Interim Accounts

for the six months ended November 30, 2013

ARSENAL HOLDINGS PLC

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Chairman's Statement

30 November 2013

When I was appointed Chairman last summer, I was quite clear that our collective aim was to be successful on the pitch whilst remaining true to the principles which this great club has adhered to over successive generations.

There was good reason to believe that the hard work which has been put in, by many people across the Club, over recent years had created the momentum for a successful season in every aspect of our activities.

Thus far that optimism has been well founded. We must continue to take each game as it comes as there is clearly a long way to go in this exciting season and I am sure there will be many unexpected twists in the months ahead. If I have learned anything in all my years as a fan of this Club, it has been to never get too excited when things are going well or too down when things go against us.

The team has put in an excellent performance so far this season. Our manager Arsène Wenger has built another supremely talented team with a blend of young players and those with more experience from around the world. Kieran Gibbs, Aaron Ramsey, Wojciech Szczesny and Jack Wilshere are all flourishing. We are also seeing the emergence of Serge Gnabry and Gedion Zelalem into the first team squad. This is testimony again to Arsène Wenger's philosophy of giving young talented players a chance.

It is a philosophy we will continue to back both in terms of facilities and expertise. We have recently announced that Andries Jonker is to become Head of the Youth Academy in the summer, succeeding Liam Brady. Andries has tremendous experience from Holland and Germany in leading exciting programmes to identify and develop the best young players. I have no doubt he will build successfully on the outstanding work which has been done by Liam and his team over many years. In addition, plans are in place to improve our training academy facilities at Hale End, where our youngest players start their Arsenal journeys.

Whilst youth development continues to be an important focus, we fully recognise the importance of getting the balance right between youth and experience. As you well know, we signed Mesut Özil for a Club record transfer fee in the summer and, in addition, the signing of Mathieu Flamini has proved to be an astute acquisition. We have also continued to invest in the squad by retaining some of our key players. We expect to be able to confirm, in the near future, that a number of our senior players have signed extended contracts. This is important for the stability of the squad.

We will continue to work hard to keep the players Arsène believes can take us forwards. We will also continue to support the manager in the transfer market when he identifies players he believes can further strengthen the squad.

We also have significant momentum off the field in terms of growing our revenues. The financial results for the first half of the year, which are considered in more detail in the Financial Review section of this report, show that the Club has recorded significantly increased revenue across each of its key areas of activity – match day, broadcasting and commercial. This is excellent news.

You will have seen last month's announcement of our new partnership with PUMA. Whilst I am unable to state the figures publicly, it is fair to say this is the biggest partnership agreement the Club has ever completed. The financial impact, in terms of profits and cash-flow, will not begin to be realised until the start of the next financial year but it will clearly provide a further significant boost to our income and further strengthen our financial position.

We are delighted to welcome PUMA to the Arsenal family and we look forward to a successful partnership. ▸


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The fact that PUMA intend to use Arsenal as one of their primary assets around the world will undoubtedly help with our ambitions to grow the Club's profile on a global basis. We all look forward to seeing the new kits when they are launched in July.

In the meantime, it would be remiss of me not to thank Nike for their enormous contribution to Arsenal. They have been an excellent partner and we are grateful for their long-standing support which goes back 20 years.

In addition to PUMA, we have also welcomed Gatorade, Huawei, Cooper Tires Europe, Lanvin and JEANRICHARD to the Club as global partners and BT Sport as a regional partner.

Earlier this season we were delighted to announce the appointment of Josh Kroenke as a director. Josh has a wealth of commercial experience gained across a range of sports businesses and I am sure he will make a significant contribution to the Board.

This season has also seen us commemorate the 100 year anniversary of our historic move from Woolwich to Islington, with a range of special activities to mark the centenary. As part of the celebrations and to recognise our ongoing commitment to the local community, The Arsenal Foundation announced a donation of £150,000 to local organisation Islington Giving. This will help to engage more young people in the Borough through a range of sport and leisure activities and is delivered with the help of our own community department.

