COMPANY NO: 4250459

ARSENAL Holdings plc

Statement of Accounts
and Annual Report
2008 / 2009

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FINANCIAL HIGHLIGHTS

	2009	2008
Group turnover £m	313.3	223.0
Group operating profit before player trading and depreciation £m	70.5	59.6
Profit before taxation £m	45.5	36.7
Earnings per share £	566.24	413.49

CHAIRMAN'S REPORT

I am pleased to open my report by confirming another year of strong financial results. The annual accounts show an after tax profit of £35.2 million (2008 – £25.7 million) and this represents a record level of annual retained profit for the Group.

The Group's profits have now risen in each of the three years in which Emirates Stadium has been our home. This is excellent news although I should perhaps stress that making and reporting profits is not in itself the primary objective for the directors. First and foremost we are supporters of this great football club and, as such, our main goal will always be the achievement of success for Arsenal on the field. The Group's profitability is important because it is a by-product of running the Club as a solvent and successful business, which in turn allows us to maximise the level of investment in the playing staff and in the future development of the Club.

The 2008/09 season was not without footballing success although the first team finished it without a trophy. In the Premier League a strong unbeaten run of 21 games ultimately carried us into a respectable fourth place finish. In addition, we reached the semi-finals of both the UEFA Champions League, for only the second time in the Club's history, and the FA Cup. Disappointingly, the team were unable to advance further in either of these competitions.

Whilst honours eluded the Club at first team level, there was considerable success elsewhere with the Under 18s team notably winning a League and FA Cup double. Arsène Wenger already has a wealth of young players developing in the first team squad and it is exciting to see another group of hugely talented players coming through at the next level down. There was more silverware for Arsenal Ladies too, as they completed a domestic treble of League, League Cup and FA Cup.

Earlier this year we were pleased to announce that Highbury Square had won the prestigious 'Special Jury Award' at MIPIM, which is the annual property world equivalent of the Oscars. We have always been confident of the outstanding quality and unique character of the Highbury Square project and, consequently, I am delighted to report that there have been a number of significant and positive developments over the summer months. These developments are covered in more detail in the Chief Executive's Report and the Financial Review, but the key message is that approaching 70 per cent of the 655 private apartments at Highbury Square have now completed sale and the related bank loan has been reduced from £137 million to £47 million. We believe that the development has outperformed the market and is now on a secure footing which should allow us to maximise our final return.

Ivan Gazidis joined the Group as Chief Executive Officer on 1 January 2009 from Major League Soccer in the USA, where he was deputy commissioner. Ivan came to the Club with an excellent knowledge of the football industry and he has quickly transferred this to the specifics of Arsenal, the Premier League and the European stage.

During the year there were a number of changes in the major shareholdings in the Group with both Kroenke Sports Enterprises and Red and White Securities taking their stakes beyond the 25 per cent level.

The Board continues to have a regular dialogue with each of the Group's major shareholders and, in recent months, this dialogue has prompted an analysis around the question of whether there should be a fundraising for the Group through a rights issue. This is a complex subject, reflecting the two aspects of the Group's business and the related financing arrangements. Now that we have resolved any issues linked to the financing of Highbury Square, in the final analysis I believe it distils down to a decision about whether it is appropriate to raise money from shareholders to purchase the registrations and pay the wages of footballers. This is not something that Arsenal has ever done previously in its history and it would be at odds with our ethos of running the Club as a business which is self-sustaining and pays its own way in the world.

The new season started with a headline grabbing 6-1 away win at Goodison Park and, although our opening schedule had some difficult fixtures, the team has produced some excellent performances. Following a reasonably comfortable 5-1 aggregate victory against Celtic in the play off round we have now reached the Group Stage of the UEFA Champions League for a 12th consecutive year – this is an outstanding record and places the Club within a small and elite group of top European clubs. We expect the level of competition both domestically and in Europe to be very high. Despite two disappointing results in Manchester we remain optimistic and excited by the Club's prospects for the 2009/10 campaign.

We recognised the fact that many of our supporters have been affected by the difficult economic climate and accordingly we took the decision to recognise their commitment by once again freezing all admission prices for the 2009/10 season. Subsequently, the level of season ticket renewals has been excellent for which I would like to thank our loyal fans and congratulate the members of our box office team, who have worked so hard both in planning for and carrying through the renewals process.

Although transfer activity in the summer window was limited I can assure supporters that this followed lengthy discussions with Arsène Wenger and reflected Arsène's assessment of the player resources, both within the existing squad and available on the transfer market, rather than any necessity or financial constraint. Our two key acquisitions this year, Andrey Arshavin and Thomas Vermaelen, have proved very successful and Arsène has the resources to bring more players in, if he believes doing so will add to the quality which we already have in the squad.

The year saw the departure from the board of Arsenal Holdings plc of Lady Nina Bracewell-Smith and Richard Carr and once again I would like to record our thanks to them for their contribution to the Group over many years. Richard remains a director of Arsenal Football Club plc and he continues to be closely involved with our youth development programme.

In closing, I would like to thank my fellow directors, our management team and our entire staff for all of their hard work and dedication over the last year. I would also like to thank all of our professional advisers and, in particular, pay tribute to our Highbury Square project team for the support they have provided.

Finally, thank you for the fantastic support given to the Club by all of our shareholders, supporters, sponsors and commercial partners. I look forward to welcoming you all again to Emirates Stadium over the course of the new season.

P D Hill-Wood
Chairman
25 September 2009

CHIEF EXECUTIVE'S REPORT

I am delighted and proud to be presenting my first report to shareholders as Chief Executive.

I have invested a fair proportion of my first nine months with the Group in conducting a thorough and wide-ranging assessment of the organisation and its position on both the domestic and global football stages. I am very encouraged by much that I have found. We have many excellent people and in a number of areas our operational standards and practices already define best practice. We are in a strong position financially and our business model is widely respected.

The economic background is clearly difficult but the impact of the recession on the results of our core football business for 2008/09 was limited. Many of the key aspects of our income were protected by virtue of the contractual arrangements in place before the start of the season but I also believe that the outstanding loyalty of the Club's supporters has played an important role.

Operationally, we dealt seamlessly with additional home fixtures associated with last season's cup runs and additional events including the Brazil versus Italy international friendly and the Capital Radio Summertime Ball. Over 50,000 music fans attended the Capital event, which was the second ever concert at Emirates Stadium, and enjoyed sixteen acts from the UK and the US including Lionel Ritchie, Leona Lewis, Dizzee Rascal and Blue. Discussions are already well advanced for next year's concert schedule.

The UK property market has been particularly affected by the economic downturn and our major development project at Highbury Square has reached its final stages during a period where the market conditions have been extremely challenging.

By the close of the 2008/09 financial year we had completed the sale of 208 of the 655 private apartments at Highbury Square. Completions were much slower than was predicted in our original development plan as a consequence of the difficult conditions in the property and mortgage finance markets. This has had a direct impact on the repayments made against the £137 million bank facility used in part-funding the construction works. The sales completed contributed some £88 million of revenue and £10 million of operating profits within the Group's results for the year and, after funding the balance of the construction costs, allowed the bank loan to be reduced to £124 million.

Since the end of the financial year, some of the hard work we have put in on Highbury Square has begun to yield positive results.

First, the completion of all the remaining construction works and the central gardens has meant that apartment owners can fully enjoy living in an award winning building complex rather than a work in progress. The official opening ceremony for Highbury Square was held on 24 September 2009 with Arsène Wenger and a number of the players in attendance. Secondly, following lengthy negotiations, the position of a number of key bulk purchase contracts for units at Highbury Square has been fully resolved and, in addition, the rate of private sales completions has noticeably picked up. Finally, again after many months of negotiation, we have reached agreement for an extension of the term of the Highbury Square loan facility on terms which we consider to be reasonable and appropriate.

