ARSENAL HOLDINGS PLC

Interim Accounts

for the six months ended November 30, 2015


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Fly Emirates. Hello Tomorrow.
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ARSENAL HOLDINGS PLC

Chairman's Statement

30 November 2015

The end of season run-in is going to be an exciting one and I am confident we will be very much at the centre of the action over the coming months.

As we all know, this has been an unpredictable Premier League season thus far. What is important is that we are in contention and I am sure we have the resources and ability within the squad to sustain a strong challenge. In addition, we continue our unbeaten run in the FA Cup, which now stretches back to February 2013, and, at the time of writing, are in the middle of a Champions League encounter with Barcelona.

Turning to our interim financial results, you will see the Group reported an overall loss of £3.4 million for the half year (2014 – profit of £6.2 million). This is considered in more detail in the financial section of this report but in summary this figure is primarily driven by a drop of £26.4 million in profits from player sales, partially offset by increased broadcasting and commercial revenues. The reduction in transfer profits reflects the overall stability we have within the squad which, in my view, is a positive factor for the Club and under-rated in the modern game.

We continue to see robust growth in our commercial revenues, with our number of partners around the world now numbering 33. Recent partnerships have been announced in Africa, China, Australia, the US and Europe, including companies such as DraftKings, Dashen Breweries, SportPesa and Destination New South Wales. We remain an attractive partner for brands to align with and we can expect further growth in this area as we move forwards. Strong progress is also being made within our retail business, where demand for merchandise continues to be very strong. We continue to maximise our efforts to build our support globally through our marketing and media channels; and in addition to this we have confirmed summer tours which will take the team to California and Australia over the next 18 months.

Turning back to the football, we know we will have to find greater consistency to maintain our challenge. The recent acquisition of Mohamed Elneny from Basel added to our strength in depth and we are seeing a number of potentially important players returning from injury. This bodes well for the final months of the season.

Substantial redevelopment works continue at our London Colney training centre and our Youth Academy at Hale End. This involves significant investment which we view as central to supporting the Club's long term success. We need to ensure our first team squad have the best possible environment in which to develop whilst the Academy remains a critical part of our strategy to identify, recruit and develop the best young players for the future. With this in mind, it has been very rewarding to see Alex Iwobi emerge into the first team squad from the Academy this season. This follows last year's breakthroughs by Francis Coquelin and Hector Bellerin and is further evidence of the excellent work being done by all our Academy coaches and staff. As a result of the work at London Colney the Arsenal Ladies will also benefit from improvements in their training facilities.

The Arsenal Foundation continues to play an important role raising funds and making grants to organisations here in Islington and further afield. Once again players, staff and supporters showed their generosity through our dedicated match-day in December, raising some £250,250. We are hugely grateful for everyone's contribution. It allows us to make a difference to many people's lives in special ways and remains an important part of where we stand as a football club at the heart of our community.


Arsenal
Fly Emirates


Fly
Emirates

FINANCIAL REVIEW

The financial results for the six months ended 30 November 2015 show further growth in the Group's football revenues.

The total turnover from football was £158.1 million compared with £148.5 million for the same period last year. The increase was mainly attributable to higher Champions League distributions in the first year of a new three year UEFA revenue cycle and commercial growth, mainly from our partnerships portfolio.

There were two less home games compared to the prior year (one Champions League and one Capital One Cup) and this meant match day revenue was lower at £41.2 million (2014 - £42.9 million). Match day revenue remains weighted to the second half of the financial year and at 30 November we had played 9 (2014 – 11) of the 26 home fixtures we are so far certain of playing for the full season.

Our football operating costs were slightly decreased at £123.9 million as compared to £125.8 million this time last year. As mentioned in the last Annual Report, the players' bonus relating to qualification for this season's Champions League group stage was earned as a result of last season's third place finish and accordingly accounted for in the 2014/15 results. Consequently, there is no qualification bonus in the wage costs for the first half of 2015/16. This has been offset by increases in the underlying wage bill arising from certain contract extensions within the squad.

