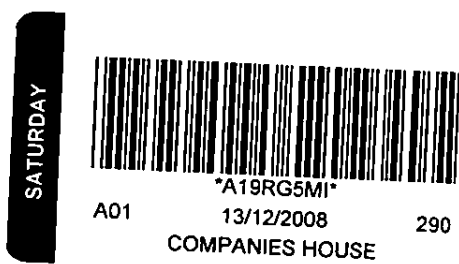


**Company Registration No. 109244**

**ARSENAL FOOTBALL CLUB PLC**

**Report and Financial Statements**

**31 May 2008**



# **ARSENAL FOOTBALL CLUB PLC**

## **REPORT AND FINANCIAL STATEMENTS 2008 CONTENTS**

### **Page**

<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2</b>
<b>Independent auditors' report</b>	<b>5</b>
<b>Profit and loss account</b>	<b>6</b>
<b>Balance sheet</b>	<b>7</b>
<b>Notes to the accounts</b>	<b>8</b>

# **ARSENAL FOOTBALL CLUB PLC**

## **REPORT AND FINANCIAL STATEMENTS 2008 OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

Lady Nina Bracewell-Smith  
R.C.L. Carr  
D.D. Fisman  
K.J. Friar OBE  
Lord Harris of Peckham  
P.D. Hill-Wood  
Sir Chips Keswick

### **SECRETARY**

D Miles

### **REGISTERED OFFICE**

Highbury House  
75 Drayton Park  
London  
N5 1BU

### **AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
London

# **ARSENAL FOOTBALL CLUB PLC**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 May 2008.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is that of a professional football club and the related commercial activities.

### **BUSINESS REVIEW AND FUTURE PROSPECTS**

The Club achieved a respectable third place in the Barclays Premiership which has resulted in the Club qualifying for the group stage of the UEFA Champions League for a eleventh consecutive season. The Club's revenues showed continued growth driven by the new Premier League TV contracts for 2007/08. The second year of operations at Emirates Stadium was again successful. Emirates Stadium provides high quality match day facilities which allow a far greater number of the Club's supporters to attend matches and also provides the Club with the sound financial base and level of financial resources from which it can build the strongest possible future.

The corporate structure together with the legal and financial agreements put in place in connection with the Arsenal Holdings plc group's financial arrangements for Emirates Stadium means that ticket revenues for Emirates Stadium are now managed, controlled and accounted for by a fellow subsidiary company, Arsenal Stadium Management Company Limited, rather than the Club itself. Arsenal Stadium Management Company Limited pays the Club an appearance fee out of the ticket revenues it collects.

There are a number of potential risks and uncertainties which could have a material impact on the company's long term performance and these risks and uncertainties are monitored by the Board on a regular basis. In particular, the company's income is affected by the performance and popularity of the first team because significant sources of revenue are derived from strong team performances in the FAPL, FA Cup and UEFA Champions League (or UEFA Cup) and the level of income will vary dependent upon the team's participation and performance in these competitions. The Club is regulated by the rules of the FA, FAPL, UEFA and FIFA and any change to FA, FAPL, UEFA and FIFA regulations in future could have an impact on the company as the regulations cover areas such as: the format of competitions, the division of broadcasting income, the eligibility of players and the operation of the transfer market. The company monitors its compliance with all applicable rules and regulations on a continuous basis and also monitors and considers the impact of any potential changes.

### **RESULTS AND DIVIDENDS**

The results for the year are set out on page 6.

The directors did not pay or declare a dividend for the year (2007 - £Nil).

### **DIRECTORS**

The directors of the Company, all of whom served throughout the year unless stated otherwise are set out below:-

Lady Nina Bracewell-Smith

R.C.L. Carr

D.D. Fiszman

K.J. Friar OBE

Lord Harris of Peckham

P.D. Hill-Wood

Sir Chips Keswick

K.G. Edelman (resigned 1 May 2008)

In accordance with the provisions of Article 90 of the Articles of Association P.D Hill-Wood and R.C.L. Carr retire by rotation and, being eligible, offer themselves for re-election.