Following on from these developments, the number of private apartment sales completions has now risen to 445 with a cumulative sales revenue value of £172 million and the bank loan has been substantially reduced, to £47 million. Although we still have to obtain completions or re-sell some 210 flats, the in-fill plots around the site and certain commercial elements within the development, we are now confident that any remaining risk associated with the project has been minimised. Clearly the ultimate amount of the Group's profits from Highbury Square will remain uncertain until the remaining sales are concluded but we believe the development is now on a secure footing which should allow us to maximise our final return.

Turning to the Group's other long running property development project, at Queensland Road, I am pleased to confirm that planning permission was finally granted on 30 July 2009. The redevelopment permitted includes the realignment of the road and the construction of one new building to the south of the road up to six storeys high, comprising 213 residential units for use as affordable housing together with an area of commercial space. A second building will be constructed to the north of the road, incorporating five towers providing ten to fifteen floors of residential accommodation above a plinth of mainly commercial space. This building will include 516 residential units, an indoor sports centre to be operated by the Club, which will include local community use, and 179 car parking spaces. The residential units in the two towers to the west of the site will be used as affordable housing with the remainder for use as private market housing. We are already at an advanced stage of negotiations with Newlon Housing Trust with regard to the sale of all of the affordable housing and the site clearance works at Queensland Road.

On the Field

The team produced some exciting and stylish football during the course of the 2008/09 season, in particular over the second half of the season when the momentum of an impressive 21 match unbeaten run in the Premier League helped to secure a fourth placed Premier League finish which at one stage of the season looked in doubt.

That fourth position in the Premier League with 72 points, meant the Club achieved 2009/10 UEFA Champions League participation for a 12th consecutive season, a record which is matched only by Real Madrid and Manchester United.

In the UEFA Champions League strong performances in the knock-out rounds produced wins over AS Roma and Villarreal as Arsenal progressed to the semi-finals of the competition for only the second time in the Club's history. Reaching the same stage in the FA Cup meant Arsenal's first visit to the new Wembley Stadium. Unfortunately, the team was unable to convert the opportunities provided by these semi-final appearances and exited both competitions at this stage. In the Carling Cup Arsène Wenger once again deployed many of the Club's younger players in progressing to the quarter-finals.

Away from the first team, everyone associated with the Club was delighted by the success achieved by the youth team and by Arsenal Ladies in the 2008/09 season.

The Under-18s Team completed a fantastic season by securing a league and cup double. Steve Bould's team won the FA Premier Academy League title and beat Liverpool over two legs in the FA Youth Cup Final. The first leg of the final was played at Emirates Stadium in front of a crowd of more than 33,000. This is a great achievement and congratulations go to all the players, coaches and staff in the Youth Development department. It is truly exciting to see such a talented group of young players coming through together.

Once again we must offer our congratulations to the Arsenal Ladies who were victorious in the FA Women's Premier League and both their League and FA Cups. The League win was achieved in dramatic fashion, with a win over Everton in the very last game of the league season. The continued success of Arsenal Ladies was a fitting tribute to Vic Akers, in his last year as the Ladies' manager. Vic had been manager of our ladies team for more than 20 years, in which time the team has won over 30 major honours, a truly fantastic achievement.

Pages 19 to 21 include a full review of the 2008/09 season for the Club's first team, reserves, youth and ladies teams.

Players

During the close season, the Club welcomed another exciting new player to its first team squad.

Belgian international defender Thomas Vermaelen joined Arsenal on a long-term contract from Dutch Eredivisie side Ajax, where he was club captain in the 2008/09 season. The 23 year-old, who is predominantly a central defender, has experience in both the UEFA Cup and UEFA Champions League including two appearances for Ajax against Arsenal in the Group Stage of the 2005/06 Champions League. During his time with Ajax, the club won the Dutch League Championship in 2003/04, the Dutch National Cup on two occasions (in 2006 and 2007) and the Dutch Super Cup twice (in 2006 and 2007). Thomas made his full international debut for Belgium in March 2006 and he has gone on to establish himself as a regular in his country's set-up.

The Club extends a warm welcome to Thomas, together with all the new 'First Year Scholars' joining our Youth Development programme this summer. We wish them all the best of luck during their Arsenal careers.

Our main focus over the summer months has been the retention of key members of the squad. We are delighted to have signed new long term contracts with Robin van Persie, Theo Walcott, Kieran Gibbs, Jack Wilshere, Lukasz Fabianski, Aaron Ramsey, Denilson and Nicklas Bendtner.

The summer saw the departure of three first team squad players.

Emmanuel Adebayor left the Club to join Manchester City. Adebayor joined Arsenal from AS Monaco in January 2006 and made a total of 142 appearances for the Club scoring 62 times. He was our leading goal-scorer in the 2007/08 season, scoring 30 goals in all competitions during the campaign, which earned him a place in the PFA Premier League Team of the Year. During the 2008/09 season, Adebayor scored 16 goals from his 37 appearances, including six from nine appearances in the UEFA Champions League.

Kolo Toure, who was in the final year of his contract with the Club, also departed for Manchester City. Toure joined Arsenal in February 2002 and made a total of 326 appearances for the Club. He was a regular in the first team over the past seven seasons. During his time with Arsenal, Kolo won the FA Cup twice, in 2003 and 2005, and he was an important member of the 'Invincibles' squad which won the 2003/04 Premier League without losing a single game.

The third first team squad player to leave the Club during the close season was Amaury Bischoff who was released at the end of his contract with the Club.

We wish Kolo, Emmanuel and Amaury well for their future careers and thank them all for the contribution they made to Arsenal Football Club.

Commercial Partners

The Club is fortunate to have the support of a number of blue chip companies and we continued to develop our commercial partner programme during the 2008/09 season.

The Club is delighted to have recently renewed its long-standing partnership with O2, the UK's leading mobile operator, for a further three seasons. This relationship extends back to the 2002/03 season and during that time O2 has been a key partner of the Club. As part of the new agreement, O2 will be providing specific offers for Arsenal supporters across its portfolio of services.

The Club welcomed Citroen as its official car partner for the 2008/09 season. The relationship incorporates a selection of rights including a link with Arsenal's charity of the season. Citroen developed a bespoke 'Ultimate Fan's Car', which was raffled in aid of the Teenage Cancer Trust, raising in excess of £12,000.

Despite the difficult economic climate, the Arsenal retail business proved to be robust, whilst E-commerce revenues showed growth in a static market. The Club has established an objective to expand its shop base and there will be two new Arsenal retail outlets opening inside the M25 in 2009/10.

Internationally, the Club continues to develop its merchandising business. BEC Tero, the Club's Thai partner, has continued to increase the number of outlets trading official Arsenal merchandise in Bangkok. Additionally, Arsenal has partnered with BEC Tero to enter the Chinese market. By the end of 2009, there will be two flagship stores and up to 50 concessions selling official Arsenal merchandise across 10 major cities in China. The Club has also partnered with the International Business Group in Bahrain to open a store and set up an Internet shopping service for customers in the Gulf States.

The 2008/09 season was the first in which the Club managed its licensing programme in-house. Licence revenue grew by over 30%, which fully justified the decision, and this area is expected to continue to expand and increase its contribution.

The Club's domestic and international soccer schools business has also moved forward. There are now 19 Arsenal soccer schools operating across the world, with several more planned. A notable achievement is the development of a new soccer school project in Dubai, where Arsenal has partnered with Emirates to operate a soccer school at their venue - The Sevens. This school will open in autumn 2009 and run a mix of courses for children, as well as community programmes.

Football training activities have also developed in other areas. A pilot soccer camp will be run in Denver USA, in conjunction with Kroenke Sports Enterprise, and the results will be evaluated to determine next steps in this territory. Also, Arsenal partnered with Saudi-based mobile telephone operator Mobily to run a two week soccer camp in London in July 2009. Twenty five boys were trained by Arsenal coaches in what could become a bigger partnership and a commercial opportunity.

As a consequence of Setanta Sports going into administration, we had to withdraw Arsenal TV from the Sky platform. Over the next few months we will need to re-evaluate the most appropriate distribution platform and business model for Arsenal TV going forward. Whilst this evaluation takes place we have decided to continue to produce and develop a full schedule of quality programming for Arsenal TV which will be available to Arsenal supporters on-line via tv.arsenal.com.