Our work through The Arsenal Foundation continues to make a meaningful difference to lives both here in the UK and overseas. Since its launch in 2012, the Foundation has committed more than £1 million to projects that are directly helping more than 100,000 young people.

Once again, players, staff and supporters showed tremendous generosity towards our dedicated charity match day in December, raising a record total in excess of £225,000. This money will enable us to continue doing even more work that transforms young peoples' lives for the better. To find out more about The Arsenal Foundation or to make a donation, please visit www.arsenal.com/thearsenalfoundation.

Financial Review

The financial results for the six months ended 30 November 2013 show strong growth in revenue across all of the Club's principal areas of activity. This is partly a consequence of new contractual arrangements coming on line and partly a reflection of the team's on field performance. Overall our turnover from football was £135.9 million, which is 28% higher than the £106.1 million reported for the comparative period last year.

Broadcasting was the largest source of income for the period at £52.0 million (2012 - £40.1 million). This is the first of three years under the Premier League's new broadcasting contracts with Sky and BT which, as previously reported, are at a significantly improved level. This heading also includes revenue from sale of the TV rights to the Emirates Cup; due to the London Olympics there was no Emirates Cup in the prior period. We include revenues from the UEFA Champions League within the broadcasting line and looking beyond the current year, the exclusive acquisition of the UK rights by BT will likely drive further growth in values for the participating English clubs, therefore further increasing the significance of a top four Premier League finish.

Our match day revenues also benefited from the return of the Emirates Cup to the pre-season schedule and from one additional game, the UEFA Champions League qualifying round, compared to last season. These additional fixtures meant that match day revenue for the period was £45.0 million (2012 - £37.8 million).

As ever, match day revenue is weighted to the second half of the financial year and at 30 November we had played 11 of the 28 home fixtures we are so far certain of playing for the full season.

Commercial and Retail revenues for the period amounted to £38.4 million, which was 39% higher than the £27.7 million reported this time last year. The main driver for this increase being the Group's renewed partnership with Emirates, which only came into force for the second half of the last financial year. As mentioned elsewhere in this report we have also added a number of new commercial partnerships and, in particular, PUMA as our kit partner from this summer. It should be noted that no revenue from the PUMA contract will be included in the results for the current financial year.

Elsewhere our commercial activities have benefited from improved trading conditions and on field performance with good levels of growth from our retail business and in areas such as stadium tours and membership. In the second half of the year retail sales may be impacted by lower available stocks as part of the planned transition from Nike to PUMA.

Operating costs for the football side of the business were increased to £113.2 million (2012 - £101.1 million). This time last year we pointed out that the financial impact of new contracts which had then recently been awarded to a number of key young players – including Theo Walcott, Jack Wilshere, Aaron Ramsey and Alex Oxlade-Chamberlain – would only come through in later periods. The incremental impact of those contracts, together with more recent player contract renewals and the addition to the squad of Mesut Özil has meant that some £9.2 million of the increase in operating expense is attributable to employment costs. Of the remaining cost change, £2.1 million was directly attributable to increased revenues.

Overall operating profit from football has improved to £22.2 million, from £4.4 million for the comparative period. This clearly demonstrates the significant positive impact which is derived from the combination of the new broadcasting contracts and our own commercial growth.

	2013	2012
	£m	£m
Turnover		
Football	135.9	106.1
Property development	2.0	32.3
Total turnover	137.9	138.4
Operating profits*		
Football*	22.2	4.4
Property development	0.7	1.9
Total operating profit*	22.9	6.3
Player trading	(12.6)	23.2
Depreciation and amortisation	(6.4)	(5.6)
Joint venture	0.4	0.4
Net finance charges	(6.5)	(6.5)
(Loss) / profit before tax	(2.2)	17.8

*= operating profits before depreciation and player trading

In contrast to football, activity in the Group's property business was at a very much lower level. This was entirely expected, as the prior period contained a significant one-off sale of the north east section of Queensland Road to Barratts. All instalments of the £27 million sale price for that transaction have now been received from Barratts.