# **ARSENAL FOOTBALL CLUB PLC**

## **DIRECTORS' REPORT (continued)**

### **POLITICAL AND CHARITABLE CONTRIBUTIONS**

During the year, the Company made donations for charitable purposes amounting to £44,466 (2007 - £55,985) and £Nil political contributions (2007 - £Nil).

### **CREDITOR PAYMENT POLICY**

The Company's policy is to pay all creditors in accordance with contractual and other legal obligations. Advantage is taken of available discounts for prompt payment whenever possible. The rate, expressed in days, between the amounts invoiced to the Company by its suppliers in the year and the amount owing to trade and other creditors at the year end was 48 days (2007 - 57 days).

### **EMPLOYEES**

Within the bounds of commercial confidentiality, the Company endeavours to keep staff at all levels informed of matters that affect the progress of the Company and are of interest to them as employees.

The Company operates an equal opportunities policy. The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability.

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the Company become disabled whilst in employment, every step, where appropriate will be taken to assist with rehabilitation and suitable re-training.

The Company maintains its own health, safety and environmental policies covering all aspect of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the Company is responsive to the needs of the employees and the environment.

### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **ARSENAL FOOTBALL CLUB PLC**

### **DIRECTORS' REPORT (continued)**

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

In the case of each of the persons who is a director of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined in the Companies Act 1985) and to establish that the company's auditors are aware of that information.

#### **AUDITORS**

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'D Miles', written over a horizontal line.

D Miles  
Secretary

19 November 2008

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARSENAL FOOTBALL CLUB PLC**

We have audited the financial statements of Arsenal Football Club plc for the year ended 31 May 2008 which comprise the profit and loss account, the balance sheet and the related notes numbered 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

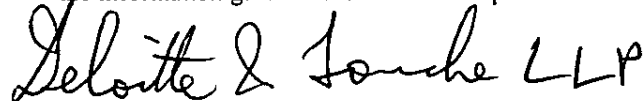
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
19 November 2008

# ARSENAL FOOTBALL CLUB PLC

## PROFIT AND LOSS ACCOUNT

Year ended 31 May 2008

		2008			2007		
	Note	Operations excluding player trading £'000	Player trading £'000	Total £'000	Operations excluding player trading £'000	Player Trading £'000	Total £'000
<b>Turnover</b>	1,2	182,829	472	183,301	138,459	544	139,003
Operating expenses - ordinary	3	(139,397)	(21,757)	(161,154)	(128,699)	(18,782)	(147,481)
Operating expenses - exceptional	3	-	-	-	(50,000)	-	(50,000)
<b>Total operating expenses</b>		(139,397)	(21,757)	(161,154)	(178,699)	(18,782)	(197,481)
<b>Operating profit/(loss)</b>		43,432	(21,285)	22,147	(40,240)	(18,238)	(58,478)
Profit on disposal of tangible fixed assets		19	-	19	836	-	836
Profit on disposal of player registrations		-	26,458	26,458	-	18,467	18,467
<b>Profit/(loss) on ordinary activities before interest</b>		43,451	5,173	48,624	(39,404)	229	(39,175)
Net interest payable	4			(284)			(296)
<b>Profit/(loss) on ordinary activities before taxation</b>				48,340			(39,471)
Taxation	7			(11,751)			354
<b>Profit/(loss) after taxation retained for the financial year</b>	19			36,589			(39,117)

All trading resulted from continuing operations.

Player trading consists primarily of the amortisation of the costs of acquiring player registrations, any impairment charges and profit on disposal of player registrations.

There were no recognised gains or losses in the current or previous year other than those recorded in the profit and loss account and, accordingly, no statement of total recognised gains and losses is presented.



