ARSENAL HOLDINGS PLC

Interim Accounts

for the six months ended November 30, 2016


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ARSENAL HOLDINGS PLC

Chairman's Statement

30 November 2016

We are looking forward to another exciting finish to the season.

The Premier League season has been intensely competitive across the top six positions. At the time of writing, we sit in fourth place in the league and, with thirteen games remaining, there is everything to play for. We have progressed to the Sixth Round of the Emirates FA Cup and will compete to bring home silverware in this competition for the third time in four years and what would be a record-breaking thirteenth FA Cup trophy.

Everyone, including Arsène, our players, board and staff share our fans' disappointment at our first leg result against Bayern Munich but we will approach the second leg with professionalism and a desire to reclaim pride. Unity has always been one of Arsenal's strengths as a club. We are very focused on producing a positive and exciting closing run and with the support of our fans I believe together we can achieve a successful and memorable end to the season.

The financial results for the first half of the year are robust with the Group turning in a pre-tax profit of £12.6 million compared to a loss of £6.2 million in the same period last year. The main reason for this improvement is the start of the latest three year cycle of Premier League broadcasting revenues and more details can be found in the Financial Review section below.

As expected increased Premier League broadcasting revenues have had a direct impact on player costs both in terms of transfer prices and player wage demands. Whilst these are the market forces that have contributed directly over time to the success of the Premier League I would sound a note of caution in light of the very material contractual commitments to future wages that clubs are taking on.

We have invested strongly in our own playing squad. Higher player wages are, once again, the single largest contributory factor in the Club's increased operating costs. Furthermore, in terms of transfers, we have invested at record levels, adding £110.5 million to the cost of player registrations. As well as bringing Granit Xhaka, Rob Holding, Shkodran Mustafi and Lucas Perez to the Club we have continued to invest in the retention of key players. Francis Coquelin, Hector Bellerin, Laurent Koscielny and Olivier Giroud have signed new contracts whilst we have also taken up the options to extend the contracts of Club captain Per Mertesacker and Santi Cazorla. Further work is required in the area of contract renewals and we will continue to invest rationally in our squad retention as we move forward.

It has also been exciting to see more young players emerge from our Academy. Alex Iwobi has continued to flourish whilst Ainsley Maitland-Niles and Jeff Reine-Adelaide have made valuable contributions in recent weeks.

The increased strength in depth we have across the squad has been a positive feature so far this season and will be of increasing importance as fixtures congest in the closing months of the campaign.

As I have previously mentioned, we have been working hard to ensure our training facilities are amongst the best available anywhere in the game. The extensive redevelopment of our Hale End Academy is almost completed. Work at our London Colney training centre is also progressing well and an impressive new Player Performance Centre building will come into full use this spring.

On the commercial front, new partnerships have recently been signed with Octopus Energy and MTN


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Nigeria and interest remains high from other prospective partners. The plans for our 2017 summer tour are well advanced with pre-season games in Australia and China already confirmed. Our retail business also continues to develop well with significant growth in our online operation and ever increasing numbers of supporters enjoying the stadium tour.

As always, our contribution to the community here in Islington and further afield remains extremely important to us. Following the very successful Legends' Match at Emirates Stadium in September, The Arsenal Foundation donated £1 million to build football pitches for children in London, Jordan and Somalia. In addition, the manager, players, staff and supporters showed their generosity through our dedicated charitable match-day in December, raising a record £250,000. We are very grateful for everyone's contribution.

FINANCIAL REVIEW

The financial results for the six months ended 30 November 2016 show continued growth in the Group's football revenues, mainly as a consequence of the start of the new Premier League broadcasting cycle, with an overall pre-tax profit for the period of £12.6 million (2015 – loss of £6.2 million).

During the summer the Club made significant investments in new players with £110.5 million added to the cost of player registrations. Cash payments relating to these and certain past transfers were £86.6 million and, as a result, the Group's cash and bank balance was significantly lower at £123.7 million, compared with £226.5 million at the start of the period. Certain elements of the transfer fees payable are deferred and payable in instalments with an amount of £64.6 million still to pay of which £42.0 million is payable within the next twelve months.

