ARSENAL HOLDINGS PLC

# Interim Accounts

for the six months ended November 30, 2014




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ARSENAL HOLDINGS PLC

# Chairman's Statement

30 November 2014

We enter the final phase of this season in a strong position on and off the pitch.

As you will see from the financial results, which are considered in more detail in the Financial Review section of this report, the Group has reported an overall profit for the half year.

This has been made possible by our continued commercial momentum. The PUMA partnership has made a very strong start and we have also made further additions to our roster of Official and Regional partnerships. In addition, we have established a retail presence in Indonesia in partnership with MAP Active, an on-line store in China in association with Venue Retail International and continued to invest in our retail operations at home.

On the field, the team has produced some strong results and the squad is looking fit and better balanced. However, we need to find our best form on a more consistent basis as we approach, what I hope will be, an exciting end to the season.

It has been particularly rewarding to see the recent emergence into the first team squad of Francis Coquelin and Hector Bellerin. Francis is a great example to everyone of what can happen if you are patient and dedicated. He thoroughly deserves all the accolades currently heading in his direction. Hector is another young player who has shown tremendous application and effort and he is growing in confidence game by game.

The progress of both players is testimony to the philosophy of the Board, our majority owner Stan Kroenke and manager Arsène Wenger. In an era when many are is seeking short term results and instant action, we remain true to our principles of investing in the future by continuing to sign outstanding international talent while developing our own.

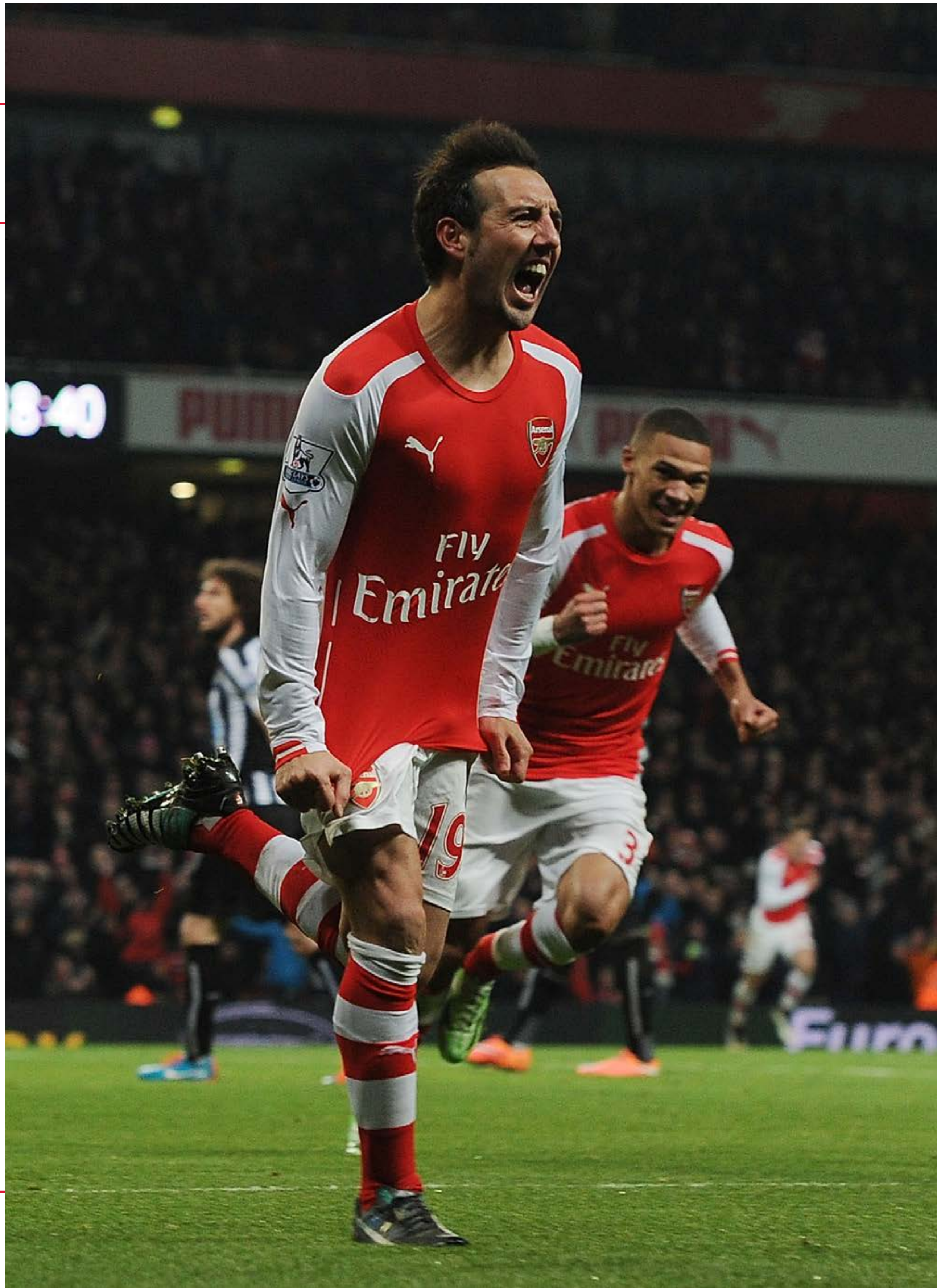
We have assembled and developed a young squad, with many of the first team aged 25 years or under, secured to long term contracts which will allow them to grow together. In addition, we are excited by the prospects that a number of our younger players can make the step up to the First Team in the next couple of seasons.