The international rights for Arsenal TV for the period 2010-2013 have recently been awarded to sports rights specialist MP & Silva. Despite the global economic situation, there will be a significant increase in fees which demonstrates both the growing appeal of football and Arsenal on the world stage.

Arsenalisation

We have commenced a programme of works to 'Arsenalise' Emirates Stadium. The objective is to bring the Club's rich heritage to life in and around the stadium and to make Emirates Stadium feel more like home to all our supporters. The initial programme comprises four key aspects, all of which have been developed in partnership with supporters' groups:

- The 'Victory through Harmony' team huddle features 32 of our greatest players creating a dramatic and imposing 'wrap' around the eight cores of the stadium;
- Branding throughout the lower concourse and featuring a timeline of the Club's greatest moments;
- The Highbury Shrine featuring a team shot of every player who played at our old home; and
- Armoury Square which provides fans the opportunity to personalise their own part of Emirates Stadium.

All these elements reinforce our commitment to provide our supporters with the very best environment to watch the team play. The Club will continue to actively seek feedback from its supporters and other visitors to Emirates Stadium and, in conjunction with our partners Delaware North and Cleanevent UK, strive to ensure a continually improving overall customer experience of the Club. There are a number of further "Arsenalisation" projects which, due to the constraints of planning and delivery lead times, we will look to progress in 2010.

Charity of the Season

Teenage Cancer Trust became Arsenal's nominated Charity of the Season for the 2008/09 campaign, taking over from TreeHouse. The partnership with Teenage Cancer Trust, a charity devoted to improving the lives of teenagers and young adults with cancer, has been another huge success. Led by our 'Be a Gooner. Be a Giver' campaign, a record-breaking fundraising total for the Club of more than £532,000 was collected for the charity. Further details of this outstanding achievement are given on page 22.

Prospects

From a financial perspective the 2009/10 year has already started strongly, boosted by the sales completions at Highbury Square and the player sales which I have referred to above. Property activities, at both Highbury Square and Queensland Road, will continue to be a significant feature over the next twelve months.

On the field the new season has got off to a mixed start. The successful progress through to the Group Stage of the UEFA Champions League is important from both a football and monetary perspective. Promising performances in the Premier League have not always translated into results but have given us cause for optimism. We now look forward to supporting the team, as it challenges for silverware, throughout the course of the season.

Clearly, the Club already has a first class stadium, an excellent world-wide reputation and outstanding core support. Football is a hugely competitive and fast moving business and we must ensure that Arsenal is not just keeping pace but setting the pace, both on and off the field. With that in mind, over the next months we will be formulating, and then beginning the process of implementing, a vision and comprehensive plan for the next phase of the Club's development as a world class sports organisation. The Club is superbly positioned for the future and I am tremendously excited about the opportunities we have ahead of us.

I E Gazidis
Chief Executive Officer
25 September 2009

FINANCIAL REVIEW

The Group achieved an after tax profit for the year of £35.2 million (2008 - £25.7 million). This is the highest annual retained profit in the Group's history and, against a difficult economic background, it represents an excellent result.

Group turnover rose to £313.3 million (2008 - £223.0 million) and operating profit before player trading and depreciation, which is a key measure of our financial performance, exceeded £70 million (2008 - £59.6 million).

	2009 £m	2008 £m
Group turnover	313.3	223.0
Operating profit before depreciation and player trading	70.5	59.6
Player trading	2.9	5.2
Depreciation	(11.7)	(11.6)
Joint venture	0.4	0.5
Net finance charges	(16.6)	(17.0)
Profit before tax	45.5	36.7

The growth in turnover and profit in our football business was largely attributable to the team's performance in the Cup competitions which resulted in additional revenues from broadcasting and an additional four home fixtures played. Sales of 208 apartments at Highbury Square were completed in the year and contributed £88 million of revenue and a little over £8 million of profit toward the pre-tax results of the Group's property segment.

The results of the football and property development segments are considered in more detail later in this review.

In terms of the Group's balance sheet I would like to draw attention to three particular aspects. Firstly, the carrying value of intangible assets (player registrations) has increased to £68.4 million (2008 - £55.7 million) following expenditure in the year on new players and contract extensions of £41.3 million. Secondly, the carrying value of property development stocks has fallen to £167.0 million (2008 - £188.0 million) as the costs relating to Highbury Square apartments are transferred to the profit and loss account on completion of sale. Finally, mainly as a result of loan repayments on our Highbury Square facility, the Group's overall net debt has decreased from £318.1 million to £297.7 million.

Segmental Operating Results

	2009 £m	2008 £m
Football		
Turnover	225.1	207.7
Operating profit*	62.7	59.6
Profit before tax	39.9	39.7
Property development		
Turnover	88.3	15.3
Operating profit*	7.8	-
Profit / (loss) before tax	5.6	(3.0)
Group		
Turnover	313.3	223.0
Operating profit*	70.5	59.6
Profit before tax	45.5	36.7

*= operating profit before depreciation and player trading costs

Football segment

The football business increased its turnover to £225.1 million (2008 - £207.7 million).

The main contribution to this increase was the gate income from four additional home fixtures – the UEFA Champions League semi-final and three FA Cup ties – and UEFA Champions League broadcasting revenue.

Gate income represented 44% of our total football revenues and was derived from 32 first team home fixtures. The average attendance of 59,453 (2008 – 59,720) was impacted by the fact that three of the home FA Cup ties featured Championship opponents. Notably, overall gate and match day revenue exceeded £100 million for the first time; the total for the year was £100.1 million (2008 - £94.6 million).

In addition to competitive first team fixtures we staged a second successful Emirates Cup weekend and one international friendly – Brazil versus Italy. However, there was no concert income in the year; revenue from Capital Radio's Summertime Ball in June will be included in next year's results.

Broadcasting revenues increased to £73.2 million (2008 - £68.4 million). The Club received a slightly lower level of Premier League live coverage this season but this was outweighed by the additional Champions League distributions associated with progressing to the semi final, one round further than the previous year. Champions League revenues are distributed by UEFA in € and, accordingly, the weakness in sterling worked in our favour.

The retail and commercial revenue lines were perhaps the areas where the Club had its greatest sensitivity to the recessionary climate. However, performance in both areas has proved to be robust with revenues actually showing modest increases – retail turnover for the year was £13.8 million (2008 - £13.1 million) and commercial income amounted to £34.2 million (2008 - £31.3 million).

Wage costs rose to £104.0 million (2008 - £101.3 million) representing 46.2% of football segment revenues (2008 – 48.8%) and this continues to fall within our target range. There continues to be significant upward pressure on players' wage expectations and the activities of other clubs in the market and the introduction of the 50% income tax rate from April 2010 mean this looks set to continue. The Board remains firmly committed to backing Arsène Wenger's judgement in determining the composition of the playing squad and the level of contract terms required to secure the long-term commitment of both new and existing players.

A proper assessment of the Club's level of player investment needs to be based on overall expenditure on players rather than on a separate consideration of the levels of wage and transfer expenditure. We do not separately disclose the amount of the total wage bill which is represented by players but the table below provides an indication of the levels of investment.

	2009 £m	2008 £m
Total wages	104.0	101.3
Additions to intangible assets (player registrations)	41.3	27.5
Profit on sale of player registrations	(23.2)	(26.5)
Net expenditure	122.1	102.3

Other operating costs rose to £55.4 million (2008 - £46.6 million) and there are a number of reasons for this, including:

- Retail costs – reflecting tightening margins
- Utility costs
- Direct costs of event staging including fees paid to Emirates Cup participating clubs and increased number of home fixtures
- Exchange losses on € denominated transfer payable provisions

Taking into account all of these changes in revenue and operating costs the operating profit (before player trading and depreciation) from football increased to £62.7 million (2008 – £59.6 million).

Property Segment

The Chief Executive has already provided (refer to page 7) a detailed update on the contribution made by Highbury Square to the results for the 2008/09 financial year and on the further significant progress which has been made over the subsequent months.