	2016	2015
	£m	£m
Turnover		
Football	191.1	158.1
Property development	0.8	2.1
Total turnover	191.9	160.2
Operating profits*		
Football*	54.2	33.0
Property development	0.2	1.6
Total operating profit*	54.4	34.6
Player trading	(27.6)	(27.5)
Depreciation and amortisation of goodwill	(7.5)	(7.2)
Joint venture	0.2	0.5
Net finance charges	(6.9)	(6.6)
Profit/(Loss) before tax	12.6	(6.2)

*= operating profits before depreciation and player trading costs

The total turnover from football was a little more than 20% higher at £191.1 million compared with £158.1 million for the same period last year.

Broadcasting accounted for £25.0 million of the increase with the primary driver being the increased value of the Premier League contracts. Champions League broadcasting revenues were also ahead as a result of our increased share of Market Pool (30% share as Premier League runners up 2015/16) and a favourable weaker sterling exchange rate in converting the UEFA distributions which are made in Euro. Broadcasting contributed 45% of our Football revenues for the period.

There were three more home games compared to the prior period (one Premier League and two EFL Cup) and this meant match day revenue was higher at £45.8 million (2015 - £41.2 million). Match day revenue remains weighted to the second half of the financial year and at 30 November we had played 12 (2015 – 9) of the 26 home fixtures we are so far certain of playing for the full season.

Commercial and retail revenues were up some 5% on the prior period to £57.9 million which is a positive result given that our two main partnerships, with Emirates and Puma, are steady in mid-term. During the period we launched an extensive upgrade of our on-line store and the improved revenues derived from this are promising at an early stage.

The start of a new broadcasting cycle has, once again, signalled a strong upward pressure on our player costs and it follows that our operating costs for football were increased by £11.2 million. The main component of this increase was payroll with the new players signed in the summer adding to the impact of certain contract extensions within the squad. It will take some time, as player contracts fall for renewal, for the wage bill to be fully recalibrated against market rates which are informed by the increased broadcasting revenues available to Premier League clubs and so we must expect further increases in this area. There were also increased costs associated with our commercial activities and a one-off charge of £1.0 million associated with the planned withdrawal from an operational property site.

The overall impact of these changes is that half year operating profits from football have increased significantly to £54.2 million (2015 - £33.0 million).

There was limited activity in the Group's property business, with the only transaction of note being the sale of one apartment from our small portfolio of Highbury Square in-fill properties; the remaining 3 units are not currently available for sale.

The operating profit from property was £0.2 million (2015 - £1.6 million).

Whilst the overall result was effectively unchanged – a loss of £27.6 million (2015 – loss of £27.5 million) – the two main components of player trading did show some variation. The investment in the squad over the summer meant that the amortisation component was further increased to £36.0 million (2015 – £29.2 million). However, this was offset by a higher profit on player transfers at £6.3 million, mainly from the sales of Serge Gnabry and Isaac Hayden, against only £0.3 million in the same period last year. For a second year running there were no major sales in the summer window and the Club retained all of its key players going into the current campaign.

Net finance costs for the period were £6.9 million (2015 - £6.6 million) with an underlying fall as we pay off our fixed rate stadium finance bonds offset by lower interest rates available on our cash balances and a negative change in the market value of the interest rate swap.

The increased revenues and operating profit from football mean that the overall outcome for this half year is a profit before tax of £12.6 million (2015 – loss of £6.2 million). The tax charge for the period is £2.4 million.

The Group has maintained a healthy cash position with balances as at 30 November 2016 of £123.7 million (2015 - £159.4 million), inclusive of debt service reserves, which are not available for football purposes, of £23.3 million (2015 - £23.5 million).

As referenced above the main cash outflow in the period was £86.6 million in respect of player transfers and this represents a record level of transfer expenditure for the Club. In addition we paid £14.5


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million in respect of additions to fixed assets. This level of capital expenditure remains comparatively high and reflects the important development projects now nearing completion at the London Colney and Hale End training grounds.