# ARSENAL FOOTBALL CLUB PLC

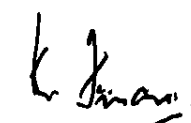
## BALANCE SHEET

31 May 2008

	Note	2008 £'000	2007 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	35,913	35,982
Intangible fixed assets	10	55,665	66,871
Investments	11	6,520	6,520
		<u>98,098</u>	<u>109,373</u>
<b>Current assets</b>			
Stock - retail merchandise	12	1,217	1,162
Debtors - due within one year	13	25,503	23,832
- due after one year	13	202,179	188,894
Cash at bank and in hand		14,403	21,529
		<u>243,302</u>	<u>235,417</u>
<b>Creditors : amounts falling due within one year</b>	14	(80,147)	(64,066)
<b>Net current assets</b>		<u>163,155</u>	<u>171,351</u>
<b>Total assets less current liabilities</b>		<u>261,253</u>	<u>280,724</u>
<b>Creditors : amounts falling due after more than one year</b>	15	(187,300)	(241,020)
<b>Provisions for liabilities</b>	16	(12,692)	(15,032)
<b>Net assets</b>		<u>61,261</u>	<u>24,672</u>
<b>Capital and reserves</b>			
Called up share capital	17	62	62
Share premium	18	56,696	56,696
Joint venture reserve	18	1,470	1,470
Profit and loss account	19	3,033	(33,556)
<b>Shareholders' funds</b>		<u>61,261</u>	<u>24,672</u>

These financial statements were approved and authorised for issue by the Board of Directors on 19 November 2008.

Signed on behalf of the Board of Directors



K.J. Friar  
Director

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 1. Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below and have been applied consistently throughout the current and preceding year.

#### Basis of preparation of financial statements

The Company has not produced consolidated financial statements as it qualifies for exemption as a wholly owned subsidiary of a United Kingdom parent company, Arsenal Holdings plc, which publishes consolidated financial statements.

#### Cash flow statement

As a wholly owned subsidiary of a parent company which publishes a consolidated cash flow statement, the Company is exempt from the requirement to present a cash flow statement as per FRS 1 (revised 1996).

#### Employee benefit trust

Assets and liabilities held in the Company's employee benefit trusts are consolidated in accordance with the requirements of UITF 32. Long-term receivables included in the trust's balance sheet have been discounted to their net present value by applying a discount rate of 5%.

#### Investment in joint venture

The joint venture is an undertaking in which the Company holds an interest on a long-term basis and which is jointly controlled by the Company (which holds 50% of the voting rights) and Kroenke Sports Enterprises under a contractual arrangement.

Investments are stated at cost less provisions for impairment. Impairment charges on investments are reported as exceptional items after operating profits.

#### Turnover and income recognition

Turnover represents income receivable, net of VAT, from football and related commercial activities. The Company has one class of business which is the principal activity of operating a professional football club.

Certain special purpose arrangements have been established in connection with the Arsenal Holdings plc group's financing arrangements for Emirates Stadium and, with effect from the start of the 2006/07 football season, ticket revenues for Emirates Stadium are received and accounted for by a fellow subsidiary company, Arsenal Stadium Management Company Limited. Under the terms of the related financial and legal agreements, the company receives appearance fees from Arsenal Stadium Management Company Limited which are accounted for as part of match day revenue. Match day revenue is recognised over the period of the football season as games are played. 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. 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.

#### Depreciation

Depreciation is calculated to reduce the cost of plant, equipment, motor vehicles and land and buildings to the anticipated residual value of the assets concerned in equal annual instalments over their estimated useful lives as follows:

Freehold land	0% per annum
Freehold buildings	2% per annum
Leasehold properties	Over the period of the lease
Plant and equipment	10% to 20% per annum
Motor vehicles	25% per annum

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 1. Accounting policies (continued)

#### Stocks

Stocks comprise retail merchandise and are stated at the lower of cost and net realisable value.

#### Player costs

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 the market value for the non-cash consideration. Provision is made for any impairment and player registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

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 transfer 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.

Profits or losses on the sale of players represent the transfer fee receivable, net of any transaction costs, less the unamortised cost of the player's registration.