The impact of these changes is that operating profits from football have increased by some £10.6 million to £33.0 million (2014 - £22.4 million).

There was limited activity in the Group's property business, with the only transaction of note being recognition of the final instalment of the Queensland Road overage payment consequent to the developer's sale of the remaining units. The operating profit from property was £1.6 million (2014 - £0.1 million).

	2015	2014
		(as restated)
	£m	£m
Turnover		
Football	158.1	148.5
Property development	2.1	0.3
Total turnover	160.2	148.8
Operating profits*		
Football*	33.0	22.4
Property development	1.6	0.1
Total operating profit*	34.6	22.5
Player trading	(27.5)	1.4
Depreciation and amortisation of goodwill	(7.2)	(6.5)
Joint venture	0.5	0.5
Net finance charges	(6.6)	(11.7)
(Loss)/profit before tax	(6.2)	6.2

*= operating profits before depreciation and player trading costs

The most significant year to year change is in the figures for player trading (the profits on sale or loan of players less the amortisation charge on the cost of player registrations held). The significant investment in the squad in recent years means that the amortisation component of player trading has further increased to £29.2 million (2014 – £25.6 million). However, profits on sale of players were significantly reduced at just £0.3 million in contrast to £26.7 million for the comparative period. There were no major sales in the period as the Club retained all of its key players going into the current campaign.

This is the first reporting period where our results have been compiled under the newly introduced Financial Reporting Standard 102 (FRS 102). The impact on the current period is relatively minor – pre-tax losses would have been some £0.2 million higher under the previous UK accounting rules.

The most significant change on adoption of FRS 102 is that the interest rate swap, used to fix the interest rate on our floating rate stadium finance bonds, has to be included on the balance sheet at fair value (market value) with changes in fair value reported in the profit and loss of each period. As is normal on adoption of a new set of accounting rules, the comparative numbers have been restated in order to maintain comparability.

For the swap there was a significant increase in negative fair value last year as the financial markets anticipated that UK interest rates would remain lower and for longer than previously expected. As a consequence, net finance costs appear reduced against the restated comparative period at £6.6 million (2014 - £11.7 million). The volatility introduced by fair value accounting for the swap is not particularly helpful in understanding our results. The fair value represents, in our case, the potential cost at the balance sheet date of settling the swap, however, in reality, we continue to pay and account for the underlying stadium bonds at the same fixed interest rate as last year. If the stadium debt runs to its full maturity, this will continue to be the case. The value of the swap will vary with market rates; however, at maturity, its fair value will be zero such that all the negative fair value of £24.0 million accounted for at this half year end will have reversed with no cash flow impact.

Despite the increased revenues and operating profit from football, the change in the player trading result and, in particular, the lack of transfer profits means that the overall outcome for this half year is a loss before tax of £6.2 million (2014 – profit of £6.2 million).

There is a tax credit against this loss. This is mainly as a result of the UK's lower future rates of corporation tax which mean that the Group's deferred tax balances have been revalued to the lower tax rates expected to apply when the underlying liabilities fall due to be taxed.

The Group has maintained a strong cash position with balances as at 30 November 2015 of £159.4 million (2014 - £161.5 million), inclusive of debt service reserves, which are not available for football purposes, of £23.5 million (2014 - £22.8 million). The cash balance is some £68.7 million lower than the 31 May 2015 figure. This reflects net cash outflows for the period on player transfers, of £39.4 million, and capital expenditure, of £10.5 million.

We also paid corporation tax of £4.8 million being the balance of the tax bill on our 2014/15 profits. The contribution that football makes to the economy as a whole is sometimes overlooked and it is worth noting that during the first half of the financial year the Group paid across to the Exchequer £77.6 million of taxation being corporation tax, PAYE, national insurance and VAT.