In terms of the results for the year, revenue of £88 million from Highbury Square sales completions provided a contribution to segmental operating profit of £10.2 million. However, we set against this profit a further impairment write-down against the carrying value of the Queensland Road site such that the overall segmental operating profit was £7.8 million.

Although we now have planning permission at Queensland Road it is appropriate to continue to carry the site on the basis of the most recent professional valuation until such time as the sale arrangements for the site become more certain. The additional expenses incurred in the year, mainly in connection with the complex planning application process, took our costs for the site above this £24 million valuation and therefore resulted in an impairment charge.

The original repayment date for the £137 million Highbury Square bank loan was the end of April 2010. Over the last ten months we have been in negotiation with our syndicate banks for an appropriate extension to the term of the loan to reflect the delays occurring in sales completions and probable requirements for rescission of a number of the original sales contracts. We have worked closely with the banks during this period and I would like to thank them for the constructive and supportive approach that they have taken throughout. There were a number of moving parts to our negotiations – in particular, the status of certain bulk purchases, the completion of construction works and the East Stand (which had originally been marketed and largely pre-sold to the Club's own contact list) – and it served the interests of both lenders and borrower to allow as many as possible of these aspects to be resolved before agreeing the terms of the loan amendment.

I am pleased to confirm that we have now agreed terms to refinance the loan with Barclays Bank plc. The term of the new loan is December 2010 and the margin will be 2.5%, previously the margin was on two loan tranches with one at 1.3% and one at 1.7%. The balance on the Highbury Square loan was £123.6 million as at 31 May 2009 and it has subsequently been reduced to £47.1 million – all repayments have been made from the sales proceeds at Highbury Square.

Player Trading

The sale of player registrations generated a profit of £23.2 million (2008 - £26.5 million) which, together with fees of £3.6 million from the loan of players, meant that overall result from player trading was a surplus of £2.9 million (2008 - £5.2 million).

The main contributions to the disposal profit came from the sales of Alexander Hleb and Justin Hoyte and the sell-on shares receivable in connection with moves by former players David Bentley and Lassana Diarra.

The Board's policy continues to be that all proceeds from player sale transactions are made available to Arsène Wenger for re-investment back into the development of the team.

Finance Charges

The net interest charge for the year was £16.6 million (2008 - £17.0 million).

Some £14.8 million of this charge relates to the long-term stadium financing bonds and this interest, which is at a fixed rate, together with the annual capital repayment of £5.3 million gives a total debt service cost for the bonds of £20.1 million. This is effectively the annual "mortgage" payment required on the stadium financing and it was covered at a very comfortable margin of more than three times by the operating profits before depreciation and player trading in the football business segment.

Interest costs of £5.5 million which were directly attributable to the Group's property development projects at Highbury Square and Queensland Road have been capitalised into property stocks.

Interest receivable on the Group's cash reserves amounted to £2.7 million (2008 - £4.0 million) and this was adversely affected by the reduction in base rates during the year.

Cash Flow and Treasury

There is a strong element of seasonality to the Club's cash flows with the renewal of season tickets in May reflected in the year-end cash and bank balance. Debt service reserve deposits of £32.3 million are also included in the total cash position although, being part of the security for the Group's listed bonds, the use of these deposits is restricted.

That said, the cash and bank balances in hand of £99.6 million (2008 - £93.3 million) clearly represents a very satisfactory position.

The Group's activities were strongly cash positive for the year and the cash generated from operations was used as follows:

	£m
Cash from operations	62.3
Net expenditure on player transfers	(12.3)
Payment of taxation	(7.6)
Investment in fixed assets	(3.0)
Net interest payments	(17.7)
Debt repayment - property	(10.0)
Debt repayment - football	(5.3)
Increase in year end cash	6.4

The level of the Group's net debt at the 2007/08 year end was always expected to represent a peak and over the course of the year this net debt has been reduced from £318.1 million, to £297.7 million. The main change in net debt was a pay down of the Highbury Square loan balance from £134.2 million to £123.6 million. Net debt will further reduce over the course of 2009/10 as payments are made against the Group's property loans - as referred to above the Highbury Square loan has, subsequent to the year end, been substantially further reduced to £47 million.

	Emirates Stadium Financing £m	Property Development Financing £m	Debenture Loans £m	Cash Reserves £m
Start of year	(250.2)	(139.3)	(26.1)	93.3
Movement in year	5.3	9.7	(0.3)	6.3
End of year	(244.9)	(129.6)	(26.4)	99.6
Term	20-22 yrs	1-2 years	19-133 yrs	N/A
Fixed rate	5.3%	N/A	0-2.75%	N/A
Variable Rate	N/A	Libor + margin	-	N/A
Margin	-	2-2.5%	-	-
Guarantee fee	0.5% - 0.65%	-	-	N/A

The main components of net debt are shown in the table on the bottom of page 15 (the details for term and margin on the property loans reflect the revised terms of the Highbury Square loan agreed since the financial year end).

The largest part of the Group's debt is £244.9 million of long-term bonds with fixed rates of interest which have been in place since the refinancing exercise completed in the summer of 2006. A repayment of £5.3 million was made during the year in accordance with the terms of the bonds.

The Group's property development financing consists of the Highbury Square loan facility which has been referred to above, and a small loan being used for the Queensland Road development of which £6.0 million had been drawn by the end of the year (2008 - £5.2 million). The interest swaps which were in place to fix the rate of the Highbury Square loan expired during the year and subsequently interest charges are being paid at a variable rate, so benefitting from the current low level of base rate.

The Group's debt facilities are expected to be sufficient to fund the completion of its property development projects for the foreseeable future and its operations generally for the long-term.

Profit after tax

The tax charge for the period was £10.3 million (2008 - £10.9 million). The effective rate of tax at 22.3 % includes the benefit of adjustments required to the calculation of taxable profits on the Highbury Square project. These adjustments reflect the transfer of the stadium from fixed assets to trading stock in 2006 at its then market value and the roll-over of the capital gain which arose on that transaction.

The retained profit for the year was £35.2 million (2008 – £25.7 million).

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's long term performance. These risks and uncertainties are monitored by the Board on a regular basis.

Football

The Group's income is affected by the performance and popularity of the first team. Significant sources of revenue are derived from strong performances in the Premier League, FA Cup and UEFA Champions League (or the Europa League) and the level of income will vary dependent upon the team's participation and performance in these competitions. A significant amount of the Group's income is derived from ticket sales to individual and corporate supporters who attend matches involving the first team at Emirates Stadium and elsewhere. The level of attendance may be influenced by a number of factors including the level of success of the team, admission prices, broadcasting coverage and general economic conditions. Demand for tickets has continued to be strong and all season tickets, including approximately 7,000 premium Club Level seats, have again been sold out for the 2009/10 season. After the allocation of all 2009/10 season tickets the Club currently has in the order of 40,000 supporters on its waiting list for season tickets.

The first team's success is significantly influenced by the performance of members of the playing staff and the performance of the football management team and, accordingly, the ability to attract and retain the highest quality coaching and playing staff is important to the Group's business prospects. The Group insures the members of its first team squad but such insurances may not be sufficient to mitigate all financial loss, such as fees from a potential transfer, in the event of a serious injury. The Group enters into employment contracts with each of its key personnel with a view to securing their services for the term of the contract. However, the Group operates in a highly competitive market in both domestic and European competition and retention of personnel cannot be guaranteed. In addition, the activities of the Group's main competitors can determine trends for market rates for transfers and wages that the Group may be required to follow in order to maintain the strength of its first team squad.

The Group's income, which is currently significantly greater than that of the majority of its competitors, and its policy of continual investment in the playing staff by way of both transfers and wages provides a platform for a virtuous circle of continued on-field success and growth in the Club's support and revenues.

The Club is regulated by the rules of the FA, Premier League, UEFA and FIFA. Any change to FA, Premier League, UEFA and FIFA regulations in future could have an impact on the Group 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 Group monitors its compliance with all applicable rules and regulations on a continuous basis and also monitors and considers the impact of any potential changes.