Our commitment to investment in the squad was evidenced by a record level of expenditure on players joining during the summer with the acquisitions of Calum Chambers, Mathieu Debuchy, David Ospina, Alexis Sanchez and Danny Welbeck. The recent acquisition of defender Gabriel from Villarreal will take our total transfer expenditure for the year to well in excess of £100 million. This substantial investment has inevitably led to increased amortisation and wage costs in our profit and loss account but, crucially, this remains at a level which is consistent with our principle of affordability and which is financially sustainable in accordance with the requirements of the applicable regulatory regimes.

This season has seen the Club and the entire football family mark the centenary of the end of the First World War. There have been many poignant events across the country and I know our Under-19 squad was particularly moved by a visit to a war cemetery during their Champions Youth League trip to Brussels in the autumn.

Our work through the Arsenal Foundation continues to thrive and once again players, staff and supporters showed their generosity towards our dedicated match-day in December, raising some £220,000. The money raised continues to help us deliver work that transforms young peoples' lives here in London and further afield and we are grateful for everyone's contribution.

Making a difference in our community has always been central to what we stand for as a Club and 2015 marks the 30th anniversary of the formal






establishment of our Arsenal in the Community programme. That team has been led for many years by our own Alan Sefton who was very deservedly awarded an MBE in the Queen's New Year's Honours list. We all send him our congratulations and look forward to seeing the team's work develop further as we move closer to opening a new Arsenal in the Community centre in the spring which will provide important facilities for us to develop activities for local people.

## FINANCIAL REVIEW

The financial results for the six months ended 30 November 2014 show further growth in the Group's revenues driven by the commencement of our kit partnership with PUMA. The total turnover from football was £148.5 million compared with £135.9 million for the same period last year.

These improved commercial revenues and the underlying strong financial position have allowed us to make further significant investments into the Club's playing resources. Additions to player registrations in the first half of the year were £93.7 million and these additions, together with certain contract extensions, have driven both a higher amortisation charge in the profit and loss account and a higher wage bill.

The final main feature of the half year results is the gain of £26.7 million (2013 - £6.1 million) made from the sale of players and from realising the value of an option the Club held in relation to the registration of former player Carlos Vela.

The overall result for the period was a profit before tax of £11.1 million as compared to a loss of £2.2 million for the first half last year.