The cash outflow on transfers reflects mainly the settlement of instalments due on past transfers and means that the net outstanding liability on transfers has reduced from £65.6 million at 31 May 2015 to £45.4 million at 30 November 2015. The capital expenditure for the period is comparatively high and reflects the important development projects underway at the London Colney and Hale End training grounds, as well as enhancements at the Emirates, such as the new LED floodlights.

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


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and will usually hedge any significant exposure in its currency receivables and payables.

SUMMARY

The after tax result for the period is a loss of £3.4 million (2014 – profit of £6.2 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 fully expect the overall result for the year to be compliant with all of the requirements of both the Premier League and UEFA financial regulatory regimes.

Looking ahead to next season we have already confirmed that there will be no general increase in ticket prices. Significantly 2016/17 will be the first year of the new Premier League broadcasting deals but the increased revenues will also very likely bring with them inflationary pressure in terms of both the wage bill and the transfer market.

In closing I should thank everyone for their support so far this season. The support at every game, home and away, has been top class. The closing chapters of the season will surely be exciting – let's keep backing the team and enjoy them!

Sir Chips Keswick
Chairman
26 February 2016

ARSENAL HOLDINGS PLC

Consolidated Profit and Loss Account

For the six months ended 30 November 2015

	Notes	Six months to 30 November 2015 Unaudited: Operations excluding player trading £'000	Six months to 30 November 2015 Unaudited: Player trading £'000	Six months to 30 November 2015 Unaudited: Total £'000	Six months to 30 November 2014 (restated) Unaudited: Total £'000	Year ended 31 May 2015 (restated) Audited: Total £'000
Turnover of the Group including its share of joint ventures		160,175	1,452	161,627	150,217	347,303
Share of turnover of joint ventures		(1,454)	-	(1,454)	(1,449)	(2,779)
Group turnover	5	158,721	1,452	160,173	148,768	344,524
Operating expenses						
- other		(131,300)	-	(131,300)	(132,474)	(281,446)
- amortisation of player registrations		-	(29,231)	(29,231)	(25,560)	(55,365)
Total operating expenses	6	(131,300)	(29,231)	(160,531)	(158,034)	(336,811)
Operating profit/(loss)		27,421	(27,779)	(358)	(9,266)	7,713
Share of operating profit of joint venture		451	-	451	470	762
Profit on disposal of player registrations		-	309	309	26,740	28,944
Profit/(loss) on ordinary activities before net finance charges		27,872	(27,470)	402	17,944	37,419
Net finance charges	7			(6,565)	(11,725)	(19,227)
(Loss)/profit on ordinary activities before taxation				(6,163)	6,219	18,192
Taxation	8			2,770	(7)	(3,376)
(Loss)/profit after taxation retained for the financial period				(3,393)	6,212	14,816
Earnings per share	9			(£54.53)	£99.84	£238.13

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

Consolidated Profit and Loss Account (cont)

For the six months ended 30 November 2015

Consolidated Statement of Comprehensive Income

	Six months to 30 November 2015 Unaudited £'000	Six months to 30 November 2014 Unaudited (restated) £'000	Year to 31 May 2015 Audited (restated) £'000
(Loss)/profit for the period (as above)	(3,393)	6,212	14,816
Gains/(losses) in cash flow hedges	612	(384)	(1,000)
Exchange differences	2	6	7
Total comprehensive (loss)/income	(2,779)	5,834	13,823

Consolidated statement of changes in equity for six months ended 30 November 2015

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Hedging Reserve £'000	Profit and loss £'000	Total £'000
At 31 May 2014	62	29,997	26,699	-	253,860	310,618
Transition to FRS 102 (see note 16)	-	-	-	(92)	962	870
At 1 June 2014 restated	62	29,997	26,699	(92)	254,822	311,488
Total comprehensive income for year ended 31 May 2015 restated	-	-	-	(1,000)	14,823	13,823
At 31 May 2015 restated	62	29,997	26,699	(1,092)	269,645	325,311
Total comprehensive income for the six months ended 30 November 2015	-	-	-	611	(3,390)	(2,779)
As at 30 November 2015	62	29,997	26,699	(481)	266,255	322,532