Property activity for the first half of this financial year was confined to the sale of a small number of houses associated with the Highbury Square development, which produced revenue of £2.0 million and £0.7 million of operating profit. Looking ahead, the timing of sale for the remaining property sites, on ▸


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Hornsey Road and Holloway Road, is tied to the resolution of the underlying planning consents and the outcome of a judicial review which is not expected until the spring.

As is frequently the case, player trading has had a material impact on the overall result for the period. There was a low level of outward transfer activity during the summer window with only the sales of Gervinho and Vito Mannone generating appreciable fees and contributing to an overall profit on sale of player registrations of £6.1 million. This was very much lower than the comparative period which included a profit on sale of £42.5 million. The other components of player trading are the amortisation cost of player registrations, which was broadly similar to the prior year, at £19.3 million (2012 - £19.9 million) and loan fees of £0.5 million (2012 - £0.6 million). The net loss on player trading was therefore £12.6 million compared with a net profit in the comparative period of £23.2 million.

The Group continues to have a strong balance sheet. £6.9 million of stadium finance bonds were repaid on schedule in the period and, other than next year's annual instalment on the bonds, the Group has no short-term debt. In accordance with the original issue terms there has been a small step up of 0.33% in the interest cost for our £50 million floating rate note.

The book value of player registrations (intangible fixed assets) has been increased significantly to £130 million, from £96.6 million as at 31 May 2013, principally as a result of the acquisition of Özil's registration. In cash terms, after the collection of receivables from player sales, including instalments on sales made in prior years, the net outlay on transfers for the period was £12.7 million. This meant that the Group has maintained a strong cash position with balances at 30 November of £120.6 million (2012 - £99.7 million), which excludes debt service reserve balances, which are not available for football purposes, of £22.8 million (2012 - £23.7 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.

There is an overall tax credit for the period of £5.0 million which arises principally due to the fact that the rate of UK corporation tax has been reduced, leading to a revaluation downwards of the Group’s deferred tax liabilities. Tax legislation allows the Club to roll over profits on player sales provided that certain conditions are met including reinvestment of the applicable sales proceeds. One of the main components of the Group’s deferred tax liability is in respect of its accumulated rolled over transfer gains and these deferred gains will now be taxed at the reduced rate of corporation tax applicable to future periods.

Summary

The Group’s overall after tax profit for the six months was £2.8 million (2012 – profit of £14.9 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 all of the requirements of both the Premier League and UEFA financial regulatory regimes.

We believe we are in a strong position to take the Club forward both in the short term and beyond and to deliver future on-field success. Our majority shareholder Mr Stan Kroenke, myself and the rest of the Board, our manager and all our staff are clear in that aim.

Finally I should thank everyone for their support so far this season. The atmosphere at Emirates Stadium has reached new levels and the support at every away game has been outstanding. Keep backing the team and enjoy the rest of the season.

Chips Keswick

Sir Chips Keswick
Chairman
14 February 2014

Consolidated Profit and Loss Account

For the six months ended 30 November 2013

ARSENAL HOLDINGS PLC

	Notes	Six months to 30 November 2013 Unaudited: Operations excluding player trading £'000	Six months to 30 November 2013 Unaudited: Player trading £'000	Six months to 30 November 2013 Unaudited: Total £'000	Six months to 30 November 2012 Unaudited Total £'000	Year ended 31 May 2013 Audited Total £'000
Turnover of the Group including its share of joint ventures		138,609	540	139,149	139,564	282,774
Share of turnover of joint ventures		(1,214)	-	(1,214)	(1,132)	(2,400)
Group turnover	4	137,395	540	137,935	138,432	280,374
Operating expenses						
- other		(120,862)	-	(120,862)	(137,190)	(261,634)
- amortisation of player registrations		-	(19,284)	(19,284)	(19,904)	(47,021)
Total operating expenses	5	(120,862)	(19,284)	(140,146)	(157,094)	(308,655)
Operating profit/(loss)		16,533	(18,744)	(2,211)	(18,662)	(28,281)
Share of operating profit of joint venture		405	-	405	403	945
Profit on disposal of player registrations		-	6,120	6,120	42,501	46,986
Profit/(loss) on ordinary activities before net finance charges		16,938	(12,624)	4,314	24,242	19,650
Net finance charges	6			(6,490)	(6,467)	(12,996)
(Loss)/profit on ordinary activities before taxation				(2,176)	17,775	6,654
Taxation	7			4,988	(2,873)	(849)
Profit after taxation retained for the financial period				2,812	14,902	5,805
Earnings per share	8			£45.20	£239.52	£93.30