Broadcasting was again the largest source of income at £53.0 million (2013 - £52.0 million). The similar level of TV income is to be expected given we are in the second season of three for the current Premier League broadcasting contracts and the final year of the existing UEFA contracts.

| | 2014 | 2013 |
|---|---|---|
| | £m | £m |
| Turnover | | |
| Football | 148.5 | 135.9 |
| Property development | 0.3 | 2.0 |
| Total turnover | 148.8 | 137.9 |
| Operating profits* | | |
| Football* | 21.9 | 22.2 |
| Property development | 0.1 | 0.7 |
| Total operating profit* | 22.0 | 22.9 |
| Player trading | 1.4 | (12.6) |
| Depreciation and amortisation of goodwill | (6.5) | (6.4) |
| Joint venture | 0.5 | 0.4 |
| Net finance charges | (6.3) | (6.5) |
| Profit / (loss) before tax | 11.1 | (2.2) |

*= operating profits before depreciation and player trading costs

Looking beyond the current year, UEFA's successful marketing of Champions League broadcast and commercial rights for its next three year cycle (including BT's purchase of exclusive UK rights) should drive further growth in values for the participating English clubs from next season. The expected underlying revenue growth may be slightly offset by a weaker Euro. The Premier League has recently announced a significant uplift in the value achieved for the UK TV rights for the three seasons commencing 2016/17. The process of tendering the international rights has yet to fully commence. An investigation into the sale of live broadcast rights in the UK is currently being undertaken by OFCOM the outcome of which cannot be predicted at this early stage.

Our combined Commercial and Retail revenues rose sharply and at £52.3 million (2013 - £38.4 million) fell only just below the total for broadcasting. Growth of 36% on top of 39% in the prior period demonstrates a significant step forward although, inevitably, this growth rate will now slow as we have our key partnerships with Emirates and PUMA in place for the medium term.

Our new kit partnership with PUMA has made an excellent start with a really positive impact on our retail and licensing businesses. In addition, we benefited from a major re-fit of our flagship Armoury store which was completed to coincide with the launch of the new PUMA kits at the start of July.

We can also report good progress in terms of secondary partnerships, adding Capital Bank and Markets.com to the seven new deals and renewals previously reported for 2014/15 and bringing the Club's total number of current partnerships up to 25. The previously reported new partnerships being with Vitality, Europcar, Cooper and Hansa (new deals) and BT, Citroen and Indesit (renewals)

Match day revenue includes the match fees received in respect of our pre-season matches and overseas tours. Although there was time to stage another very successful and well attended Emirates Cup, last summer's World Cup meant the window for participating in pre-season activity was truncated, resulting in a single overseas fixture, against New York Red Bulls. As a consequence match day revenue was lower at £42.9 million (2013 - £45.0 million). Match day revenue remains weighted to the second half of the financial year and at 30 November we had played 11 (2013 – 11) of the 27 home fixtures we are so far certain of playing for the full season.

Operating costs for the football side of the business were increased to £126.2 million (2013 - £113.2 million). Our new signings, together with certain player contract extensions, mean that higher football wage costs are the most significant factor behind this increase. It is worth repeating that having the resources to grow our wage bill in a rational and responsible manner actually represents a positive outcome in line with our objectives of achieving more on-field success for the Club. Outside player wage costs we also increased the level of expenditure in our football support and coaching staff and in certain other key areas such as youth development. Increased revenue activity, particularly within the retail business, has led to an up-lift to our direct costs of sales.

In contrast to football, activity in the Group's property business was very quiet with revenue of £0.3 million (2013 - £2.0 million) and operating profit of £0.1 million (2013 - £0.7 million), mainly from the rental of certain retained commercial units, such as the gym at Highbury Square. The timing of sale for the remaining major property sites, on Hornsey Road and Holloway Road, is tied to the resolution of the underlying planning consents.

Player trading, which resulted in a surplus of £1.4 million (2013 – deficit of £12.6 million), has, as usual, played a fairly key role in differentiating the overall financial result against its prior period comparative. Player sales, including Thomas Vermaelen, generated a profit of £26.7 million (2013 - £6.1 million); also included within this heading is the net proceeds of cancelling an option which the Club held to reacquire the registration of former player Carlos Vela. This was a substantially higher profit than that achieved in the prior period and was only partially offset by an increased charge for amortisation of player registrations, which amounted to £25.6 million (2013 - £19.3 million).

The book value of player registrations (intangible fixed assets) has been increased significantly to £181.3 million, from £115.0 million as at 31 May 2014, mainly as a result of the player acquisitions to which we have already referred.

