialogue with Islington Council in relation to the planning consents for our remaining property sites on Hornsey Road and Holloway Road.

The Group continues to have a strong balance sheet. £6.5 million of stadium finance bonds were repaid in the period and, other than next year's annual instalment on the bonds, the Group has no short-term debt. Cash balances at 30th November amounted to £123.3 million (2011 - £115.2 million).

The Group enters into a number of transactions, relating mainly to its participation in European competition (UEFA Champions League distributions are paid in €) and player transfers, which create exposure to movements or volatility in foreign exchange, including €. The Group monitors this foreign exchange exposure on a continuous basis and will usually hedge any significant exposure in its currency receivables and payables.

SUMMARY

The Group's overall after tax profit for the six months was £14.9 million (2011 – profit of £38.0 million).

Historically the financial results of the football business are better for the second half of the year as the timing differences around gate and broadcasting revenue come back in balance. As always, the actual outcome for the second half will be strongly influenced by the extent of progress in the knock-out competitions and final Premier League position. We expect the overall result for the year to be fully compliant with the requirements of UEFA's financial regulatory regime and to provide a strong base for any further financial regulations imposed within the Premier League. They will also put us in a good position for further re-investment in the team.

In closing, I repeat our desire is to make everyone connected with Arsenal proud of the Club. We know that comes through winning trophies but also through the way we do things and that will remain our constant guide.

Thank you again for your continued support and your best wishes for my health. I hope you all enjoy the rest of the season.

P D Hill-Wood
Chairman
25 February 2013

Arsenal Holdings plc
Consolidated profit and loss account
For the six months ended 30 November 2012

	Notes	Six months to 30 November 2012 Unaudited			Six months to 30 November 2011 Unaudited	Year ended 31 May 2012 Audited
		Operations excluding player trading £'000	Player trading £'000	Total £'000	Total £'000	Total £'000
Turnover of the Group including its share of joint ventures		139,000	564	139,564	118,001	245,478
Share of turnover of joint ventures		(1,132)	-	(1,132)	(1,276)	(2,465)
Group turnover	4	137,868	564	138,432	116,725	243,013
Operating expenses						
- other		(137,190)	-	(137,190)	(106,817)	(217,018)
- amortisation of player registrations		-	(19,904)	(19,904)	(17,266)	(42,319)
Total operating expenses	5	(137,190)	(19,904)	(157,094)	(124,083)	(259,337)
Operating profit/(loss)		678	(19,340)	(18,662)	(7,358)	(16,324)
Share of operating profit of joint venture		403	-	403	528	952
Profit on disposal of player registrations		-	42,501	42,501	63,010	65,456
Profit on ordinary activities before net finance charges		1,081	23,161	24,242	56,180	50,084
Net finance charges	6			(6,467)	(6,717)	(13,496)
Profit on ordinary activities before taxation				17,775	49,463	36,588
Taxation	7			(2,873)	(11,414)	(6,995)
Profit after taxation retained for the financial period				14,902	38,049	29,593
Earnings per share	8			£239.52	£611.55	£475.64

All trading resulted from continuing operations.

There are no recognised gains or losses other than those included in the profit and loss account and, accordingly, no consolidated statement of total recognised gains and losses is presented.

The accompanying notes are an integral part of these statements.