All trading resulted from continuing operations. The accompanying notes are an integral part of these statements.

	Notes	30 November 2013 Unaudited £'000	30 November 2012 Unaudited £'000	31 May 2013 Audited £'000
Fixed assets				
Goodwill		1,711	-	1,924
Tangible assets	9	418,826	424,890	421,539
Intangible assets	10	130,001	104,951	96,570
Investment in joint venture		3,340	2,677	3,031
		553,878	532,518	523,064
Current assets				
Stock – Development properties	11	12,467	14,783	12,987
Stock – Retail merchandise		2,426	2,694	2,131
Debtors – Due within one year	12	59,572	69,739	88,484
Debtors – Due after one year	12	9,741	21,075	8,287
Cash and short-term deposits	13	143,474	123,374	153,457
		227,680	231,665	265,346
Creditors: Amounts falling due within one year	14	(167,486)	(141,454)	(149,931)
Net current assets		60,194	90,211	115,415
Total assets less current liabilities		614,072	622,729	638,479
Creditors: Amounts falling due after more than one year	15	(251,881)	(255,754)	(274,721)
Provisions for liabilities	16	(56,029)	(54,525)	(60,403)
Net assets		306,162	312,450	303,355
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	249,404	255,692	246,597
Shareholders' funds	18	306,162	312,450	303,355

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

Consolidated Cash Flow Statement

For the six months ended 30 November 2013

ARSENAL HOLDINGS PLC

	Six months to 30 November		Year ended 31 May
	2013 Unaudited	2012 Unaudited	2013 Audited
	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	20,129	(5,767)	53,359
Player registrations	(12,728)	(8,061)	(25,915)
Returns on investment and servicing of finance	(6,227)	(6,279)	(12,356)
Taxation	58	(5)	(47)
Capital expenditure	(4,316)	(3,591)	(6,496)
Acquisition of subsidiary	-	-	(2,164)
Cash (outflow)/inflow before financing	(3,084)	(23,703)	6,381
Financing	(6,899)	(6,548)	(6,549)
Management of liquid resources	24,283	17,481	36,811
Change in cash in the period	14,300	(12,770)	36,643
Change in short-term deposits	(24,283)	(17,481)	(36,811)
(Decrease) in cash and short-term deposits	(9,983)	(30,251)	(168)

Notes to the Cash Flow Statement

	Six months to 30 November		Year ended 31 May
a) Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2013 Unaudited	2012 Unaudited	2013 Audited
	£'000	£'000	£'000
Operating loss	(2,211)	(18,662)	(28,281)
Profit on disposal of tangible fixed assets	(9)	(14)	(53)
Amortisation of goodwill	213	-	213
Depreciation (net of grant amortisation)	6,211	5,629	12,294
Amortisation of player registrations	19,284	19,904	41,349
Impairment of player registrations	-	-	4,740
Decrease in stock	225	21,799	24,158
Decrease/(increase) in debtors	17,033	(18,354)	(29,659)
(Decrease)/increase in creditors	(20,617)	(16,069)	28,598
Net cash inflow/(outflow) from operating activities	20,129	(5,767)	53,359