In cash terms, as the liabilities for these




acquisitions are in part payable in instalments, the net outlay on transfers for the period was £30.7 million (2013 - £12.7 million). This meant that the Group has actually slightly improved its already strong cash position with balances at 30 November amounting to £161.5 million (2013 - £143.5 million), inclusive of debt service reserve balances, which are not available for football purposes, of £22.8 million (2013 - £22.8 million). However, in contrast, the amount owing on transfers was increased to £82.8 million (2013 - £37.9 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 £10.1 million (2013 – profit of £2.8 million).

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 fair play rules.

Looking ahead to next season we have recently announced that we will not be making any increase in ticket prices. This will be the sixth season since the move to Emirates Stadium that prices have been held.

In closing I should thank everyone for their support so far this season. The atmosphere at Emirates Stadium has been terrific and the support at every away game has, as ever, been first class. Keep backing the team and enjoy the rest of the season.

Chips Keswick

Sir Chips Keswick
Chairman
27 February 2015

# Consolidated Profit and Loss Account

For the six months ended 30 November 2014

| | Notes | Six months to 30 November 2014 Unaudited Operations excluding player trading £'000 | Player trading £'000 | Total £'000 | Six months to 30 November 2013 Unaudited Total £'000 | Year ended 31 May 2014 Audited Total £'000 |
|---|---|---|---|---|---|---|
| **Turnover of the Group including its share of joint ventures** | | 149,959 | 258 | 150,217 | 139,149 | 304,267 |
| Share of turnover of joint ventures | | (1,449) | - | (1,449) | (1,214) | (2,395) |
| **Group turnover** | 4 | 148,510 | 258 | 148,768 | 137,935 | 301,872 |
| Operating expenses | | | | | | |
| - other | | (132,935) | - | (132,935) | (120,862) | (251,736) |
| - amortisation of player registrations | | - | (25,560) | (25,560) | (19,284) | (40,072) |
| Total operating expenses | 5 | (132,935) | (25,560) | (158,495) | (140,146) | (291,808) |
| **Operating profit/(loss)** | | 15,575 | (25,302) | (9,727) | (2,211) | 10,064 |
| Share of operating profit of joint venture | | 470 | - | 470 | 405 | 710 |
| Profit on disposal of player registrations | | - | 26,740 | 26,740 | 6,120 | 6,912 |
| Profit on ordinary activities before net finance charges | | 16,045 | 1,438 | 17,483 | 4,314 | 17,686 |
| Net finance charges | 6 | | | (6,337) | (6,490) | (13,018) |
| **Profit/(loss) on ordinary activities before taxation** | | | | 11,146 | (2,176) | 4,668 |
| Taxation | 7 | | | (1,084) | 4,988 | 2,603 |
| **Profit after taxation retained for the financial period** | | | | 10,062 | 2,812 | 7,271 |
| **Earnings per share** | 8 | | | £161.72 | £45.20 | £116.87 |

All trading resulted from continuing operations.

The accompanying notes are an integral part of these statements.



# Consolidated Balance Sheet

At 30 November 2014



| | Notes | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Goodwill | | 1,285 | 1,711 | 1,498 |
| Tangible assets | 9 | 419,931 | 418,826 | 421,402 |
| Intangible assets | 10 | 181,269 | 130,001 | 114,986 |
| Investment in joint venture | | 3,943 | 3,340 | 3,571 |
| | | 606,428 | 553,878 | 541,457 |
| **Current assets** | | | | |
| Stock – Development properties | 11 | 9,843 | 12,467 | 9,849 |
| Stock – Retail merchandise | | 4,169 | 2,426 | 4,935 |
| Debtors – Due within one year | 12 | 52,922 | 59,572 | 65,642 |
| Debtors – Due after one year | 12 | 10,624 | 9,741 | 4,861 |
| Cash and short-term deposits | 13 | 161,546 | 143,474 | 207,878 |
| | | 239,104 | 227,680 | 293,165 |
| **Creditors:** Amounts falling due within one year | 14 | (198,146) | (167,486) | (203,032) |
| **Net current assets** | | 40,958 | 60,194 | 90,133 |
| **Total assets less current liabilities** | | 647,386 | 614,072 | 631,590 |
| **Creditors:** Amounts falling due after more than one year | 15 | (274,346) | (251,881) | (266,478) |
| **Provisions for liabilities** | 16 | (52,355) | (56,029) | (54,494) |
| **Net assets** | | 320,685 | 306,162 | 310,618 |
| **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 | 263,927 | 249,404 | 253,860 |
| **Shareholders' funds** | 18 | 320,685 | 306,162 | 310,618 |