Remuneration of players is charged in accordance with the terms of the applicable contractual arrangements and any discretionary bonuses when there is a legal or constructive obligation.

#### Debt

The carrying value of long term debt is not discounted.

#### Foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency assets and liabilities held at the year end are translated at year-end exchange rates or the exchange rate of a related forward exchange contract where appropriate. Exchange gains or losses are dealt with in the profit and loss account.

#### Deferred income

Deferred income represents income from sponsorship agreements and other contractual agreements which is credited to the profit and loss account over the period of the agreements.

#### Leases

Rentals payable under operating leases are charged to the profit and loss account evenly over the lease period.

#### Pensions

The Company makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes the principal one of which is The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate.

In addition the Company is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). A provision has been established for the Company's share of the deficit which exists in this section of the scheme and this additional contribution is being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have retired or who have left the Company has been charged to the profit and loss account.

Under FRS 17 - Retirement Benefits - the Scheme would be treated as a defined benefit multi-employer scheme. The Scheme's actuary has advised that the participating employers' share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and accordingly no disclosures are made under the provisions of FRS 17.

The assets of all schemes are held in funds independent from the Company.

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 1. Accounting policies (continued)

#### Taxation

Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is recognised only when, on the basis of available evidence, it can be regarded as more likely than not that the reversal of underlying timing differences will result in a reduction in future tax payments.

### 2. Turnover

Turnover, all of which originates in the UK, comprises the following:

	2008 £'000	2007 £'000
Match day revenues	70,591	53,109
Broadcasting	68,360	44,312
Retail	13,050	12,059
Commercial	30,828	28,979
Player trading	472	544
	<u>183,301</u>	<u>139,003</u>

### 3. Operating expenses

Operating expenses comprise:

	2008 £'000	2007 £'000
Amortisation of player registrations	21,757	18,782
Depreciation	2,485	2,110
	<u>24,242</u>	<u>20,892</u>
Total depreciation and amortisation	24,242	20,892
Staff costs (see note 6)	96,511	87,788
Other operating charges	40,401	38,801
	<u>161,154</u>	<u>147,481</u>
Operating expenses - ordinary	161,154	147,481
Operating expenses - exceptional	-	50,000
	<u>161,154</u>	<u>197,481</u>
Total operating expenses	161,154	197,481

The exceptional item in the previous year related to the waiver by the company of £50,000,000 of inter-company debt owing to it by a fellow group undertaking.

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 3. Operating expenses (continued)

	2008 £'000	2007 £'000
Other operating charges are stated after charging:		
Auditors' remuneration - audit	55	53
- non-audit services	391	312
Operating lease payments - plant and machinery	152	158
- other	267	1,801
	<u>          </u>	<u>          </u>

The fees for non-audit services primarily relate to advice for corporate and employee taxation.

### 4. Net interest payable

	2008 £'000	2007 £'000
Interest payable and similar charges:-		
Bank loans and overdrafts	(2)	(148)
Other	(1,844)	(504)
Cost of raising finance	-	(599)
	<u>          </u>	<u>          </u>
Total interest payable and similar charges	(1,846)	(1,251)
Interest receivable	1,562	955
	<u>          </u>	<u>          </u>
Net interest payable	(284)	(296)

### 5. Directors' emoluments

	2008 £'000	2007 £'000
Emoluments	1,529	2,224
Pension contributions	-	5
	<u>          </u>	<u>          </u>
	1,529	2,229
	<u>          </u>	<u>          </u>
Emoluments of the highest paid director	1,056	1,157
	<u>          </u>	<u>          </u>
Pension contributions of the highest paid director	-	5
	<u>          </u>	<u>          </u>

In addition to the amounts disclosed above £1,667,500 was receivable by K.G. Edelman, following his resignation as a director, as compensation for his loss of office and for consultancy services.

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 6. Employees (including directors)

	2008 Number	2007 Number
The average number of persons employed by the Company during the year was:		
Playing staff	54	52
Training staff	31	31
Administrative staff	197	206
Ground staff	97	85
	<u>379</u>	<u>374</u>

In addition the company employs on average 902 temporary staff on match days (2007 - 879).