ARSENAL HOLDINGS PLC

Consolidated Balance Sheet

30 November 2015

	Notes	30 November 2015 Unaudited £'000	30 November 2014 Unaudited (restated) £'000	31 May 2015 Audited (restated) £'000
Fixed assets				
Goodwill		874	1,285	1,082
Tangible assets		421,808	419,931	419,180
Intangible assets	10	160,792	181,269	171,658
Investment in joint venture		4,535	3,943	4,174
		588,009	606,428	596,094
Current assets				
Stock – Development properties		11,003	9,843	9,741
Stock – Retail merchandise		4,206	4,169	4,530
Debtors – Due within one year	11	52,509	52,922	74,175
Debtors – Due after one year	11	5,657	10,624	6,658
Cash and short-term deposits	12	159,431	161,546	228,167
		232,806	239,104	323,271
Creditors: Amounts falling due within one year	13	(205,917)	(198,622)	(275,332)
Net current assets		26,889	40,482	47,939
Total assets less current liabilities		614,898	646,910	644,033
Creditors: Amounts falling due after more than one year	14	(248,456)	(278,069)	(269,174)
Provisions for liabilities	15	(43,910)	(51,519)	(49,548)
Net assets		322,532	317,322	325,311
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)	(476)	(1,092)
Profit and loss account		266,255	261,040	269,645
Shareholders' funds		322,532	317,322	325,311

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

Consolidated Cash Flow Statement

30 November 2015

	Six months to 30 November		Year ended 31 May
	2015 Unaudited	2014 Unaudited (restated)	2015 Audited (restated)
	£'000	£'000	£'000
Net cash (outflow)/inflow from operating activities	(1,052)	5,490	102,395
Taxation	(4,823)	(996)	(2,206)
Cash flow from investing activities			
Interest received	401	540	863
Proceeds from sale of fixed assests	681	23	47
Purchase of fixed assets	(10,479)	(6,890)	(14,302)
Player registrations (see note below)	(39,401)	(30,667)	(46,241)
Net cash flow from investing activities	(48,798)	(36,994)	(59,633)
Cash flows from financing activities			
Interest paid	(6,395)	(6,558)	(12,993)
Repayment of debt	(7,668)	(7,274)	(7,274)
Management of cash equivalents	35,414	42,689	7,770
Net cash flow from financing activities	21,351	28,857	(12,497)
Net (decrease)/increase in cash	(33,322)	(3,643)	28,059
Change in cash equivalents	(35,414)	(42,689)	(7,770)
(Decrease)/increase in cash and cash equivalents	(68,736)	(46,332)	20,289

Note: Gross cash flows - player registrations			
Payments for purchase of players	(47,287)	(48,568)	(71,704)
Receipts from sale of players	7,886	17,901	25,463
	(39,401)	(30,667)	(46,241)

Notes to the Cash Flow Statement

30 November 2015

a) Reconciliation of operating result to net cash (outflow)/inflow from operating activities	Six months to 30 November 2015 Unaudited £'000	Six months to 30 November 2014 Unaudited (restated) £'000	Year ended 31 May 2015 Audited (restated) £'000
Operating (loss)/profit	(358)	(9,266)	7,713
(Profit)/loss on disposal of tangible fixed assets	(7)	297	273
Amortisation of goodwill	208	213	416
Depreciation (net of grant amortisation)	7,032	6,554	14,618
Amortisation of player registrations	29,231	25,560	54,430
Impairment of player registrations	-	-	935
Operating cash flow before working capital	36,106	23,358	78,385
(Increase)/decrease in stock	(938)	772	513
Decrease/(increase) in debtors	16,915	17,574	(4,983)
(Decrease)/increase in creditors	(53,135)	(36,214)	28,480
Net cash (outflow)/inflow from operations	(1,052)	5,490	102,395