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

| | Six months to 30 November 2014 Unaudited | Six months to 30 November 2013 Unaudited | Year ended 31 May 2014 Audited |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Net cash inflow from operating activities** | 5,490 | 20,129 | 96,169 |
| Player registrations | (30,667) | (12,728) | (11,121) |
| Returns on investment and servicing of finance | (6,018) | (6,227) | (12,409) |
| Taxation | (996) | 58 | (2,445) |
| Capital expenditure | (6,867) | (4,316) | (8,873) |
| Cash (outflow)/inflow before financing | (39,058) | (3,084) | 61,321 |
| Financing | (7,274) | (6,899) | (6,900) |
| Management of liquid resources | 42,689 | 24,283 | (39,781) |
| Change in cash in the period | (3,643) | 14,300 | 14,640 |
| Change in short-term deposits | (42,689) | (24,283) | 39,781 |
| **(Decrease)/increase in cash and short-term deposits** | (46,332) | (9,983) | 54,421 |

## Notes to the Cash Flow Statement

| a) Reconciliation of operating result to net cash inflow/(outflow) from operating activities | Six months to 30 November 2014 Unaudited | Six months to 30 November 2013 Unaudited | Year ended 31 May 2014 Audited |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Operating (loss)/profit** | (9,727) | (2,211) | 10,064 |
| Loss/(profit) on disposal of tangible fixed assets | 297 | (9) | (140) |
| Amortisation of goodwill | 213 | 213 | 426 |
| Depreciation (net of grant amortisation) | 6,554 | 6,211 | 12,418 |
| Amortisation of player registrations | 25,560 | 19,284 | 40,072 |
| Decrease/(increase) in stock | 772 | 225 | (2,472) |
| Decrease in debtors | 17,574 | 17,033 | 9,657 |
| (Decrease)/increase in creditors | (35,753) | (20,617) | 26,144 |
| **Net cash inflow from operating activities** | 5,490 | 20,129 | 96,169 |

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

| | | | |
|---|---|---|---|
| (Decrease)/increase in cash and short term deposits | (46,332) | (9,983) | 54,421 |
| Cash outflow from decrease in debt | 7,274 | 6,899 | 6,900 |
| Change in net debt resulting from cash flows | (39,058) | (3,084) | 61,321 |
| Increase in debt resulting from non cash changes | (337) | (341) | (677) |
| Net debt at start of period | (32,577) | (93,221) | (93,221) |
| Net debt at close of period | (71,972) | (96,646) | (32,577) |

c) Analysis of changes in net debt

| | At 1 June 2014 | Non cash changes | Cash flows | At 30 November 2014 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Cash at bank and in hand | 80,555 | - | (3,643) | 76,912 |
| Short-term deposits | 127,323 | - | (42,689) | 84,634 |
| | 207,878 | - | (46,332) | 161,546 |
| Debt due within one year (bonds) | (6,704) | (7,678) | 7,274 | (7,108) |
| Debt due after more than one year (bonds) | (205,921) | 7,530 | - | (198,391) |
| Debt due after more than one year (debenture subscriptions) | (27,830) | (189) | - | (28,019) |
| Net debt | (32,577) | (337) | (39,058) | (71,972) |

Non cash changes represent £288,000 in respect of the amortisation of costs of raising finance, £189,000 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 2014 Unaudited | Six months to 30 November 2013 Unaudited | Year ended 31 May 2014 Audited |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Player registrations:** | | | |
| Payments for purchase of players | (48,568) | (35,054) | (40,419) |
| Receipts from sale of players | 17,901 | 22,326 | 29,298 |
| | (30,667) | (12,728) | (11,121) |
| **Returns on investment and servicing of finance:** | | | |
| Interest received | 540 | 418 | 862 |
| Interest paid | (6,558) | (6,645) | (13,271) |
| | (6,018) | (6,227) | (12,409) |
| **Capital expenditure:** | | | |
| Payments to acquire tangible fixed assets | (6,890) | (4,326) | (9,019) |
| Receipts from sale of tangible fixed assets | 23 | 10 | 146 |
| | (6,867) | (4,316) | (8,873) |
| **Financing:** | | | |
| Repayment of borrowings | (7,274) | (6,899) | (6,900) |
| Total debt repayment | (7,274) | (6,899) | (6,900) |