Commercial relationships

The Group derives a significant amount of revenue from sponsorship and other commercial relationships. The Group aims to enter into long term arrangements with its key commercial partners thus securing certainty over the main components of its commercial income in the medium term. The Group's most important commercial contracts are: naming rights and shirt sponsorship contracts with Emirates Airline which expire in 2021 and 2014 respectively, a kit sponsorship contract with Nike which expires in 2011 and a catering contract with Delaware North which expires in 2026.

Broadcasting and certain other revenues are derived from contracts which are currently centrally negotiated by the Premier League and, in respect of European competition, by UEFA ; the Group does not have any direct influence, alone, on the outcome of the relevant contract negotiations. The Premier League currently sells its TV rights on a 3 year contract basis and 2008/09 was the second year of the current contract. The next Premier League TV contract has already been secured through to season 2012/13 and will show an increase of approximately 5% over the current arrangements.

Foreign exchange and treasury

The Group enters into a number of transactions, relating mainly to its participation in European competition and player transfers, which create exposure to movements in foreign exchange. The Group monitors this foreign exchange exposure on a continuous basis and will usually hedge any significant exposure in its currency receivables and payables.

The Group's policy is to eliminate, as far as possible, all of the interest rate risk which attaches to its outstanding debt finance balances. Where debt balances are subject to floating rates of interest the Group will usually enter into interest rate swaps which serve to fix the rate of interest.

The financing arrangements for the Group's football and property business segments operate independently of each other. As a consequence, the transfer of cash between the two business segments can, in general, only occur in circumstances governed by the terms of the applicable bank / debt finance arrangements. In addition, certain minimum bank deposits are required to be maintained as part of the security for the Group's bank / debt finance balances. The Group monitors its compliance with the applicable terms of its bank / debt finance arrangements on a continuous basis and regularly reviews its forecast cash flow to ensure that both its business segments hold an appropriate level of bank funds at all times.

Where income from commercial contracts or other material transactions, such as player transfers, is receivable on an instalment basis then the Group will usually seek to obtain an appropriate bank or similar guarantee.

Property

The Group expects to derive income from the sale of certain property development sites over the next two years - the main element of this being the continuing sale of private residential apartments at Highbury Square. The achievement of these sales may be affected by a number of factors including, but not limited to, the difficult conditions in the mortgage lending sector and the supply and pricing of other residential properties in the local area. The Group continues to monitor the position closely.

The bank facilities which the Group has used to fund the Highbury Square development are ring-fenced from and non-recourse to the financing of the football segment of the business. The use of property profits which may be transferred to the football segment is not determined until such time as those profits are realised and transferred in cash to the Club – accordingly, there is no current commitment to use any such profits and cash anywhere within the Group at any specific time for any specific purpose.

Outlook

The renewals of general admission and Club Tier season tickets have once again been at the maximum level. The Emirates Cup has again proved to be a great commercial success and although attendances, at this third staging of the tournament, were a little lower than previous years this was balanced by lower fees payable to the participating clubs.

The sales of Emmanuel Adebayor and Kolo Toure to Manchester City will make a significant contribution to the profits to be reported on the sale of player registrations.

Legal completions of 237 apartments at Highbury Square with a sales value of some £84 million have already been booked for 2009/10. With construction work complete and fully paid for, the proceeds of further sales completions will directly reduce the remaining outstanding balance on the Highbury Square loan.

Clearly, given the above, the Group has made a strong start to the new financial year. However, conditions remain very tough and uncertain for our property business and this will likely continue to impact both of our main property development projects over the next year. Whilst the impact of the recession on our football business has so far been limited the full commercial and financial impact may be still ahead of us. There are undoubtedly challenges ahead but the Group starts the 2009/10 year very well placed to deal with them, in a very robust financial position with a high level of cash reserves and comfortable levels of debt.

S W Wisely
Group Chief Accountant
25 September 2009

REVIEW OF THE 2008/2009 SEASON

First Team

Semi-final appearances in both the UEFA Champions League and FA Cup together with a 21 match unbeaten run in the league, were the highlights of the season.

Arsène Wenger's team recovered well from a slow start to the season, to remain unbeaten in the Premier League from 30th November 2008 to 10th May 2009. This run propelled Arsenal into the top four, giving the Gunners a 12th straight qualification to the Champions League - a record matched only by Manchester United and Real Madrid. The Gunners maintained a fine goal-scoring record throughout the season, finishing as second highest scorers in the Premier League with 68 goals.

BARCLAYS PREMIER LEAGUE 2008/2009 FINAL TABLE

		HOME					AWAY						
	P	W	D	L	F	A	W	D	L	F	A	GD	Pts
Manchester United	38	16	2	1	43	13	12	4	3	25	11	+44	90
Liverpool	38	12	7	0	41	13	13	4	2	36	14	+50	86
Chelsea	38	11	6	2	33	12	14	2	3	35	12	+44	83
Arsenal	**38**	**11**	**5**	**3**	**31**	**16**	**9**	**7**	**3**	**37**	**21**	**+31**	**72**
Everton	38	8	6	5	31	20	9	6	4	24	17	+18	63
Aston Villa	38	7	9	3	27	21	10	2	7	27	27	+6	62
Fulham	38	11	3	5	28	16	3	8	8	11	18	+5	53
Tottenham Hotspur	38	10	5	4	21	10	4	4	11	24	35	0	51
West Ham United	38	9	2	8	23	22	5	7	7	19	23	-3	51
Manchester City	38	13	0	6	40	18	2	5	12	18	32	+8	50
Wigan Athletic	38	8	5	6	17	18	4	4	11	17	27	-11	45
Stoke City	38	10	5	4	22	15	2	4	13	16	40	-17	45
Bolton Wanderers	38	7	5	7	21	21	4	3	12	20	32	-12	41
Portsmouth	38	8	3	8	26	29	2	8	9	12	28	-19	41
Blackburn Rovers	38	6	7	6	22	23	4	4	11	18	37	-20	41
Sunderland	38	6	3	10	21	25	3	6	10	13	29	-20	36
Hull City	38	3	5	11	18	36	5	6	8	21	28	-25	35
Newcastle United	38	5	7	7	24	29	2	6	11	16	30	-19	34
Middlesbrough	38	5	9	5	17	20	2	2	15	11	37	-29	32
West Bromwich Albion	38	7	3	9	26	33	1	5	13	10	34	-31	32

The UEFA Champions League run, however, was underpinned by a superb defensive record. Arsenal did not concede a goal at home in the competition until the semi-final - keeping six consecutive clean sheets in the process. The team qualified comfortably from the Group Stage with a match to spare. Arsenal knocked AS Roma out of the last sixteen following a tense penalty shoot-out in Italy and then saw off Villarreal 4-1 on aggregate in the quarter-final. Manchester United ended the team's run, in the semi-finals, with a 4-1 aggregate win over two legs.

Arsenal made full use of home advantage in the FA Cup, knocking out Plymouth Argyle, Cardiff City, Burnley and Hull City at Emirates Stadium to book their first ever appearance at the new Wembley Stadium in the semi-final of the competition. Despite our taking the lead, eventual cup winners, Chelsea knocked Arsenal out with a late goal in a 2-1 win.

As usual, the Club's youngsters were to the fore in the Carling Cup and a side packed with teenagers convincingly beat Sheffield United then Wigan Athletic to reach the last eight. Unfortunately, a spirited Burnley performance got the better of the young Gunners at Turf Moor in the quarter-final.

There were some notable individual landmarks during the season. Jack Wilshere became the Club's youngest ever league player, when he came on against Blackburn Rovers in September at the age of just 16 years 256 days. Andrey Arshavin, who signed for us in the January transfer

First Team (continued)

window, was named Barclays Premier League Player of the Month for April, principally for his four goal salvo against Liverpool at Anfield. On the international scene, Gael Clichy and Aaron Ramsey became full internationals, whilst Theo Walcott became England's youngest ever hat-trick scorer against Croatia in Zagreb in September 2008.