Arsenal Holdings plc

Consolidated balance sheet

At 30 November 2012

	Notes	30 November 2012 Unaudited £'000	30 November 2011 Unaudited £'000	31 May 2012 Audited £'000
Fixed assets				
Tangible assets	9	424,890	430,357	427,157
Intangible assets	10	104,951	107,159	85,708
Investment in joint venture		2,677	2,176	2,326
		532,518	539,692	515,191
Current assets				
Stock – Development properties	11	14,783	36,815	37,595
Stock – Retail merchandise		2,694	3,024	1,681
Debtors – Due within one year	12	69,739	52,652	52,332
Debtors – Due after one year	12	21,075	5,905	5,201
Cash and short-term deposits	13	123,374	115,150	153,625
		231,665	213,546	250,434
Creditors: Amounts falling due within one year	14	(141,454)	(123,321)	(145,159)
Net current assets		90,211	90,225	105,275
Total assets less current liabilities		622,729	629,917	620,466
Creditors: Amounts falling due after more than one year	15	(255,754)	(263,181)	(268,066)
Provisions for liabilities	16	(54,525)	(60,732)	(54,852)
Net assets		312,450	306,004	297,548
Capital and reserves				
Called up share capital		62	62	62
Share premium		29,997	29,997	29,997
Merger reserve		26,699	26,699	26,699
Profit and loss account	17	255,692	249,246	240,790
Shareholders' funds	18	312,450	306,004	297,548

The accompanying notes are an integral part of this consolidated balance sheet.

Arsenal Holdings plc
Consolidated cash flow statement
For the six months ended 30 November 2012

	Six months to 30 November		Year ended 31 May
	2012	2011	2012
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Net cash (outflow)/inflow from operating activities	(5,767)	(21,822)	27,694
Player registrations	(8,061)	399	(1,785)
Returns on investment and servicing of finance	(6,279)	(6,629)	(13,071)
Taxation	(5)	(4,681)	(4,624)
Capital expenditure	(3,591)	(6,138)	(8,610)
Cash (outflow) before financing	(23,703)	(38,871)	(396)
Financing	(6,548)	(6,208)	(6,208)
Management of liquid resources	17,481	(61,319)	(79,633)
Change in cash in the period	(12,770)	(106,398)	(86,237)
Change in short-term deposits	(17,481)	61,319	79,633
(Decrease) in cash and short-term deposits	(30,251)	(45,079)	(6,604)

Arsenal Holdings plc
Notes to the cash flow statement

	Six months to 30 November 2012 Unaudited £'000	Six months to 30 November 2011 Unaudited £'000	Year ended 31 May 2012 Audited £'000
a) Reconciliation of operating loss to net cash (outflow)/inflow from operating activities			
Operating loss	(18,662)	(7,358)	(16,324)
Profit on disposal of tangible fixed assets	(14)	-	(12)
Depreciation (net of grant amortisation)	5,629	5,780	11,391
Amortisation of player registrations	19,904	17,266	36,802
Impairment of player registrations	-	-	5,517
Decrease/(increase) in stock	21,799	(5,265)	(4,702)
(Increase) in debtors	(18,354)	(10,478)	(11,894)
(Decrease)/increase in creditors	(16,069)	(21,767)	6,916
Net cash (outflow)/inflow from operating activities	(5,767)	(21,822)	27,694
b) Reconciliation of net cash flow to movement in net debt			
(Decrease) in cash and short term deposits	(30,251)	(45,079)	(6,604)
Cash outflow from decrease in debt	6,548	6,208	6,208
Change in net debt resulting from cash flows	(23,703)	(38,871)	(396)
Increase in debt resulting from non cash changes	(345)	(349)	(695)
Net debt at start of period	(98,918)	(97,827)	(97,827)
Net debt at close of period	(122,966)	(137,047)	(98,918)

c) Analysis of changes in net debt

	At 1 June 2012 £'000	Non cash changes £'000	Cash flows £'000	At 30 November 2012 £'000
Cash at bank and in hand	29,272	-	(12,770)	16,502
Short-term deposits	124,353	-	(17,481)	106,872
	153,625	-	(30,251)	123,374
Debt due within one year (bonds)	(5,937)	-	(364)	(6,301)
Debt due after more than one year (bonds)	(219,496)	(166)	6,909	(212,753)
Debt due after more than one year (debenture subscriptions)	(27,110)	(179)	3	(27,286)
Net debt	(98,918)	(345)	(23,703)	(122,966)

Notes to the cash flow statement (continued)