ARSENAL HOLDINGS PLC
Notes to the Interim Accounts (cont.)
30 November 2014



## 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 2014. 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 2014. 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 | | |
|---|---|---|---|
| | | | Year ended |
| | Six months to 30 November | | 31 May |
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| | £'000 | £'000 | £'000 |
| Turnover | 148,498 | 135,958 | 298,658 |
| Profit/(loss) on ordinary activities before taxation | 10,780 | (3,111) | 3,817 |
| Segment net assets | 282,150 | 268,111 | 272,449 |

| Class of business | Property development | | |
|---|---|---|---|
| | | | Year ended |
| | Six months to 30 November | | 31 May |
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| | £'000 | £'000 | £'000 |
| Turnover | 270 | 1,977 | 3,214 |
| Profit on ordinary activities before taxation | 366 | 935 | 851 |
| Segment net assets | 38,535 | 38,051 | 38,169 |

| Class of business | Group | | |
|---|---|---|---|
| | | | Year ended |
| | Six months to 30 November | | 31 May |
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| | £'000 | £'000 | £'000 |
| Turnover | 148,768 | 137,935 | 301,872 |
| Profit/(loss) on ordinary activities before taxation | 11,146 | (2,176) | 4,668 |
| Net assets | 320,685 | 306,162 | 310,618 |

ARSENAL HOLDINGS PLC
Notes to the Interim Accounts
30 November 2014



## 4 TURNOVER

| | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| | £'000 | £'000 | £'000 |
| Gate and other match day revenues | 42,939 | 44,961 | 100,229 |
| Player trading | 258 | 540 | 513 |
| Broadcasting | 52,992 | 52,025 | 120,762 |
| Retail and licensing income | 14,212 | 10,389 | 17,938 |
| Commercial | 38,097 | 28,043 | 59,216 |
| Property development | 270 | 1,977 | 3,214 |
| | 148,768 | 137,935 | 301,872 |

## 5 OPERATING COSTS

| | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| | £'000 | £'000 | £'000 |
| Football – amortisation and depreciation | 32,115 | 25,721 | 40,072 |
| Football – other operating costs | 126,253 | 113,190 | 249,033 |
| Property development – operating costs | 127 | 1,235 | 2,703 |
| | 158,495 | 140,146 | 291,808 |

## 6 NET FINANCE CHARGES

| | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| Interest payable and similar charges: | £'000 | £'000 | £'000 |
| Bank loans and overdrafts | (7) | - | (1) |
| Fixed/floating rate bonds | (6,232) | (6,419) | (12,755) |
| Other | (192) | (188) | (372) |
| Costs of raising long-term finance | (398) | (351) | (777) |
| Total interest payable and similar charges | (6,829) | (6,958) | (13,905) |
| Interest receivable | 492 | 468 | 887 |
| Net finance charges | (6,337) | (6,490) | (13,018) |

## 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 |
|---|---|---|---|
| | 2014 | 2013 | 2014 |
| | Unaudited | Unaudited | Audited |
| | £'000 | £'000 | £'000 |
| Corporation tax on result for the period at 20.83% | (836) | (1,001) | (3,683) |
| Movement in deferred taxation | (248) | 5,989 | 6,286 |
| Total tax (charge)/credit | (1,084) | 4,988 | 2,603 |

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

The comparative rate of corporation tax for the six months ended 30 November 2013 and the year ended 31 May 2014 was 22.67%.