	2008 £'000	2007 £'000
<b>Staff costs:</b>		
Wages and salaries	85,983	77,635
Social security costs	9,947	9,501
Other pension costs	581	652
	<u>96,511</u>	<u>87,788</u>

### 7. Tax on profit/(loss) on ordinary activities

	2008 £'000	2007 £'000
Group relief at 29.67% (2007 - 0%)	1,486	-
UK corporation tax charge at 29.67% (2007 - 30%)	11,689	-
Over provision in respect of prior years	-	-
<b>Total current taxation charge</b>	<u>13,175</u>	<u>-</u>
<b>Deferred taxation (see note 16)</b>		
Origination and reversal of timing differences	(1,377)	(134)
Impact of change in tax rate	21	-
Over provision in respect of prior years	(68)	(220)
<b>Total tax credit on profit/(loss) on ordinary activities</b>	<u>11,751</u>	<u>(354)</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit/(loss) before tax is as follows:

	2008 £'000	2007 £'000
<b>Profit/(loss) on ordinary activities before tax</b>	<u>48,340</u>	<u>(39,471)</u>
Tax on profit/(loss) on ordinary activities at standard UK corporation tax rate of 29.67% (2007 - 30%)	14,342	(11,841)
Effects of:		
Capital allowances in excess of depreciation	(329)	228
Other timing differences	1,789	(94)
Expenses not deductible for tax purposes	2,280	15,730
Group relief and intra-group adjustments	(4,907)	(4,023)
Adjustments to tax charge in respect of prior years	-	-
<b>Current taxation for the year</b>	<u>13,175</u>	<u>-</u>

The rate of corporation tax changed from 30% to 28% on 1 April 2008.

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 7. Tax on profit/(loss) on ordinary activities (continued)

Tax losses have been claimed from other group companies for a consideration computed at rates ranging from 0% up to the full rate of UK corporation tax, currently 29.67%.

The tax charge in future years may be affected by:

- A change in the consideration paid for group relief.
- The legislation relating to taxation of profits on disposal of intangible assets, including player registrations, and rollover relief thereon.

### 8. Dividends

The company did not pay or declare a dividend for the year (2007 - £Nil).

### 9. Tangible fixed assets

Company	Freehold properties £'000	Leasehold properties £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
At 1 June 2007	30,452	6,450	7,104	122	44,128
Additions	1,236	78	1,055	47	2,416
Disposals	-	-	(513)	(51)	(564)
At 31 May 2008	31,688	6,528	7,646	118	45,980
<b>Depreciation</b>					
At 1 June 2007	3,420	1,950	2,676	100	8,146
Charge for the year	1,220	412	843	10	2,485
Disposals	-	-	(513)	(51)	(564)
At 31 May 2008	4,640	2,362	3,006	59	10,067
<b>Net book amount</b>					
At 31 May 2008	27,048	4,166	4,640	59	35,913
At 31 May 2007	27,032	4,500	4,428	22	35,982

At 31 May 2008 the Company had contracted capital commitments of £0.8 million (2007 - £1.2 million).

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 10. Intangible fixed assets

	£'000
<b>Cost of player registrations</b>	
At 1 June 2007	124,415
Additions	25,290
Disposals	(39,785)
At 31 May 2008	109,920
<b>Amortisation of player registrations</b>	
At 1 June 2007	57,544
Charge for the year	21,757
Disposals	(25,046)
At 31 May 2008	54,255
<b>Net book amount</b>	
At 31 May 2008	55,665
At 31 May 2007	66,871

The figures for cost of player registrations are historical cost figures for purchased players only. Accordingly the net book amount of player registrations will not reflect, nor is it intended to, the current market value of these players nor does it take any account of players developed through the Company's youth system.