b) Analysis of changes in net debt

	At 1 June 2015 (restated) £'000	Non cash changes £'000	Cash flows £'000	At 30 November 2015 £'000
Cash at bank and in hand	108,614	-	(33,322)	75,292
Cash equivalents	119,553	-	(35,414)	84,139
	228,167	-	(68,736)	159,431
Debt due within one year (bonds)	(7,119)	(8,095)	7,668	(7,546)
Debt due after more than one year (bonds)	(193,997)	7,818	-	(186,179)
Derivative financial instruments	(23,736)	(215)	-	(23,951)
Debt due after more than one year (debenture subscriptions)	(13,808)	(194)	-	(14,002)
Net debt	(10,493)	(686)	(61,068)	(72,247)

Non cash changes represent £277,000 in respect of the amortisation of costs of raising finance, £194,000 in respect of rolled up, unpaid debenture interest and £215,000 in respect of the change in fair value of the Group's interest rate swaps.

1 BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS

The Group financial statements consolidate the assets, liabilities and results of the company and its subsidiary undertakings made up to 30 November 2015. The accounts are prepared under the historical cost convention, modified to include certain items at fair value in accordance with Financial Reporting Standard 102 (FRS102) issued by the Financial Reporting Council, effective from 1 January 2015.

The prior period financial statements have been restated for material adjustments on adoption of FRS102 in the current period. For more information see note 16.

These interim financial statements do not include all of the notes and disclosures required to comply with FRS102, as they have been prepared in accordance with the ISDX Growth Market Rules for Issuers.

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

The interim financial statements do not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006.

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 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.

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
	2015	2014	2015
	Unaudited	Unaudited (restated)	Audited (restated)
	£'000	£'000	£'000
Turnover	158,041	148,498	329,337
(Loss)/profit on ordinary activities before taxation	(7,914)	5,853	4,838
Segment net assets	269,510	278,787	273,823

Class of business	Property development		
	Six months to 30 November		Year ended 31 May
	2015	2014	2015
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Turnover	2,132	270	15,187
Profit on ordinary activities before taxation	1,751	366	13,355
Segment net assets	53,022	38,535	51,488

Class of business	Group		
	Six months to 30 November		Year ended 31 May
	2015	2014	2015
	Unaudited	Unaudited (restated)	Audited (restated)
	£'000	£'000	£'000
Turnover	160,173	148,768	344,524
(Loss)/profit on ordinary activities before taxation	(6,163)	6,219	18,192
Net assets	322,532	317,322	325,311

5 TURNOVER

	Six months to 30 November		Year ended 31 May
	2015	2014	2015
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Gate and other match day revenues	41,207	42,939	100,401
Player trading	1,452	258	805
Broadcasting	60,293	52,992	124,844
Retail and licensing income	14,164	14,212	24,685
Commercial	40,925	38,097	78,602
Property development	2,132	270	15,187
	160,173	148,768	344,524

6 OPERATING COSTS

	Six months to 30 November		Year ended 31 May
	2015	2014	2015
	Unaudited	Unaudited	Audited
		(restated)	(restated)
	£'000	£'000	£'000
Amortisation and depreciation	36,263	32,115	70,399
Football – other operating costs	123,875	125,792	264,368
Property development – other operating costs	393	127	2,044
	160,531	158,034	336,811

7 NET FINANCE CHARGES

	Six months to 30 November		Year ended 31 May
	2015	2014	2015
	Unaudited	Unaudited (restated)	Audited (restated)
	£'000	£'000	£'000
Interest payable and similar charges	(6,783)	(6,829)	(13,579)
Interest receivable	433	492	828
	(6,350)	(6,337)	(12,751)
Change in fair value of financial instruments	(215)	(5,388)	(6,476)
Net finance charges	(6,565)	(11,725)	(19,227)

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
	2015	2014	2015
	Unaudited	Unaudited (restated)	Audited (restated)
	£'000	£'000	£'000
Corporation tax on result for the period at 20%	(1,588)	(836)	(6,266)
Movement in deferred taxation	4,358	829	2,890
Total tax credit/(charge)	2,770	(7)	(3,376)

The rate of corporation tax will reduce to 19% from April 2017 and 18% 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 £2.0 million.