## 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 2013 - 62,217 shares and year to 31 May 2014 - 62,217 shares).

## 9 TANGIBLE FIXED ASSETS

| | Assets in course of construction £'000 | Freehold property £'000 | Leasehold property £'000 | Plant and equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 June 2014 | 2,806 | 406,922 | 6,613 | 101,540 | 517,881 |
| Transfers | - | (2,671) | 2,671 | - | - |
| Additions | 1,489 | 8 | 1,379 | 2,572 | 5,448 |
| Disposals | - | - | - | (1,921) | (1,921) |
| At 30 November 2014 | 4,295 | 404,259 | 10,663 | 102,191 | 521,408 |
| **Depreciation** | | | | | |
| At 1 June 2014 | - | 45,933 | 3,844 | 46,702 | 96,479 |
| Charge for period | - | 2,882 | 184 | 3,533 | 6,599 |
| Disposals | - | - | - | (1,601) | (1,601) |
| At 30 November 2014 | - | 48,815 | 4,028 | 48,634 | 101,477 |
| **Net book value** | | | | | |
| At 30 November 2014 | 4,295 | 355,444 | 6,635 | 53,557 | 419,931 |
| At 31 May 2014 | 2,806 | 358,318 | 5,440 | 54,838 | 421,402 |

## 10 INTANGIBLE FIXED ASSETS

| | £'000 |
|---|---|
| **Cost of player registrations** | |
| At 1 June 2014 | 249,265 |
| Additions | 93,684 |
| Disposals | (34,101) |
| At 30 November 2014 | 308,848 |
| **Amortisation of player registrations** | |
| At 1 June 2014 | 134,279 |
| Charge for the period | 25,560 |
| Disposals | (32,260) |
| At 30 November 2014 | 127,579 |
| **Net book amount** | |
| At 30 November 2014 | 181,269 |
| At 31 May 2014 | 114,986 |

## 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 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Amounts recoverable within one year: | | | |
| Trade debtors | 10,269 | 14,635 | 33,415 |
| Other debtors | 12,939 | 9,434 | 8,984 |
| Prepayments and accrued income | 29,714 | 35,503 | 23,243 |
| | 52,922 | 59,572 | 65,642 |
| Amounts recoverable after more than one year: | | | |
| Other debtors | 9,115 | 8,023 | 3,247 |
| Prepayments and accrued income | 1,509 | 1,718 | 1,614 |
| | 10,624 | 9,741 | 4,861 |

Other debtors of £22.1 million include £20.2 million in respect of player transfers (30 November 2013 £15.7 million and 31 May 2014 £9.5 million) of which £8.1 million is recoverable after more than one year.

## 13 CASH AT BANK AND IN HAND

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Debt service reserve accounts | 22,781 | 22,831 | 34,557 |
| Other accounts | 138,765 | 120,643 | 173,321 |
| | 161,546 | 143,474 | 207,878 |

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 £0.2 million (30 November 2013 £0.5 million and 31 May 2014 £0.3 million) which is held in connection with the site works at Queensland Road. The use of this deposit is restricted to that purpose and Newlon Housing Trust is a joint signatory.

The Group uses short-term bank treasury deposits as a means of maximising the interest earned on its cash balances.

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Cash at bank and in hand | 76,912 | 80,215 | 80,555 |
| Short-term deposits | 84,634 | 63,259 | 127,323 |
| | 161,546 | 143,474 | 207,878 |

## 14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Fixed rate bonds – secured | 7,108 | 6,694 | 6,704 |
| Trade creditors | 9,286 | 8,295 | 11,404 |
| Corporation tax | 896 | 1,059 | 1,155 |
| Other tax and social security | 2,549 | 6,920 | 20,233 |
| Other creditors | 48,645 | 33,054 | 30,977 |
| Accruals and deferred income | 129,662 | 111,464 | 132,559 |
| | 198,146 | 167,486 | 203,032 |

Other creditors, above and as disclosed in note 15, include £82.8 million (30 November 2013 £37.9 million and 31 May 2014 £38.3 million) in respect of player transfers.

## 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Fixed rate bonds – secured | 145,892 | 153,137 | 153,351 |
| Floating rate bonds – secured | 52,499 | 52,642 | 52,570 |
| Debentures | 28,019 | 27,647 | 27,830 |
| Other creditors | 43,504 | 12,900 | 15,866 |
| Grants | 3,750 | 3,840 | 3,795 |
| Deferred income | 682 | 1,715 | 13,066 |
| | 274,346 | 251,881 | 266,478 |



## 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONT.)

The fixed rate bonds comprise:

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Fixed rate bonds | 156,500 | 163,774 | 163,774 |
| Costs of raising finance | (3,500) | (3,943) | (3,719) |
| | 153,000 | 159,831 | 160,055 |
| Due within one year (see note 14) | 7,108 | 6,694 | 6,704 |
| Due after more than one year | 145,892 | 153,137 | 153,351 |
| | 153,000 | 159,831 | 160,055 |

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

The floating rate bonds above comprise:

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Floating rate bonds | 50,000 | 50,000 | 50,000 |
| Interest rate swap | 4,665 | 4,945 | 4,805 |
| Costs of raising finance | (2,166) | (2,303) | (2,235) |
| | 52,499 | 52,642 | 52,570 |
| Due within one year | - | - | - |
| Due after more than one year | 52,499 | 52,642 | 52,570 |
| | 52,499 | 52,642 | 52,570 |

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.