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

(Decrease) in cash and short term deposits	(9,983)	(30,251)	(168)
Cash outflow from decrease in debt	6,899	6,548	6,549
Change in net debt resulting from cash flows	(3,084)	(23,703)	6,381
Increase in debt resulting from non cash changes	(341)	(345)	(684)
Net debt at start of period	(93,221)	(98,918)	(98,918)
Net debt at close of period	(96,646)	(122,966)	(93,221)

c) Analysis of changes in net debt

	At 1 June 2013 £'000	Non cash changes £'000	Cash flows £'000	At 30 November 2013 £'000
Cash at bank and in hand	65,915	-	14,300	80,215
Short-term deposits	87,542	-	(24,283)	63,259
	153,457	-	(9,983)	143,474
Debt due within one year (bonds)	(6,310)	-	(384)	(6,694)
Debt due after more than one year (bonds)	(212,905)	(157)	7,283	(205,779)
Debt due after more than one year (debenture subscriptions)	(27,463)	(184)	-	(27,647)
Net debt	(93,221)	(341)	(3,084)	(96,646)

Non cash changes represent £297,000 in respect of the amortisation of costs of raising finance, £184,000 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
	2013 Unaudited £'000	2012 Unaudited £'000	2013 Audited £'000
Player registrations:			
Payments for purchase of players	(35,054)	(37,116)	(65,041)
Receipts from sale of players	22,326	29,055	39,126
	(12,728)	(8,061)	(25,915)
Returns on investment and servicing of finance:			
Interest received	418	567	1,162
Interest paid	(6,645)	(6,846)	(13,518)
	(6,227)	(6,279)	(12,356)
Capital expenditure:			
Payments to acquire tangible fixed assets	(4,326)	(3,615)	(6,559)
Receipts from sale of tangible fixed assets	10	24	63
	(4,316)	(3,591)	(6,496)
Financing:			
Repayment of borrowings	(6,899)	(6,548)	(6,549)
Total debt repayment	(6,899)	(6,548)	(6,549)

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 2013. 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 2013. 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.

3 Segmental analysis

Class of business	Football		
	Six months to 30 November		Year ended 31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Turnover	135,958	106,145	242,825
(Loss)/profit on ordinary activities before taxation	(3,111)	15,616	1,604
Segment net assets	268,111	278,023	266,037

Class of business	Property development		
	Six months to 30 November		Year ended 31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Turnover	1,977	32,287	37,549
Profit on ordinary activities before taxation	935	2,159	5,050
Segment net assets	38,051	34,427	37,318

Class of business	Group		
	Six months to 30 November		Year ended 31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Turnover	137,935	138,432	280,374
(Loss)/profit on ordinary activities before taxation	(2,176)	17,775	6,654
Net assets	306,162	312,450	303,355

4 Turnover

	Six months to 30 November		Year ended 31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Gate and other match day revenues	44,961	37,785	92,780
Player trading	540	564	1,598
Broadcasting	52,025	40,108	86,025
Retail and licensing income	10,389	9,813	18,057
Commercial	28,043	17,875	44,365
Property development	1,977	32,287	37,549
	137,935	138,432	280,374

5 Operating costs

	Six months to 30 November		Year ended 31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Football – amortisation and depreciation	25,721	25,533	41,349
Football – impairment	-	-	5,672
Football – other operating costs	113,190	101,136	228,556
Property development – operating costs	1,235	30,425	33,078
	140,146	157,094	308,655

6 Net finance charges

	Six months to 30 November		Year ended 31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
Interest payable and similar charges:	£'000	£'000	£'000
Bank loans and overdrafts	-	(1)	(2)
Fixed/floating rate bonds	(6,419)	(6,571)	(12,999)
Other	(188)	(179)	(357)
Costs of raising long-term finance	(351)	(359)	(762)
Total interest payable and similar charges	(6,958)	(7,110)	(14,120)
Interest receivable	468	643	1,124
Net finance charges	(6,490)	(6,467)	(12,996)

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
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Corporation tax on result for the period at 22.67%	(1,001)	(52)	(184)
Movement in deferred taxation	5,989	(2,821)	(665)
Total tax credit/(charge)	4,988	(2,873)	(849)

From 1 April 2014 the rate of UK corporation tax will reduce from 23% to 21% and from 1 April 2015 the rate will further reduce to 20%. The Group's deferred tax liabilities have been revalued based on the 20% rate. The impact of the rate change is a deferred tax credit of £5.1 million.