The comparative rate of corporation tax for the six months ended 30 November 2014 and the year ended 31 May 2015 was 20.83%.

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 2014 - 62,217 shares and year to 31 May 2015 - 62,217 shares).

10 INTANGIBLE FIXED ASSETS

	£'000
Cost of player registrations	
At 1 June 2015	328,522
Additions	20,173
Disposals	(19,897)
At 30 November 2015	328,798
Amortisation of player registrations	
At 1 June 2015	156,864
Charge for period	29,231
Disposals	(18,089)
At 30 November 2015	168,006
Net book amount	
At 30 November 2015	160,792
At 31 May 2015	171,658

11 DEBTORS

	30 November		31 May
	2015	2014	2015
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Amounts recoverable within one year:			
Trade debtors	15,250	10,269	25,556
Other debtors	6,909	12,939	14,084
Prepayments and accrued income	30,350	29,714	34,535
	52,509	52,922	74,175
Amounts recoverable after more than one year:			
Other debtors	4,309	9,115	5,202
Prepayments and accrued income	1,348	1,509	1,456
	5,657	10,624	6,658

Other debtors of £11.2 million include £9.1 million in respect of player transfers (30 November 2014 £20.2 million and 31 May 2015 £14.9 million) of which £3.3 million is recoverable after more than one year.

12 CASH AT BANK AND IN HAND

	30 November		31 May
	2015	2014	2015
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Debt service reserve accounts	23,498	22,781	35,024
Other accounts	135,933	138,765	193,143
	159,431	161,546	228,167

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
	2015	2014	2015
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Cash at bank and in hand	75,292	76,912	108,614
Cash equivalents	84,139	84,634	119,553
	159,431	161,546	228,167

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 November		31 May
	2015	2014	2015
	Unaudited	Unaudited (restated)	Audited (restated)
	£'000	£'000	£'000
Foreign exchange derivatives	481	476	1,092
Fixed rate bonds – secured	7,546	7,108	7,119
Trade creditors	8,034	9,286	7,618
Corporation tax	1,732	896	5,056
Other tax and social security	6,205	2,549	19,879
Other creditors	47,150	48,645	60,795
Accruals and deferred income	134,769	129,662	173,773
	205,917	198,622	275,332

Other creditors, above and as disclosed in note 14, include £54.5 million (30 November 2014 £82.8 million and 31 May 2015 £80.5 million) in respect of player transfers.

Forward foreign currency contracts are valued at fair value using quoted forward exchange rates. The forward exchange contracts are designated as cash flow hedges to reduce the Group's cash flow exposure resulting from variable exchange rates on certain transactions such as Champions League receipts, transfer fees and wages.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	30 November		31 May
	2015	2014	2015
	Unaudited	Unaudited (restated)	Audited (restated)
	£'000	£'000	£'000
Fixed rate bonds – secured	138,209	145,892	146,095
Floating rate bonds – secured	47,970	47,834	47,902
Derivative financial instruments	23,951	22,788	23,736
Debentures	14,002	13,619	13,808
Other creditors	18,680	43,504	32,922
Grants	3,660	3,750	3,705
Deferred income	1,984	682	1,006
	248,456	278,069	269,174

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 £277,000 (period to 30 November 2014 £288,000 and year ended 31 May 2015 £570,000).