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## 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONT.)

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 £288,000 (period to 30 November 2013 £297,000 and year ended 31 May 2014 £590,000).

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 £26.8 million (30 November 2013 £26.5 million, 31 May 2014 £59.3 million) of the Group's bank deposits, by legal mortgages or fixed charges over the share capital and intellectual property rights of certain subsidiary companies and fixed and floating charges over the other assets of certain subsidiary companies.

The Group's financial liabilities/debt is repayable as follows:

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Between one and two years | 8,084 | 7,668 | 7,668 |
| Between two and five years | 26,977 | 25,590 | 25,590 |
| After five years | 192,101 | 201,200 | 201,383 |
| | 227,162 | 234,458 | 234,641 |
| Within one year | 7,668 | 7,274 | 7,274 |
| | 234,830 | 241,732 | 241,915 |

## 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONT.)

### Interest rate profile

After taking into account interest rate swaps, the interest rate profile of the Group's financial liabilities at 30 November 2014 was as follows:

| | Fixed rate Unaudited 2014 £'000 | Floating rate Unaudited 2014 £'000 | Interest free Unaudited 2014 £'000 | Total Unaudited 2014 £'000 | Weighted average fixed rate Unaudited % | Weighted average period for which rate is fixed Unaudited Yrs |
|---|---|---|---|---|---|---|
| Bonds - fixed rate | 156,500 | - | - | 156,500 | 5.8 | 14.5 |
| Bonds - floating rate | 50,000 | - | - | 50,000 | 7.0 | 16.5 |
| Debentures | 13,903 | - | 14,427 | 28,330 | 2.8 | 13.5 |
| | 220,403 | - | 14,427 | 234,830 | | |

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 2014 the total unrecognised loss on the Group's interest rate swaps was £22.8 million (31 May 2014: £17.5 million).

The interest rate profile at 30 November 2013 for comparative purposes was:

| | 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 | | |

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Notes to the Interim Accounts (cont.)
30 November 2014


## 15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CONT.)

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

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

## 16 PROVISIONS FOR LIABILITIES

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Pensions provision | 896 | 2,403 | 2,188 |
| Transfers provision | 18,066 | 17,409 | 17,473 |
| Deferred taxation | 33,393 | 33,432 | 33,144 |
| Onerous contracts - players | - | 1,370 | 207 |
| Property | - | 1,415 | 1,482 |
| | 52,355 | 56,029 | 54,494 |

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 2014.

The property provision related to certain surplus operational properties, where activity has been discontinued.

## 17 PROFIT AND LOSS ACCOUNT

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| At start of period | 253,860 | 246,597 | 246,597 |
| Profit for the period | 10,062 | 2,812 | 7,271 |
| Exchange difference | 5 | (5) | (8) |
| Balance at end of period | 263,927 | 249,404 | 253,860 |

## 18 RECONCILIATION OF SHAREHOLDERS' FUNDS

| | 30 November 2014 Unaudited £'000 | 30 November 2013 Unaudited £'000 | 31 May 2014 Audited £'000 |
|---|---|---|---|
| Opening shareholders' funds | 310,618 | 303,355 | 303,355 |
| Profit for the period | 10,062 | 2,812 | 7,271 |
| Exchange difference | 5 | (5) | (8) |
| Closing shareholders' funds | 320,685 | 306,162 | 310,618 |

## 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 £5.7 million (30 November 2013 £6.2 million, 31 May 2014 £5.5 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 2014 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 27 February 2015 and posted to all shareholders on the register at 26 February 2015. 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 2014 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 2014 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
27 February 2015

ARSENAL HOLDINGS PLC

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