The comparative rate of corporation tax for the six months ended 30 November 2012 and the year ended 31 May 2013 was 23.83%.

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 2012 - 62,217 shares and year to 31 May 2013 - 62,217 shares).

9 Tangible fixed assets

	Freehold property £'000	Leasehold property £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 June 2013	402,414	6,819	97,487	506,720
Additions	1,126	640	1,778	3,544
Disposals	-	-	(32)	(32)
At 30 November 2013	403,540	7,459	99,233	510,232
Depreciation				
At 1 June 2013	40,212	3,600	41,369	85,181
Charge for period	2,988	145	3,123	6,256
Disposals	-	-	(31)	(31)
At 30 November 2013	43,200	3,745	44,461	91,406
Net book value				
At 30 November 2013	360,340	3,714	54,772	418,826
At 31 May 2013	362,202	3,219	56,118	421,539

10 Intangible fixed assets

	£'000
Cost of player registrations	
At 1 June 2013	235,307
Additions	58,462
Disposals	(50,144)
At 30 November 2013	243,625
Amortisation of player registrations	
At 1 June 2013	138,737
Charge for the period	19,284
Disposals	(44,397)
At 30 November 2013	113,624
Net book amount	
At 30 November 2013	130,001
At 31 May 2013	96,570

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
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Amounts recoverable within one year:			
Trade debtors	14,635	15,443	48,076
Other debtors	9,434	23,973	22,597
Prepayments and accrued income	35,503	30,323	17,811
	59,572	69,739	88,484
Amounts recoverable after more than one year:			
Trade debtors	-	10,000	-
Other debtors	8,023	9,480	6,618
Prepayments and accrued income	1,718	1,595	1,669
	9,741	21,075	8,287

Other debtors of £17.5 million, include £15.7 million in respect of player transfers (30 November 2012 £31.4 million and 31 May 2013 £26.1 million) of which £7.0 million is recoverable after more than one year.

13 Cash at bank and in hand

	30 November		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Debt service reserve accounts	22,831	23,696	33,835
Other accounts	120,643	99,678	119,622
	143,474	123,374	153,457

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 £0.5 million (30 November 2012 £1.2 million and 31 May 2013 £0.9 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		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank and in hand	80,215	16,502	65,915
Short-term deposits	63,259	106,872	87,542
	143,474	123,374	153,457

14 Creditors: Amounts falling due within one year

	30 November		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Fixed rate bonds – secured	6,694	6,301	6,310
Trade creditors	8,295	10,527	9,191
Corporation tax	1,059	195	96
Other tax and social security	6,920	6,181	15,719
Other creditors	33,054	32,070	19,773
Accruals and deferred income	111,464	86,180	98,842
	167,486	141,454	149,931

Other creditors, above and as disclosed in note 15, include £37.9 million (30 November 2012 £31.6 million and 31 May 2013 £20.5 million) in respect of player transfers.

15 Creditors: Amounts falling due after more than one year

	30 November		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Fixed rate bonds – secured	153,137	159,968	160,192
Floating rate bonds – secured	52,642	52,785	52,713
Debentures	27,647	27,286	27,463
Other creditors	12,900	6,181	8,854
Grants	3,840	3,930	3,885
Deferred income	1,715	5,604	21,614
	251,881	255,754	274,721

15 Creditors: Amounts falling due after more than one year (continued)

The fixed rate bonds comprise:

	30 November		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Fixed rate bonds	163,774	170,674	170,674
Costs of raising finance	(3,943)	(4,405)	(4,172)
	159,831	166,269	166,502
Due within one year (see note 14)	6,694	6,301	6,310
Due after more than one year	153,137	159,968	160,192
	159,831	166,269	166,502

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

The floating rate bonds above comprise:

	30 November		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Floating rate bonds	50,000	50,000	50,000
Interest rate swap	4,945	5,225	5,085
Costs of raising finance	(2,303)	(2,440)	(2,372)
	52,642	52,785	52,713
Due within one year	-	-	-
Due after more than one year	52,642	52,785	52,713
	52,642	52,785	52,713

The floating rate bonds bear interest at LIBOR for three month deposits plus a margin of 0.55% 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 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.