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
		(restated)	(restated)
	£'000	£'000	£'000
Between one and two years	8,522	8,084	8,084
Between two and five years	28,439	26,977	26,977
After five years	167,789	177,701	177,890
	204,750	212,762	212,951
Within one year	8,084	7,668	7,668
	212,834	220,430	220,619

Interest rate profile

After taking into account interest rate swaps, the interest rate profile of the Group's financial liabilities at 30 November 2015 was as follows:

	Fixed rate Unaudited 2015 £'000	Floating rate Unaudited 2015 £'000	Interest free Unaudited 2015 £'000	Total Unaudited 2015 £'000	Weighted average fixed rate Unaudited %	Weighted average period for which rate is fixed Unaudited Yrs
Bonds - fixed rate	148,832	-	-	148,832	5.8	13.5
Bonds - floating rate	50,000	-	-	50,000	7.0	15.5
Debentures	13,974	-	28	14,002	2.8	12.5
	212,806	-	28	212,834		

15 PROVISIONS FOR LIABILITIES

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

	30 November		31 May
	2015	2014	2015
	Unaudited	Unaudited	Audited
		(restated)	(restated)
	£'000	£'000	£'000
Pensions provision	1,356	896	1,571
Transfers provision	16,417	18,066	17,482
Deferred taxation	26,137	32,557	30,495
	43,910	51,519	49,548

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.

16 EXPLANATION OF TRANSITION TO FRS 102

This is the first reporting period that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 May 2015 and the date of transition to FRS 102 was therefore 1 June 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard. The key accounting policy changes are noted below, all other accounting policies are consistent with those set out in the last set of audited annual financial statements;

Financial assets and liabilities

Basic financial instruments (including the stadium finance bonds and the C and D debentures) are measured at amortised cost, using the effective interest method. The effective interest rate is the rate which exactly discounts the estimated future payments of receipts over the life of the instrument to its carrying amount at initial recognition, re-estimated periodically to reflect changes in the market rate of interest.

Non basic financial instruments (including the A and B debentures) are recognised at fair value, and measured at the present value of the future payments, discounted at a market rate of interest. Any periodic changes in fair value are recognised in the profit and loss. These debentures were previously accounted for at their undiscounted historic cost.

Derivative financial instruments (including forward foreign exchange contracts and the Group's interest rate swap) are recognised at fair value as described in note 13 and 14. The swap was previously accounted for at historic cost less amortisation over the term of the swap.

Deferred tax

Deferred tax is recognised in respect of all timing differences that may result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date. The transition to FRS 102 has resulted in a requirement to recognise certain additional deferred tax assets and liabilities, in particular where the taxation of opening FRS 102 adjustments is subject to a ten year transitional rule for tax purposes.

Holiday pay

An accrual is made for the holiday pay entitlement of the Group's employees which has not been taken as holiday at the financial period end. Prior to the introduction of FRS 102 no provision was made.

	Group	Group	Group
	At 1 June	At 30 Nov	At 31 May
	2014	2014	2015
Reconciliation of Equity	£'000	£'000	£'000
Capital and Reserves (as previously reported)	310,618	320,685	330,669
Revaluation of Debentures	14,400	14,400	14,399
Revaluation of Interest Rate Swap	(12,736)	(18,123)	(19,211)
Movement in value of Forward Exchange contracts	(92)	(476)	(1,092)
Holiday Pay	(461)	-	(507)
Tax	(241)	836	1,053
Capital and Reserves (as restated under FRS 102)	311,488	317,322	325,311

	Group	Group
	6 mths ended	Year ended
	30 Nov 2014	31 May 2015
Reconciliation of Profit	£'000	£'000
Profit for the financial period (as previously reported)	10,062	20,044
Revaluation of Debentures	(1)	(1)
Revaluation of Interest Rate Swap	(5,387)	(6,475)
Holiday Pay	461	(46)
Tax	1,077	1,294
Profit for the financial period (as restated under FRS 102)	6,212	14,816

17 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 £8.6 million (30 November 2014 £5.7 million, 31 May 2015 £8.8 million).


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ARSENAL HOLDINGS PLC

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 2015 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 17. 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 ISDX 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 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 2015 is not prepared, in all material respects, in accordance with the ISDX Growth Market Rules for Issuers.

DELOITTE LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
26 February 2016


GOAL
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