### 11. Investments

	£'000
<b>Cost of investments</b>	
At 1 June 2007	25,050
Additions	-
At 31 May 2008	25,050
Being:	
Investment in joint venture	20,000
Investments in subsidiary companies	5,050
	25,050

	2008 £'000	2007 £'000
<b>Investment in joint venture</b>		
Investments at cost	20,000	20,000
Provision for impairment	(18,530)	(18,530)
<b>Investment in subsidiary companies</b>		
Investments at cost	5,050	5,050
	6,520	6,520



# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 11. Investments (continued)

The joint venture represents an interest in Arsenal Broadband Limited, a company incorporated in Great Britain and engaged in running the official Arsenal Football Club internet portal. The Company owns all of the 20,000,001 Ordinary "A" shares of £1 each and the one "C" share of £1 issued by Arsenal Broadband and controls 50 per cent of the voting rights.

#### Investments in subsidiary undertakings

At 31 May 2008 the Company had the following subsidiary companies (of which those marked \* are indirectly held):

	Country of incorporation	Proportion of Shares owned	Principal Activity
Arsenal (Emirates Stadium) Limited	Great Britain	100%	Property development
Arsenal Stadium Management Company Limited*	Great Britain	100%	Stadium operations
Arsenal Securities plc	Great Britain	100%	Financing
Arsenal Overseas Limited	Jersey	100%	Retail operations
Filepack Nominees Limited	Great Britain	100%	Dormant

### 12. Stocks

	2008 £'000	2007 £'000
Retail merchandise	1,217	1,162

### 13. Debtors

	2008 £'000	2007 £'000
Amounts receivable within one year:		
Trade debtors	3,085	3,834
Other debtors	9,699	7,600
Deferred taxation	1,736	312
Prepayments and accrued income	10,983	12,086
	25,503	23,832
Amounts recoverable in more than one year:		
Amounts due from group undertakings	190,740	186,463
Other debtors	8,845	1,778
Prepayments and accrued income	2,594	653
	202,179	188,894

Total other debtors of £18.55 million include £18.13 million in respect of player transfers (2007 - £9.0 million) of which £8.71 million is recoverable in more than one year.

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

14. Creditors: amounts falling due within one year	2008 £'000	2007 £'000
Trade creditors	4,248	7,702
Corporation tax	10,550	3,037
Other tax and social security	7,880	5,097
Other creditors and loans	12,037	12,128
Accruals and deferred income	45,432	36,102
	<u>80,147</u>	<u>64,066</u>

Other creditors, above and as disclosed in note 15, include £15.98 million (2007 - £16.5 million) in respect of player transfers and directly related costs.

15. Creditors: amounts falling due after more than one year	2008 £'000	2007 £'000
Debenture subscriptions	14,432	14,432
Amount due to group undertakings	142,101	186,828
Other creditors	5,340	6,638
Deferred income	25,427	33,122
	<u>187,300</u>	<u>241,020</u>

Under the issue terms the debentures are repayable at par after 134 years. The debentures are interest free.

16. Provision for liabilities	2008 £'000	2007 £'000
Pensions provision (Note 24 (b))	576	705
Transfers	12,116	14,327
Deferred taxation (Note 13)	-	-
	<u>12,692</u>	<u>15,032</u>

The deferred tax credit for the year was £1.42 million (2007 - credit of £0.35 million).

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

Deferred tax (asset)/provision	2008 £'000	2007 £'000
Deferred tax (asset)/provision in respect of:-		
Corporation tax deferred by accelerated capital allowances	956	764
Other timing differences	(2,692)	(1,076)
Total deferred taxation asset	<u>(1,736)</u>	<u>(312)</u>