Non cash changes represent £306,000 in respect of the amortisation of costs of raising finance, £179,000 in respect of rolled up, unpaid debenture interest for the period less £140,000 in respect of amortisation of the premium on certain of the Group's interest rate swaps.

d) Gross cash flows

	Six months to 30 November		Year ended 31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Player registrations:			
Payments for purchase of players	(37,116)	(50,299)	(57,406)
Receipts from sale of players	29,055	50,698	55,621
	(8,061)	399	(1,785)
Returns on investment and servicing of finance:			
Interest received	567	416	832
Interest paid	(6,846)	(7,045)	(13,903)
	(6,279)	(6,629)	(13,071)
Capital expenditure:			
Payments to acquire tangible fixed assets	(3,615)	(6,138)	(8,629)
Receipts from sale of tangible fixed assets	24	-	19
	(3,591)	(6,138)	(8,610)
Financing:			
Repayment of borrowings	(6,548)	(6,208)	(6,208)
Total debt repayment	(6,548)	(6,208)	(6,208)

Arsenal Holdings plc
Notes to the interim accounts
30 November 2012

1 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 30 November 2012. The Group has two classes of business – the principal activity of operating a professional football club and property development.

The interim results have been prepared, in accordance with United Kingdom Generally Accepted Accounting Practice, on the same basis and using the same accounting policies as those used in the preparation of the full year's accounts to 31 May 2012. The status of the Group's financing arrangements is reported in notes 14 and 15 and is summarised in the Chairman's Statement. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the financial statements continue to be prepared on the going concern basis.

2 Significant accounting policies

Income recognition

Gate and other match day revenue is recognised over the period of the football season as games are played and events are staged. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees for live coverage or highlights are taken when earned at the point of broadcast. Merit awards are accounted for only when known at the end of the financial period. UEFA pool distributions relating to participation in the Champions League are spread over the matches played in the competition whilst distributions relating to match performance are taken when earned; these distributions are classified as broadcasting revenues. Fees receivable in respect of the loan of players are included in turnover over the period of the loan.

Income from the sale of development properties is recognised on legal 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.

Player registrations

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 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.

Notes to the interim accounts (continued)

3 Segmental analysis

Class of business	Football		
	Six months to 30 November		Year ended 31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Turnover	106,145	113,541	235,329
Profit on ordinary activities before taxation	15,616	48,864	34,089
Segment net assets	278,023	275,761	265,280

Class of business	Property development		
	Six months to 30 November		Year ended 31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Turnover	32,287	3,184	7,684
Profit on ordinary activities before taxation	2,159	599	2,499
Segment net assets	34,427	30,243	32,268

Class of business	Group		
	Six months to 30 November		Year ended 31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Turnover	138,432	116,725	243,013
Profit on ordinary activities before taxation	17,775	49,463	36,588
Net assets	312,450	306,004	297,548

Notes to the interim accounts (continued)

4 Turnover

	Six months to 30 November 2012 Unaudited £'000	Six months to 30 November 2011 Unaudited £'000	Year ended 31 May 2012 Audited £'000
Gate and other match day revenues	37,785	45,954	95,212
Player trading	564	394	2,901
Broadcasting	40,108	40,642	84,701
Retail and licensing income	9,813	9,776	18,303
Commercial	17,875	16,775	34,212
Property development	32,287	3,184	7,684
	138,432	116,725	243,013

5 Operating costs

	Six months to 30 November 2012 Unaudited £'000	Six months to 30 November 2011 Unaudited £'000	Year ended 31 May 2012 Audited £'000
Football – amortisation and depreciation	25,533	23,046	48,193
Football – impairment	-	-	5,517
Football – other operating costs	101,136	98,353	200,164
Property development – operating costs	30,425	2,684	5,463
	157,094	124,083	259,337

6 Net finance charges

	Six months to 30 November 2012 Unaudited £'000	Six months to 30 November 2011 Unaudited £'000	Year ended 31 May 2012 Audited £'000
Interest payable and similar charges:			
Bank loans and overdrafts	(1)	(4)	(16)
Fixed/floating rate bonds	(6,571)	(6,614)	(13,265)
Other	(179)	(175)	(385)
Costs of raising long-term finance	(359)	(393)	(785)
Total interest payable and similar charges	(7,110)	(7,186)	(14,451)
Interest receivable	643	469	955
Net finance charges	(6,467)	(6,717)	(13,496)

Notes to the interim accounts (continued)

7 Taxation

The charge for taxation is based on the estimated effective tax rate for the year as a whole.