15 Creditors: Amounts falling due after more than one year (continued)

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 £297,000 (period to 30 November 2012 £306,000 and year ended 31 May 2013 £608,000).

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 £26.5 million (30 November 2012 £27.5 million, 31 May 2013 £54.2 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
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Between one and two years	7,668	7,274	7,274
Between two and five years	25,590	24,274	24,274
After five years	201,200	209,647	210,000
	234,458	241,195	241,548
Within one year	7,274	6,900	6,900
	241,732	248,095	248,448

15 Creditors: Amounts falling due after more than one year (continued)

Interest rate profile

After taking into account interest rate swaps, the interest rate profile of the Group's financial liabilities at 30 November 2013 was as follows:

	Fixed rate Unaudited 2013 £'000	Floating rate Unaudited 2013 £'000	Interest free Unaudited 2013 £'000	Total Unaudited 2013 £'000	Weighted average fixed rate Unaudited %	Weighted average period for which rate is fixed Unaudited Yrs
Bonds - fixed rate	163,774	-	-	163,774	5.8	15.5
Bonds - floating rate	50,000	-	-	50,000	7.0	17.5
Debentures	13,531	-	14,427	27,958	2.8	14.5
	227,305	-	14,427	241,732		

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 2013 the total unrecognised loss on the Group's interest rate swaps was £16.4 million (31 May 2013: £19.0 million).

The interest rate profile at 30 November 2012 for comparative purposes was:

	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		

15 Creditors: Amounts falling due after more than one year (continued)

The interest rate profile at 31 May 2013 for comparative purposes was:

	Fixed rate Audited 2013 £'000	Floating rate Audited 2013 £'000	Interest free Audited 2013 £'000	Total Audited 2013 £'000	Weighted average fixed rate Audited %	Weighted average period for which rate is fixed Audited Yrs
Bonds - fixed rate	170,674	-	-	170,674	5.8	16
Bonds - floating rate	50,000	-	-	50,000	6.6	18
Debentures	13,347	-	14,427	27,774	2.8	15
	234,021	-	14,427	248,448		

16 Provisions for liabilities

	30 November 2013 Unaudited £'000	30 November 2012 Unaudited £'000	31 May 2013 Audited £'000
Pensions provision	2,403	2,834	2,619
Transfers provision	17,409	10,114	11,195
Deferred taxation	33,432	41,577	39,421
Onerous contracts - players	1,370	-	5,456
Property	1,415	-	1,712
	56,029	54,525	60,403

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.

The provision for onerous player contracts arose following the impairment of certain player registrations in the year ended 31 May 2013.

The property provision relates to certain surplus operational properties, where activity is to be discontinued.

17 Profit and loss account

	30 November		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
At start of period	246,597	240,790	240,790
Profit for the period	2,812	14,902	5,805
Exchange difference	(5)	-	2
Balance at end of period	249,404	255,692	246,597

18 Reconciliation of shareholders' funds

	30 November		31 May
	2013	2012	2013
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Opening shareholders' funds	303,355	297,548	297,548
Profit for the period	2,812	14,902	5,805
Exchange difference	(5)	-	2
Closing shareholders' funds	306,162	312,450	303,355

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 £6.2 million (30 November 2012 £7.8 million, 31 May 2013 £6.6 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 2013 has been extracted from the 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 were announced to ICAP Securities & Derivatives Exchange (ISDX Growth Market) on 14 February 2014 and posted to all shareholders on the register at 13 February 2014. 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 2013 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 2013 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
14 February 2014


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