Reserves

Neil Banfield's Reserve side enjoyed some excellent results during the season, but most importantly his young charges gained invaluable experience playing against much older opposition.

The second string team, who continued to play 'home' matches at League Two side Barnet's Underhill Stadium was, to all intents and purposes, an under-21 side last year and they finished their season in mid-table.

The Premier Reserve League continues to be a useful conduit between academy and senior football. Many of Banfield's regulars - including Mark Randall, Francis Coquelin, Fran Merida, Vito Mannone, Jay Simpson and Jack Wilshere - all stepped up to sample first team football during the course of the season.

BARCLAYS PREMIER RESERVE LEAGUE SOUTH FINAL TABLE 2008/2009

	P	W	D	L	F	A	Pts
Aston Villa	16	11	3	2	29	13	36
Tottenham Hotspur	16	10	1	5	26	19	31
Fulham	16	7	5	4	28	20	26
Portsmouth	16	8	1	7	18	25	25
West Ham United	16	7	1	8	19	26	22
Arsenal	**16**	**5**	**4**	**7**	**17**	**22**	**19**
Chelsea	16	5	3	8	28	26	18
Stoke City	16	4	2	10	18	23	14
West Bromwich Albion	16	4	2	10	20	29	14

Youth

It was an incredible season of success for the Under-18s, as Steve Bould's Youth Team lifted both the national Academy League title and the prestigious FA Youth Cup.

It was the seventh time Arsenal has won the FA Youth Cup and the first since 2001 - and they won it in style. The team saw off some of the strongest academy sides in the country - Aston Villa, Sunderland, Tottenham Hotspur and Manchester City - before facing Liverpool in the two-legged final. A 4-1 win at Emirates Stadium, in front of over 33,000 supporters, was followed by a 2-1 victory at Anfield to give Arsenal the cup. Gilles Sunu was the top scorer, with five in the competition, whilst Sanchez Watt and Jay Emmanuel-Thomas contributed four each.

FA ACADEMY LEAGUE UNDER-18s GROUP A FINAL TABLE 2008/2009

	P	W	D	L	F	A	Pts
Arsenal	**28**	**22**	**4**	**2**	**71**	**31**	**70**
Norwich City	28	13	6	9	46	42	45
Ipswich Town	28	14	2	12	55	53	44
Crystal Palace	28	12	4	12	51	47	40
West Ham United	28	10	8	10	51	38	38
Southampton	28	12	2	14	49	56	38
Portsmouth	28	10	5	13	48	52	35
Chelsea	28	10	4	14	57	65	34
Fulham	28	8	9	11	44	45	33
Charlton Athletic	28	6	4	18	32	65	22

Youth (continued)

The FA Youth Cup success ensured it was a double celebration for the Arsenal Youth Team - they had lifted the national Academy league title just nine days earlier. After topping their regional group, by an amazing 25 points, Arsenal beat Manchester City in the play-off semi-finals and then Tottenham Hotpsur in the final at White Hart Lane.

The England youth international striking trio of Luke Freeman (11 goals), Benik Afobe (11) and Rhys Murphy (10) were the team's top scorers in the league.

From 1 January 2009 the Under-18s remained unbeaten in all competitions – a superb achievement.

Ladies

The Arsenal Ladies re-affirmed their status as the country's premier female team by winning the domestic treble for the second time in three years. It was a fitting way for Vic Akers - stepping down as manager of Arsenal Ladies after 22 trophy filled years - to bow out.

The Gunners beat Doncaster Rovers Belles 5-0 in the League Cup Final in February to secure their first piece of silverware. They went on to beat Sunderland 2-1 in the FA Cup Final to make it four FA Cup successes on the trot. In Europe, the Ladies team progressed through to the quarter-final stage of the UEFA Women's Cup before being knocked out by Swedish side Umea.

The league title was won in dramatic fashion and on the final day of the season. Arsenal and Everton were locked in a battle for supremacy all season long and it came down to the very last game. Arsenal had to win at Everton to retain the title – a draw or defeat would see their opponents crowned champions. In the end, a first-half goal from Scottish forward Suzanne Grant, a mid-season signing, was enough to win the match and the title on goal difference.

Earlier in the season, it was Everton who had inflicted the Gunners' only domestic defeat of the campaign. In fact, it ended Arsenal Ladies' long unbeaten league record, which had lasted an incredible 108 matches.

Kelly Smith – who left Arsenal in the spring to play in the newly formed Women's Professional League in the USA, along with Karen Carney and Alex Scott – ended as Arsenal's leading scorer for the season with 30 goals.

The treble took Vic Akers' incredible tally of trophies as Arsenal Ladies boss to 32, including 11 league titles. New manager, Tony Gervaise, will be looking to build on that success next season.

FA WOMEN'S PREMIER LEAGUE FINAL TABLE 2008/09

	P	W	D	L	F	A	GD	Pts
Arsenal Ladies	**22**	**20**	**1**	**1**	**89**	**14**	**+75**	**61**
Everton	22	20	1	1	68	10	+58	61
Chelsea	22	16	2	4	55	23	+32	50
Doncaster Rovers Belles	22	9	6	7	43	36	+7	33
Birmingham City	22	10	3	9	39	43	-4	33
Leeds Carnegie	22	8	4	10	32	40	-8	28
Watford	22	7	4	11	31	40	-9	25
Bristol Academy	22	5	8	9	39	49	-10	23
Blackburn Rovers	22	5	3	14	27	52	-25	18
Nottingham Forest	22	5	2	15	25	59	-34	17
Liverpool	22	4	4	14	28	63	-35	16
Fulham	22	1	6	15	17	64	-47	9

CHARITY OF THE SEASON

Teenage Cancer Trust became Arsenal's nominated Charity of the Season for the 2008/09 season, taking over from TreeHouse. The partnership with Teenage Cancer Trust, a charity devoted to improving the lives of teenagers and young adults with cancer, proved to be another huge success raising more than £532,000 for the charity. This record-breaking fundraising total for the Club was delivered under the campaign's rallying cry of 'Be a Gooner. Be a Giver.'

Teenage Cancer Trust exists to ensure that teenagers and young adults are diagnosed with cancer efficiently, treated effectively, and have the support they need to make it through their treatment and rebuild their lives after cancer. Every day up to six teenagers or young adults in the UK will learn they have cancer and, with Arsenal's help, the charity will be able to increase its support to those young people.

The original target of this year's partnership was to raise £300,000 to fund an Education Zone within a brand new Day Care Centre for cancer patients at University College Hospital, London, due to open in 2012. The Zone, part of Teenage Cancer Trust's unit within the centre, will be a dedicated space where teenagers and young people being treated can keep up with their studies and also learn more about their cancer. It will provide computers and laptops with wireless access, enabling users to contact their school, keep in touch with their friends and even join in with lessons via webcam. For patients of this age, being able to stay in touch with friends and continue with education while being treated is invaluable, improving psychological wellbeing and future choices.

Speaking about the partnership, Arsène Wenger said: "We are delighted to smash our target of raising £300,000 for Teenage Cancer Trust and pleased to have contributed to building awareness and understanding of the needs of teenagers and young adults with cancer. The dedication of everyone involved with the charity has been phenomenal and the fundraising initiatives with our supporters over the course of the partnership have been amazing. Once again, the fans have been fantastic with their support and generosity for our Charity of the Season and it is thanks to them that teenage cancer patients will have this fantastic new Education Zone."

Teenage Cancer Trust CEO Simon Davies said: "Throughout the season we have been incredibly touched by the kindness and generosity of everyone at the Club – from players and directors to fans and staff. We have celebrated so many fantastic moments during the partnership, but I for one will never forget the atmosphere at the stadium when a group of young patients stepped out onto the pitch to thank fans for supporting Teenage Cancer Trust. They received a standing ovation – something that they and all of us at the charity will never forget. Everyone at Arsenal has contributed to the phenomenal success of this partnership which will leave a lasting legacy for the benefit of young cancer patients."