	Six months to 30 November		Year ended 31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Corporation tax on result for the period at 23.83%	(52)	(2,607)	(483)
Movement in deferred taxation	(2,821)	(8,807)	(6,512)
Total tax charge	(2,873)	(11,414)	(6,995)

From 1 April 2013 the rate of UK corporation tax will reduce from 24% to 23%. The Group's deferred tax liabilities have been revalued based on the 23% rate. The impact of the rate change is a deferred tax credit of £1.62 million.

The comparative rates of corporation tax were 25.83% for the six months ended 30 November 2011 and 25.67% for the year ended 31 May 2012.

8 Earnings per share

The calculation of earnings per share is based on the profit for the period divided by the weighted average number of ordinary shares in issue being 62,217 (period to 30 November 2011 – 62,217 shares and year to 31 May 2012 – 62,217 shares).

9 Tangible fixed assets

	Freehold property £'000	**Leasehold property £'000**	**Plant and equipment £'000**	**Total £'000**
Cost				
At 1 June 2012	400,956	6,608	92,498	500,062
Additions	709	68	2,654	3,431
Disposals	-	-	(89)	(89)
At 30 November 2012	401,665	6,676	95,063	503,404
Depreciation				
At 1 June 2012	34,565	3,087	35,253	72,905
Charge for period	2,811	154	2,723	5,688
Disposals	-	-	(79)	(79)
At 30 November 2012	37,376	3,241	37,897	78,514
Net book value				
At 30 November 2012	364,289	3,435	57,166	424,890
At 31 May 2012	366,391	3,521	57,245	427,157

10 Intangible fixed assets

	£'000
Cost of player registrations	
At 1 June 2012	189,685
Additions	40,889
Disposals	(13,071)
At 30 November 2012	217,503
Amortisation of player registrations	
At 1 June 2012	103,977
Charge for the period	19,904
Disposals	(11,329)
At 30 November 2012	112,552
Net book amount	
At 30 November 2012	104,951
At 31 May 2012	85,708

11 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.

12 Debtors

	30 November		31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Amounts recoverable within one year:			
Trade debtors	15,443	5,897	20,394
Other debtors	23,973	16,392	14,347
Prepayments and accrued income	30,323	30,363	17,591
	69,739	52,652	52,332
Amounts recoverable after more than one year:			
Trade debtors	10,000	-	-
Other debtors	9,480	3,799	3,570
Prepayments and accrued income	1,595	2,106	1,631
	21,075	5,905	5,201

Other debtors of £33.5 million, include £31.4 million in respect of player transfers (30 November 2011 £19.0 million and 31 May 2012 £16.5 million) of which £8.4 million is recoverable after more than one year.

Notes to the interim accounts (continued)

13 Cash at bank and in hand

	30 November 2012 Unaudited £'000	30 November 2011 Unaudited £'000	31 May 2012 Audited £'000
Debt service reserve accounts	23,696	23,056	33,538
Other accounts	99,678	92,094	120,087
	123,374	115,150	153,625

The Group is required under the terms of its fixed 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 £1.2 million (30 November 2011 £2.3 million and 31 May 2012 £1.0 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.