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

<b>17. Called up share capital</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Authorised		
62,217 Ordinary shares of £1 each	62	62
	<hr/>	<hr/>
Called up, allotted and fully paid		
61,947 Ordinary shares of £1 each	62	62
	<hr/>	<hr/>
<b>18. Share premium and other reserves</b>	<b>Joint venture reserve</b>	<b>Share premium</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start and end of year	1,470	56,696
	<hr/>	<hr/>
<b>19. Profit and loss account</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Balance at start of year	(33,556)	5,561
Profit/(loss) for the year	36,589	(39,117)
	<hr/>	<hr/>
Balance at end of year	3,033	(33,556)
	<hr/>	<hr/>
<b>20. Reconciliation of movement in shareholders' funds</b>	<b>2008</b>	<b>2007</b>
	<b>£'000</b>	<b>£'000</b>
Opening shareholders' funds	24,672	63,789
Profit/(loss) for the year	36,589	(39,117)
	<hr/>	<hr/>
Closing shareholders' funds	61,261	24,672
	<hr/>	<hr/>

## 21. Leasing commitments

Commitments due under operating leases for the year to 31 May 2009 are in respect of:

	<b>2008</b>		<b>2007</b>	
	<b>Land and buildings</b>	<b>Other</b>	<b>Land and buildings</b>	<b>Other</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Leases expiring :				
Within one year	-	-	-	1
Between two and five years	-	150	143	138
After five years	124	-	124	-
	<hr/>	<hr/>	<hr/>	<hr/>
	124	150	267	139
	<hr/>	<hr/>	<hr/>	<hr/>

# ARSENAL FOOTBALL CLUB PLC

## NOTES TO THE ACCOUNTS

Year ended 31 May 2008

### 22. 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. In accordance with the Company's accounting policy for transfer fees, any additional fees which may be payable under these agreements, will be accounted for in the year that it becomes probable that the number of appearances will be achieved or the specified future events will occur. The maximum unprovided liability amounts to £12.3 million (2007 - £9.9 million).

The Company is a member of a VAT group and, consequently, is contingently liable for the VAT liabilities of that group. The amount outstanding at 31 May 2008 was £10.33 million (2007 - £9.64 million).

### 23. Related party transactions

	2008 Income/ (charge) £'000	2007 Income/ (charge) £'000
The Company has the following transaction with Arsenal Broadband Limited in the year:		
Provision of office services	124	107
Merchandising and advertising sales	(587)	(751)

At 31 May 2008 the balance owing from the Company to Arsenal Broadband Limited was £337,000 (2007: £582,000).

As a wholly owned subsidiary of Arsenal Holdings plc, a company which publishes consolidated accounts, the Company is exempt from disclosing details of transactions with members of the Arsenal Holdings Group.

### 24. Pensions

#### a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £556,785 (2007 - £567,972).

#### b) Defined benefit scheme

	2008 £'000	2007 £'000
Provision at start of year	705	834
Payments in year	(129)	(129)
Increase in provision	-	-
Provision at end of year	576	705

The Company is advised of its share of the deficit in the Scheme. The most recent actuarial valuation of the Scheme was as at 31 August 2005 and indicated that the contribution required from the Company towards making good the deficit was £0.87 million at 1 April 2007 (the total deficit in the Scheme at this date was £8.8 million).

Additional contributions are being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have already retired or who have left the Company has been charged to the profit and loss account.

The agreed revised deficit is being paid off over a period of 10 years commencing May 2006. Payments for the year amounted to £128,916 and the profit and loss account charge was £24,000 (2007- £84,000).

## ARSENAL FOOTBALL CLUB PLC

### NOTES TO THE ACCOUNTS

Year ended 31 May 2008

#### 25. Post balance sheet events

##### *Player transactions*

Since the end of the financial year the Company has contracted for the purchase and sale of various players. The net income resulting from these transfers, taking into account the applicable levies, is £1.5 million. These transactions will be accounted for in the year ending 31 May 2009.

#### 26. Ultimate parent company

The company is a wholly owned subsidiary of Arsenal (AFC Holdings) Limited, a company incorporated in Great Britain. The largest and smallest group in which the Company's results are included is the consolidated accounts of the ultimate parent company, Arsenal Holdings plc, a company incorporated in Great Britain. These consolidated accounts are available to the public and may be obtained from Arsenal Holdings plc, Highbury House, 75 Drayton Park, London N5 1BU.