The partnership saw many 'firsts' for the Club's charitable involvement including 'Be a Gunner. Be a Runner.' a ten lap fun-run around Emirates Stadium which raised over £40,000 with 150 runners taking part. Arsenal's official car supplier, Citroen, became the first Club sponsor to get involved with the Charity of the Season partnership. Citroen generously donated a C4 car which was then re-designed by world famous cartoonist Gerald Scarfe in consultation with Robin van Persie, Gael Clichy and Manuel Almunia. The 'Ultimate Arsenal Fans' Car' was then raffled, with tickets costing just £2 each, raising over £11,700 for the charity.

The home fixture versus Liverpool on 21st December 2008 was Teenage Cancer Trust's dedicated matchday. The day saw the Arsenal First Team and Directors donate a day's wages to the charity whilst other staff and supporters were encouraged to donate what they could. Over £210,000 was raised on this one day, smashing the previous dedicated matchday total, a magnificent achievement on behalf of the Club and its supporters from all over the world, especially in the current economic climate.

Arsenal staff showed real commitment to the campaign and each department within the Club had a nominated "Charity Champion". Over £40,000 was raised over the season from staff contributions and initiatives. Arsenal Supporters' Clubs were also heavily involved, contributing some £22,000 to the fundraising target. In particular, Arsenal Herts & Beds Supporters' Club initiated an 'Arsenal Imprints' idea, which saw Andrey Arshavin, Samir Nasri and Jack Wilshere donate clay imprints of their feet and these were then auctioned via eBay with all proceeds going to Teenage Cancer Trust.

The partnership's finale, our annual charity ball, named the Legends & Youth Ball, was held in May 2009 at Emirates Stadium. Attended by the entire First Team squad, Arsène Wenger and hosted by comedian Matt Lucas, the evening was an outstanding celebration of the success of the partnership. With a host of celebrities amongst the 340 guests, over £160,000 was raised on the evening for Teenage Cancer Trust and a further £40,000 was raised for the Arsenal Charitable Trust, which itself supports worthy local and charitable causes.

The Club now welcomes Great Ormond Street Hospital Children's Charity as its new Charity of the Season for 2009/10.

ARSENAL IN THE COMMUNITY

This year the Club is proud to be celebrating 25 years of Arsenal in the Community providing a wide range of sport, education, social inclusion and diversity programmes. Over the last year the Club has continued to expand its work in this area and has further developed the range of local, regional and national community projects which it supports.

Education and Training

Arsenal in the Community recognised its ability to contribute to education more than 20 years ago and today the Club's work with education and training projects complements a number of Government targets around health, education, social inclusion and regeneration. The programmes and qualifications currently made available by the Club include:

- Arsenal BTEC National Certificate in Sport
- Arsenal Sport and Learning
- Arsenal Entry 2 Employment
- Arsenal Gap Year Programme
- Arsenal Double Club
- Arsenal Study Support Centre
- Premier League Reading Stars
- Arsenal Learning Centre

During the year nine young people graduated having completed the second year of Arsenal's BTEC National Certificate in Sport programme. Three of these students then went on to further education, two will begin employment as teaching assistants and four will become Arsenal in the Community employees.

The Arsenal Sport and Learning programme had 16 participants this year who achieved a commendable attendance rate with the programme and 80 per cent of the year 10 and 11 students went on to further education or employment.

Arsenal Entry 2 Employment had 11 young people on its programme this year and they all successfully passed FA Level 1 Coaching. Six of the 16 to 19 year-olds involved have since commenced studying for Level 2 of the coaching qualification.

This year 14 young people completed Arsenal's Gap Year Programme. Participants worked in schools in and around Islington for two school terms before travelling to be involved in delivering Arsenal Soccer Schools based in Canada, Greece, Singapore, Indonesia and Israel.

Our award-winning, innovative education and football programme, Arsenal Double Club, this year launched primary language modules in anticipation of language teaching coming into effect in primary schools in 2011. The Club has employed a full-time languages coach, after receiving funding from the Department for Schools, Children and Families, in order to further develop the programme. Arsène Wenger attended the launch of the language modules held at Emirates Stadium in April 2009. Bacary Sagna and Manuel Almunia have been involved in the French and Spanish Double Clubs respectively and both have visited local schools and taken lessons for school children learning their native language.

A Business Studies Double Club module for sixth form students is set to be officially launched in the summer of 2009 after being successfully piloted in two local schools during 2008. The students from both schools came to Emirates Stadium, as part of the course work, to conduct a question and answer session with two senior members of the Club's staff.

There are some 30 professional sports clubs up and down the country working with Arsenal on literacy and numeracy Double Club modules. Double Club has also expanded its work to include local estate programmes and Pupil Referral Units.

Arsenal's Study Support Centre, based at Holloway School, has had another successful year and visits from midfielder Tomas Rosicky and striker Nicklas Bendtner boosted attendance at end of term awards ceremonies for pupils.

Nine local schools took part in this year's Premier League Reading Stars initiative and Bacary Sagna took on the role of Arsenal's Reading Star for season 2008/09 - his favourite reads being The Soul of a Butterfly by Muhammed Ali and Harry Potter and the Philosopher's Stone by J K Rowling.

Social Inclusion

Using the Arsenal brand and the power of sport has proven to be an effective combination in addressing many of the challenges young people face when growing up in an inner-city area. The Club currently has programmes in place on estates across four London boroughs, including:

- Arsenal Positive Futures
- Arsenal Kickz

During the 2008/09 season, six Arsenal first team players met Positive Futures participants to reward them for their hard work within our nationally recognised social inclusion programme. Arsenal Positive Futures achieved the highest Gold Star rating for the second consecutive year awarded by the Home Office and three young people have now come through the scheme to work for Arsenal in the Community. Arsenal Positive Futures is constantly expanding and is now delivered on ten estates across Islington.

Arsenal Kickz programme is based at Elthorne Park in Islington and has been a catalyst for regeneration of the area. Upgrades to the facilities in the park, including Cruyff Court, were officially opened in October 2008 by Dutch legends Johan Cruyff, Dennis Bergkamp and current Arsenal striker, Robin van Persie. Eduardo also made a trip to see the facility and he refereed a match between Kickz participants and members of the Metropolitan police force.

Arsenal Kickz in Islington was delighted to be shortlisted in six out of the ten categories in the National Kickz Awards held at Wembley Stadium in October 2008 and proud to win three of them.

Sport

Arsenal in the Community continues to provide a number of sport related programmes, including:

- Arsenal Soccer Schools www.playthearsenalway.com
- Disability Sports Programme
- Arsenal Hockey
- Hertsmere Borough Council's Community Sports Programme

Arsenal Soccer Schools, which have been running for over 20 years, opened new schools in Italy, Holland, Bahrain, Poland, Cyprus, Oman, Hawaii, Dubai and China over the last year. An advanced Arsenal Soccer School has recently opened in North London. The Arsenal International Soccer Festival, an established top event of its kind in the south of England, had another successful year involving around 150 teams.

Arsenal's Disability Sports Programme is now delivered two days a week within TreeHouse School, the national centre for Autism Education. Treehouse was Arsenal's Charity of the Season for 2007/08. Sessions have also recently started with Islington Elfrida Society for adults with learning difficulties.

Diversity

- Arsenal For Everyone
- World on our Doorstep
- Show Racism the Red Card

Arsenal was awarded the Intermediate Level of the Racial Equality Standard in June 2009, in conjunction with Kick It Out, and the Arsenal For Everyone initiative has helped achieve this. Arsenal joins another eight Premier League clubs at this level and will now start working towards the Advanced Level of the Standard.

'World on our Doorstep' sees Arsenal in the Community staff celebrating multiculturalism with local school children living in the Borough and this year Polish goalkeeper Lukasz Fabianski hosted a special event at Emirates Stadium to commemorate the lessons learnt during the project. With funding from the Premier League, World on our Doorstep now has two sister projects, Victory Through Harmony focussing on respect & sportsmanship and a Religious Education project which uses Arsenal players as examples for children to learn about different religions and beliefs.