	30 November 2012 Unaudited £'000	30 November 2011 Unaudited £'000	31 May 2012 Audited £'000
Cash at bank and in hand	16,502	9,111	29,272
Short-term deposits	106,872	106,039	124,353
	123,374	115,150	153,625

14 Creditors: Amounts falling due within one year

	30 November 2012 Unaudited £'000	30 November 2011 Unaudited £'000	31 May 2012 Audited £'000
Fixed rate bonds - secured	6,301	5,928	5,937
Trade creditors	10,527	11,309	10,983
Corporation tax	195	2,537	200
Other tax and social security	6,181	5,190	17,312
Other creditors	32,070	23,627	23,915
Accruals and deferred income	86,180	74,730	86,812
	141,454	123,321	145,159

Other creditors, above and as disclosed in note 15, include £31.6 million (30 November 2011 £22.9 million and 31 May 2012 £23.6 million) in respect of player transfers.

Notes to the interim accounts (continued)

15 Creditors: Amounts falling due after more than one year

	30 November 2012 Unaudited £'000	30 November 2011 Unaudited £'000	31 May 2012 Audited £'000
Fixed rate bonds – secured	159,968	166,406	166,640
Floating rate bonds – secured	52,785	52,928	52,856
Debentures	27,286	26,935	27,110
Other creditors	6,181	4,323	4,772
Grants	3,930	4,063	3,989
Deferred income	5,604	8,526	12,699
	255,754	263,181	268,066

The fixed rate bonds comprise:

	30 November 2012 Unaudited £'000	30 November 2011 Unaudited £'000	31 May 2012 Audited £'000
Fixed rate bonds	170,674	177,220	177,220
Costs of raising finance	(4,405)	(4,886)	(4,643)
	166,269	172,334	172,577
Due within one year (see note 14)	6,301	5,928	5,937
Due after more than one year	159,968	166,406	166,640
	166,269	172,334	172,577

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

The floating rate bonds above comprise:

	30 November 2012 Unaudited £'000	30 November 2011 Unaudited £'000	31 May 2012 Audited £'000
Floating rate bonds	50,000	50,000	50,000
Interest rate swap	5,225	5,505	5,365
Costs of raising finance	(2,440)	(2,577)	(2,509)
	52,785	52,928	52,856
Due within one year	-	-	-
Due after more than one year	52,785	52,928	52,856
	52,785	52,928	52,856

The floating rate bonds bear interest at LIBOR for three month deposits plus a margin of 0.22% and the Group has entered into interest rate swaps which fix the LIBOR element of this cost at 5.75%. The fixed rate bonds and floating

Notes to the interim accounts (continued)

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 the bond principal outstanding.

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 debt. The amortisation charge for the period was £306,000 (period to 30 November 2011 £315,000 and year ended 31 May 2012 £626,000).

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 and the related bank guarantees, by fixed charges over £27.5 million (30 November 2011 £28.5 million, 31 May 2012 £49.6 million) of the Group's bank deposits, by legal mortgages or fixed charges over the share capital and intellectual property rights of certain subsidiary companies and fixed and floating charges over the other assets of certain subsidiary companies.

The Group's financial liabilities/debt is repayable as follows:	30 November		31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Between one and two years	7,274	6,900	6,900
Between two and five years	24,274	23,026	23,026
After five years	209,647	217,995	218,170
	241,195	247,921	248,096
Within one year	6,900	6,545	6,545
	248,095	254,466	254,641

Interest rate profile

After taking into account interest rate swaps, the interest rate profile of the Group's financial liabilities at 30 November 2012 was as follows:

	Fixed rate Unaudited 2012 £'000	**Floating rate Unaudited 2012 £'000**	**Interest free Unaudited 2012 £'000**	**Total Unaudited 2012 £'000**	**Weighted average fixed rate Unaudited %**	**Weighted average period for which rate is fixed Unaudited Yrs**
Bonds - fixed rate	170,674	-	-	170,674	5.8	16.5
Bonds - floating rate	50,000	-	-	50,000	6.6	18.5
Debentures	12,991	-	14,430	27,421	2.8	15.5
	233,665	-	14,430	248,095		

Notes to the interim accounts (continued)

Changes in the fair value of interest rate swaps, which are used as hedges, are not recognised in the financial statements until the hedged position matures. At 30 November 2012 the total unrecognised loss on the Group's interest rate swaps was £19.8 million (31 May 2012: £18.1 million).