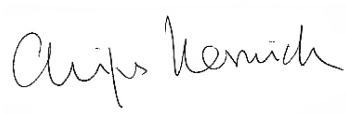
The Group enters into a number of transactions, relating mainly to its participation in European competition (UEFA Champions League distributions are paid in €) and player transfers, which create exposure to movements or volatility in foreign exchange, including €. The Group monitors this foreign exchange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

SUMMARY

The after tax result for the period is a profit of £10.3 million (2015 – loss of £3.4 million).

As always, the actual outcome for the second half will be strongly influenced by the extent of progress in the knock-out competitions, the level of live TV coverage for Premier League games and final League position. The overall result for the year will be compliant with all of the requirements of both the Premier League and UEFA financial regulatory regimes.

In closing I should thank everyone for their support so far this season. Our fans have been first class at every game, home and away. It looks like the closing months of the 2016/17 campaign will be very competitive when we all, as supporters, can really back the team and make a difference.



Sir Chips Keswick
Chairman
24 February 2017

ARSENAL HOLDINGS PLC

Consolidated Profit and Loss Account

For the six months ended 30 November 2016

	Notes	Six months to 30 November 2016 Unaudited Operations excluding player trading £'000	Six months to 30 November 2016 Unaudited Player trading £'000	Six months to 30 November 2016 Unaudited Total £'000	Six months to 30 November 2015 Unaudited Total £'000	Year ended 31 May 2016 Audited Total £'000
Turnover of the Group including its share of joint ventures		191,290	2,094	193,384	161,627	356,548
Share of turnover of joint ventures		(1,493)	-	(1,493)	(1,454)	(3,009)
Group turnover	5	189,797	2,094	191,891	160,173	353,539
Operating expenses						
- other		(142,934)	-	(142,934)	(131,300)	(281,093)
- amortisation of player registrations		-	(35,974)	(35,974)	(29,231)	(59,257)
Total operating expenses	6	(142,934)	(35,974)	(178,908)	(160,531)	(340,350)
Operating profit/(loss)		46,863	(33,880)	12,983	(358)	13,189
Share of operating profit of joint venture		236	-	236	451	1,004
Profit on disposal of player registrations		-	6,260	6,260	309	2,047
Profit/(loss) on ordinary activities before net finance charges		47,099	(27,620)	19,479	(402)	16,240
Net finance charges	7			(6,853)	(6,565)	(13,373)
Profit/(loss) on ordinary activities before taxation				12,626	(6,163)	2,867
Taxation	8			(2,364)	2,770	(1,218)
Profit/(loss) after taxation retained for the financial period				10,262	(3,393)	1,649
Earnings per share	9			£164.94	(£54.53)	£26.50

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

Consolidated Statement of Comprehensive Income

	Six months to 30 November 2016 Unaudited £'000	Six months to 30 November 2015 Unaudited £'000	Year to 31 May 2016 Audited £'000
Profit/(loss) for the period (as above)	10,262	(3,393)	1,649
Gains on cash flow hedges	-	612	1,092
Exchange differences	28	2	9
Total comprehensive income/(loss)	10,290	(2,779)	2,750

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Hedging Reserve £'000	Profit and loss £'000	Total £'000
At 1 June 2015	62	29,997	26,699	(1,092)	269,645	325,311
Total comprehensive income for year ended 31 May 2016	-	-	-	1,092	1,658	2,750
At 31 May 2016	62	29,997	26,699	-	271,303	328,061
Total comprehensive income for the six months ended 30 November 2016	-	-	-	-	10,290	10,290
As at 30 November 2016	62	29,997	26,699	-	281,593	338,351