The interest rate profile at 30 November 2011 for comparative purposes was:

	Fixed Rate Unaudited 2011 £'000	Floating rate Unaudited 2011 £'000	Interest free Unaudited 2011 £'000	Total Unaudited 2011 £'000	Weighted average fixed rate Unaudited %	Weighted average period for which rate is fixed Unaudited Yrs
Bonds - fixed rate	177,220	-	-	177,220	5.8	17.5
Bonds - floating rate	50,000	-	-	50,000	6.6	19.5
Debentures	12,816	-	14,430	27,246	2.8	16.5
	240,036	-	14,430	254,466		

The interest rate profile at 31 May 2012 for comparative purposes was:

	Fixed rate Audited 2012 £'000	Floating rate Audited 2012 £'000	Interest free Audited 2012 £'000	Total Audited 2012 £'000	Weighted average fixed rate Audited %	Weighted average period for which rate is fixed Audited Yrs
Bonds - fixed rate	177,220	-	-	177,220	5.8	17
Bonds - floating rate	50,000	-	-	50,000	6.6	19
Debentures	12,991	-	14,430	27,421	2.8	16
	240,211	-	14,430	254,641		

16 Provisions for liabilities

	30 November		31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Pensions provision	2,834	867	2,993
Transfers provision	10,114	18,810	13,103
Deferred taxation	41,577	41,055	38,756
	54,525	60,732	54,852

Notes to the interim accounts (continued)

The pensions provision relates to the expected contribution required towards making good the Minimum Funding Requirements deficit which exists in the Football League Pension and Life Assurance Scheme less payments made to the scheme in this respect.

The transfers provision relates to the probable additional fees payable based on the players concerned achieving a specified number of appearances.

17 Profit and loss account

	30 November		31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
At start of period	240,790	211,197	211,197
Profit for the period	14,902	38,049	29,593
Balance at end of period	255,692	249,246	240,790

18 Reconciliation of shareholders' funds

	30 November		31 May
	2012 Unaudited £'000	2011 Unaudited £'000	2012 Audited £'000
Opening shareholders' funds	297,548	267,955	267,955
Profit for the period	14,902	38,049	29,593
Closing shareholders' funds	312,450	306,004	297,548

19 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. The maximum unprovided potential liability is £7.8 million (30 November 2011 £11.0 million, 31 May 2012 £7.8 million).

The Group has commitments outstanding under letters of credit, issued to guarantee its performance of certain future contractual obligations in relation to its new stadium and property development projects, of £0.3 million (30 November 2011 £0.3 million, 31 May 2012 £0.3 million).

20 Additional information

a) The interim financial statements do not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The financial information for the year ended 31 May 2012 has been extracted from the

Notes to the interim accounts (continued)

statutory accounts for the year then ended which have been filed with the Registrar of Companies. The audit report on these accounts was unqualified and did not contain any statements under Section 498 (2) or (3) Companies Act 2006.

b) These results will be announced to ICAP Securities & Derivatives Exchange (ISDX Growth Market) on 25 February 2013 and posted to all shareholders on the register at 22 February 2013. Copies of this interim report will be available from the company's registered office at Highbury House, 75 Drayton Park, London N5 1BU.

INDEPENDENT REVIEW REPORT TO ARSENAL HOLDINGS PLC

We have been engaged by the company to review the interim financial statements in the half-yearly financial report for the six months ended 30 November 2012 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the notes to the cash flow statement and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the ISDX Growth Market Rules for Issuers and the ASB Statement *Half-Yearly Financial Reports*. As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The interim financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the interim financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements in the half-yearly financial report for the six months ended 30 November 2012 is not prepared, in all material respects, in accordance with the ISDX Growth Market Rules for Issuers and the ASB Statement *Half-Yearly Financial Reports*.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25 February 2013