ARSENAL HOLDINGS PLC

Consolidated Balance Sheet

30 November 2016

	Notes	30 November 2016 Unaudited £'000	30 November 2015 Unaudited £'000	31 May 2016 Audited £'000
Fixed assets				
Goodwill		458	874	666
Tangible assets		428,271	421,808	421,059
Intangible assets	10	220,169	160,792	146,005
Investment in joint venture		5,166	4,535	4,977
		654,064	588,009	572,707
Current assets				
Stock – Development properties		11,309	11,003	11,148
Stock – Retail merchandise		4,157	4,206	4,834
Debtors – Due within one year	11	74,115	52,509	57,961
Debtors – Due after one year	11	2,420	5,657	4,404
Cash and cash equivalents	12	123,734	159,431	226,459
		215,735	232,806	304,806
Creditors: Amounts falling due within one year	13	(239,329)	(205,917)	(239,945)
Net current (liabilities)/assets		(23,594)	26,889	64,861
Total assets less current liabilities		630,470	614,898	637,568
Creditors: Amounts falling due after more than one year	14	(246,166)	(248,456)	(265,460)
Provisions for liabilities	15	(45,953)	(43,910)	(44,047)
Net assets		338,351	322,532	328,061
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
Hedging reserve		-	(481)	-
Profit and loss account		281,593	266,255	271,303
Shareholders' funds		338,351	322,532	328,061

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

Consolidated Cash Flow Statement

30 November 2016

	Six months to 30 November		Year ended 31 May
	2016 Unaudited	2015 Unaudited	2016 Audited
	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	13,579	(1,052)	93,841
Taxation	(1,729)	(4,823)	(8,331)
Cash flow from investing activities			
Interest received	338	401	746
Proceeds from sale of fixed assests	15	681	748
Purchase of fixed assets	(14,535)	(10,479)	(14,232)
Player registrations (see note below)	(86,604)	(39,401)	(54,190)
Net cash flow from investing activities	(100,786)	(48,798)	(66,928)
Cash flows from financing activities			
Interest paid	(5,705)	(6,395)	(12,622)
Repayment of debt	(8,084)	(7,668)	(7,668)
Net cash flow from financing activities	(13,789)	(14,063)	(20,290)
Net decrease in cash and cash equivalents	(102,725)	(68,736)	(1,708)
Cash and cash equivalents at start of period	226,459	228,167	228,167
Cash and cash equivalents at start of period	123,734	159,431	226,459

Note: Gross cash flows - player registrations			
Payments for purchase of players	(90,602)	(47,287)	(66,833)
Receipts from sale of players	3,998	7,886	12,643
	(86,604)	(39,401)	(54,190)

Notes to the Cash Flow Statement

30 November 2016

a) Reconciliation of operating result to net cash inflow/(outflow) from operating activities

	Six months to 30 November 2016 Unaudited £'000	Six months to 30 November 2015 Unaudited £'000	Year ended 31 May 2016 Audited £'000
Operating profit/(loss)	12,983	(358)	13,189
(Profit)/loss on disposal of tangible fixed assets	(8)	(7)	(72)
Amortisation of goodwill	208	208	416
Depreciation (net of grant amortisation)	7,270	7,032	14,258
Amortisation of player registrations	35,974	29,231	59,257
Operating cash flow before working capital	56,427	36,106	87,048
Decrease/(increase) in stock	516	(938)	(1,711)
(Increase)/decrease in debtors	(12,066)	16,915	9,707
(Decrease)/increase in creditors	(31,298)	(53,135)	(1,203)
Net cash inflow/(outflow) from operations	13,579	(1,052)	93,841

b) Analysis of changes in net debt

	At 1 June 2016 £'000	Non cash changes £'000	Cash flows £'000	At 30 November 2016 £'000
Cash at bank and in hand	117,622	-	(66,069)	51,553
Cash equivalents	108,837	-	(36,656)	72,181
	226,459	-	(102,725)	123,734
Debt due within one year (bonds)	(7,557)	(8,533)	8,084	(8,006)
Debt due after more than one year (bonds)	(186,441)	8,267	-	(178,174)
Derivative financial instruments	(24,411)	(598)	-	(25,009)
Debt due after more than one year (debenture subscriptions)	(14,197)	(201)	-	(14,398)
Net debt	(6,147)	(1,065)	(94,641)	(101,853)

Non cash changes represent £266,000 in respect of the amortisation of costs of raising finance, £201,000 in respect of rolled up, unpaid debenture interest and £598,000 in respect of the change in fair value of the Group's interest rate swaps.

1. BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the half year ended 30 November 2016 have been prepared in accordance with NEX Growth Market Rules for Issuers and therefore do not include all of the notes and disclosures that would otherwise be required in a full set of financial statements, and should be read in conjunction with the 2015/16 Annual Report. The accounting policies applied in the preparation of the interim financial statements are consistent with financial statements for the full year ended 31 May 2016. The financial information for the full year ended 31 May 2016 is extracted from the financial statements for that year. A copy of the statutory accounts has been delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain any statement under section 498(2) and (3) of the Companies Act 2006. The Group has two classes of business - the principal activity of operating a professional football club and property development.

2. GOING CONCERN

The Board has undertaken a full and thorough review of the Group's forecasts and associated risks and sensitivities. The extent of this review reflects the current economic climate as well as the specific financial circumstances of the Group. The status of the Group's financing arrangements is reported in notes 13 and 14 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.

3. 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 financial year 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.

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.

4 SEGMENTAL ANALYSIS

Class of business	Football		
	Six months to 30 November		Year ended 31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Turnover	191,116	158,041	350,623
Profit/(loss) on ordinary activities before taxation	12,319	(7,914)	883
Segment net assets	284,552	269,510	274,572

Class of business	Property development		
	Six months to 30 November		Year ended 31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Turnover	775	2,132	2,916
Profit on ordinary activities before taxation	307	1,751	1,984
Segment net assets	53,799	53,022	53,489

Class of business	Group		
	Six months to 30 November		Year ended 31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Turnover	191,891	160,173	353,539
Profit/(loss) on ordinary activities before taxation	12,626	(6,163)	2,867
Net assets	338,351	322,532	328,061

5 TURNOVER

	Six months to 30 November		Year ended 31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Gate and other match day revenues	45,806	41,207	99,907
Player trading	2,094	1,452	3,230
Broadcasting	85,269	60,293	140,579
Retail and licensing income	14,521	14,164	24,626
Commercial	43,426	40,925	82,281
Property development	775	2,132	2,916
	191,891	160,173	353,539

6 OPERATING COSTS

	Six months to 30 November		Year ended 31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Amortisation and depreciation	43,452	36,263	73,931
Football – other operating costs	135,114	123,875	265,601
Property development – other operating costs	342	393	818
	178,908	160,531	340,350

7 NET FINANCE CHARGES

	Six months to 30 November		Year ended 31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Interest payable and similar charges	(6,530)	(6,783)	(13,483)
Interest receivable	275	433	785
	(6,255)	(6,350)	(12,698)
Change in fair value of financial instruments	(598)	(215)	(675)
Net finance charges	(6,853)	(6,565)	(13,373)

8 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
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Corporation tax on result for the period at 19.83%	(4,175)	(1,588)	(5,598)
Movement in deferred taxation	1,811	4,358	4,380
Total tax (charge)/credit	(2,364)	2,770	(1,218)

The rate of corporation tax will reduce to 19% from April 2017 and 17% from April 2020. The Group's deferred tax liabilities have been valued based on the tax rates that are expected to apply in the periods in which the underlying timing differences are predicted to reverse. The impact of the lower future rates of corporation tax on the Group's deferred tax balances gives rise to a credit in the current year of £0.7 million.

The comparative rate of corporation tax for the six months ended 30 November 2015 and the year ended 31 May 2016 was 20%.

9 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 2015 - 62,217 shares and year to 31 May 2016 - 62,217 shares).

10 INTANGIBLE FIXED ASSETS

	£'000
	Unaudited
Cost of player registrations	
At 1 June 2016	344,037
Additions	110,513
Disposals	(24,953)
At 30 November 2016	429,597
Amortisation of player registrations	
At 1 June 2016	198,032
Charge for period	35,974
Disposals	(24,578)
At 30 November 2016	209,428
Net book amount	
At 30 November 2016	220,169
At 31 May 2016	146,005

11 DEBTORS

	30 November		31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Amounts recoverable within one year:			
Trade debtors	16,751	15,250	28,901
Other debtors	11,315	6,909	6,362
Prepayments and accrued income	46,049	30,350	22,698
	74,115	52,509	57,961
Amounts recoverable after more than one year:			
Other debtors	1,271	4,309	3,146
Prepayments and accrued income	1,149	1,348	1,258
	2,420	5,657	4,404

Other debtors of £12.6 million include £8.8 million in respect of player transfers (30 November 2015 - £9.1 million and 31 May 2016 - £6.1 million) of which £1.3 million is recoverable after more than one year.

12 CASH AT BANK AND IN HAND

	30 November		31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Debt service reserve accounts	23,275	23,498	35,355
Other accounts	100,459	135,933	191,104
	123,734	159,431	226,459

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.

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

	30 November		31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank and in hand	51,553	75,292	117,622
Cash equivalents	72,181	84,139	108,837
	123,734	159,431	226,459

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November		31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Foreign exchange derivatives	-	481	414
Fixed rate bonds – secured	8,006	7,546	7,557
Trade creditors	9,730	8,034	10,771
Corporation tax	4,521	1,732	2,122
Other tax and social security	7,160	6,205	20,791
Other creditors	56,151	47,150	41,823
Accruals and deferred income	153,761	134,769	156,467
	239,329	205,917	239,945

Other creditors, above and as disclosed in note 14, include £64.6 million (30 November 2015 - £54.5 million and 31 May 2016 £48.6 million) in respect of player transfers.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 November		31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Fixed rate bonds – secured	130,067	138,209	138,402
Floating rate bonds – secured	48,107	47,970	48,039
Derivative financial instruments	25,009	23,951	24,411
Debentures	14,398	14,002	14,197
Other creditors	22,653	18,680	18,968
Grants	3,570	3,660	3,615
Deferred income	2,362	1,984	17,828
	246,166	248,456	265,460

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

14 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 £266,000 (period to 30 November 2015 - £277,000 and year ended 31 May 2016 - £550,000).

Derivative financial instruments represent an interest rate swap taken out to fix the rate of interest on the Group's floating rate stadium finance bonds. The swap is accounted at fair value based on the present value of future cash flows estimated to occur and applicable yield curves derived from quoted investments.

The A and B debentures issued by the Group are interest free and have been accounted for at fair value based on the net present value of the future cash flows.

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 certain 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
	2015	2014	2015
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Between one and two years	8,984	8,522	8,522
Between two and five years	29,980	28,439	28,439
After five years	157,660	167,789	168,295
	196,624	204,750	205,256
Within one year	8,522	8,084	8,084
	205,146	212,834	213,340

Interest rate profile

After taking into account interest rate swaps, the interest rate profile of the Group's financial liabilities at 30 November 2016 was as follows:

	Fixed rate Unaudited 2016 £'000	Floating rate Unaudited 2016 £'000	Interest free Unaudited 2016 £'000	Total Unaudited 2016 £'000	Weighted average fixed rate Unaudited %	Weighted average period for which rate is fixed Unaudited Yrs
Bonds - fixed rate	140,748	-	-	140,748	5.8	12.5
Bonds - floating rate	50,000	-	-	50,000	7.0	14.5
Debentures	14,368	-	30	14,398	2.8	11.5
	205,116	-	30	205,146		

15 PROVISIONS FOR LIABILITIES

	30 November		31 May
	2016	2015	2016
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Pensions provision	926	1,356	1,140
Transfers provision	20,723	16,417	16,792
Deferred taxation	24,304	26,137	26,115
	45,953	43,910	44,047

16 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 £9.6 million (30 November 2015 - £8.6 million, 31 May 2016 - £8.7 million).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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 2016 which comprises the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, the consolidated cash flow statement, the notes to the cash flow statement and related notes 1 to 16. 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 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 NEX Exchange Growth Market Rules for Issuers. As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice (including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). The interim financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies used by the Group for the full year ended 31 May 2016.

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 2016 is not prepared, in all material respects, in accordance with the NEX Exchange Growth Market Rules for Issuers.

DELOITTE LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
24 February 2017


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ARSENAL HOLDINGS PLC
Highbury House
75 Drayton Park, London N5 1BU