Show Racism the Red Card held an event at Emirates Stadium in January 2009, which was attended by Arsenal star Abou Diaby, in support of the anti-racism message in football.

Arsenal Charitable Trust

Each year around £50,000 is distributed by the Trust, in modest amounts, to worthy causes. Hospitals, disability groups together with charities for children and young people feature prominently amongst the donations made by the Trust.

Last season, some of the organisations who benefited from donations from the Trust are the London Air Ambulance, Mothers for Mothers, TreeHouse, Macmillan Nurses, St John's Arsenal Deaf Football Club and The London Playing Fields Foundation.

Over the years, an emphasis on fun and enjoyment has driven the Trust's fundraising efforts. For over 17 years, ex-professional footballers, sports personalities and celebrity supporters have been playing regularly for the Arsenal Ex-Pro and Celebrity Charity XI team against teams across the south to raise money for the Arsenal Charitable Trust amongst other worthwhile causes.

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2009.

Principal activities

The principal activity of the Group is that of a professional football club and the related commercial activities. The Group is also engaged in a number of property developments associated with its relocation to Emirates Stadium.

Profits and dividends

The results for the year are set out on page 31 and are considered, together with a review of the Group's business performance for the year and its future prospects, in the Financial Review section of the Annual Report.

The directors do not recommend the payment of a dividend (2008 - £Nil).

Going concern

The Group's business activities together with the factors likely to affect its future development and performance are summarised in the Chairman's Statement and the Financial Review. The Financial Review describes the financial position of the Group and its cash flows, liquidity position and borrowing facilities.

The Group has recently agreed to an extension of the term of its Highbury Square development loan. The Group's other bank facilities are not currently due for renewal, however, the Group has held a discussion with its bankers about these other facilities and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financial resources and bank facilities.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the forseeable future and the financial statements continue to be prepared on the going concern basis.

Directors

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

P.D. Hill-Wood	
D.D. Fiszman	
K.J. Friar OBE	
I.E. Gazidis	(appointed 1 January 2009)
Lord Harris of Peckham	
E.S. Kroenke	(appointed 19 September 2008)
Sir Chips Keswick	

In addition Lady Nina Bracewell-Smith and R.C.L. Carr served as directors until 17 December 2008.

Political and charitable contributions

During the year the Group made donations for charitable purposes amounting to £64,722 (2008 - £44,466).

Creditor payment policy

The Group'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 Group by its suppliers in the year and the amount owing to trade and other creditors at the year end was 63 days (2008 - 45 days).

DIRECTORS' REPORT

Employees

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

The Group 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 Group become disabled whilst in employment, every step, where appropriate will be taken to assist with rehabilitation and suitable re-training.

The Group 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 Group is responsive to the needs of its employees and the environment.

Directors' responsibilities statement

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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group 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 accounting 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; and
- 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 adequate accounting records that are sufficient to show and explain the Company and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

In the case of each of the persons who are directors 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 2006) 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) and to establish that the company's auditors are aware of that information.

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

D Miles
Secretary, 25 September 2009

Registered office:
Highbury House
75 Drayton Park
London.
N5 1BU

CORPORATE GOVERNANCE

The directors acknowledge the importance of the Combined Code issued in 2008 and have complied with its requirements so far as is appropriate to a Group of the size and nature of Arsenal Holdings Plc.

Directors

The Board currently consists of two executive directors and five non-executive directors. The Board meets on a monthly basis to review the performance of the Group and to determine long-term objectives and strategies and is supplied with management accounts and other relevant information.

Each of the directors is subject to re-election at least every three years.

Internal control

The Board is responsible for ensuring that the Group maintains a system of internal controls, including suitable monitoring procedures, and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatements or loss.

The Board continuously reviews the effectiveness of the Group's system of internal controls. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied and indicate a need for more extensive monitoring. The Audit Committee assists the Board in discharging its review responsibilities.

Audit Committee

The Audit Committee consists of three non-executive directors, Sir Chips Keswick (Chairman), D.D. Fiszman and Lord Harris of Peckham.

The Committee considers matters relating to the financial accounting controls, the reporting of results and the effectiveness and cost of the audit. It meets at least twice a year with the Group's auditors.

Nominations Committee

The Nominations Committee is chaired by Lord Harris of Peckham and its other members are Sir Chips Keswick and D.D. Fiszman.

The Nominations Committee reviews the composition of and succession to the Board and senior management, within agreed terms of reference, and recommends to the Board appointments of executive and non-executive directors following a formal and rigorous review process. This involves an ongoing assessment of the overall balance and performance of the Board and its individual members ensuring a strong executive and independent non-executive team. The Committee in particular considers the experience and skills of individuals who may be suitable as directors. The Committee considers and takes account of existing and proposed corporate governance requirements.

Remuneration Committee

The Remuneration Report is set out on page 29.

THE REMUNERATION REPORT

The Remuneration Committee

The Committee consists of three non-executive directors, P.D. Hill-Wood (Chairman), Lord Harris of Peckham and Sir Chips Keswick.

Policy on remuneration of executive directors

The purpose of the Remuneration Committee is to consider all aspects of executive directors' remuneration and to determine the specific remuneration packages of each of the executive directors and, as appropriate, other senior executives, ensuring that the remuneration packages are competitive within the industry in which the Group operates and reflect both Group and personal performance during the year.

The present opinion of the Committee is that the Group's executives are best remunerated by a salary, discretionary bonus and pension contributions, the aggregate of which is intended to reflect market conditions and the performance of the Group and of the individual.

Policy on remuneration of the non-executive directors

The Board as a whole sets the remuneration of the non-executive directors.

Directors' remuneration

A full analysis of the directors' remuneration is set out in note 7 to the financial statements.

P Hill-Wood

P.D. Hill-Wood
Chairman of the Remuneration Committee
25 September 2009

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARSENAL HOLDINGS PLC

We have audited the financial statements of Arsenal Holdings Plc for the year ended 31 May 2009 which comprise the consolidated profit and loss account, the consolidated and parent company balance sheets, the consolidated cash flow statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and the parent company's affairs as at 31 May 2009 and of the Group's profit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Murphy (Senior Statutory Auditor)
~~for and on~~ behalf of Deloitte LLP, Chartered Accountants and Statutory Auditors, London.
25 September 2009

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 May 2009

		2009			2008		
	Note	Operations excluding player trading £000's	Player trading £000's	Total £000's	Operations excluding player trading £000's	Player trading £000's	Total £000's
Turnover of the group including its share of joint ventures		312,305	3,589	315,894	224,541	472	225,013
Share of turnover of joint venture		(2,555)	-	(2,555)	(2,043)	-	(2,043)
Group turnover	3	309,750	3,589	313,339	222,498	472	222,970
Operating expenses	4	(250,950)	(23,876)	(274,826)	(174,480)	(21,757)	(196,237)
Operating profit/(loss)		58,800	(20,287)	38,513	48,018	(21,285)	26,733
Share of joint venture operating result		455	-	455	469	-	469
Profit on disposal of player registrations		-	23,177	23,177	-	26,458	26,458
Profit on ordinary activities before finance charges		59,255	2,890	62,145	48,487	5,173	53,660
Net finance charges	5			(16,633)			(16,992)
Profit on ordinary activities before taxation				45,512			36,668
Taxation	8			(10,282)			(10,942)
Profit after taxation retained for the financial year				35,230			25,726
Earnings per share							
Basic and diluted	9			£566.24			£413.49

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

All trading resulted from continuing operations.

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

COMPANY No: 4250459

BALANCE SHEET

At 31 May 2009

	Note	Group 2009 £000's	Group 2008 £000's	Company 2009 £000's	Company 2008 £000's
Fixed assets					
Tangible fixed assets	10	440,369	449,517	-	-
Intangible fixed assets	11	68,446	55,665	-	-
Investments	12	730	406	30,059	30,059
		509,545	505,588	30,059	30,059
Current assets					
Stock – development properties	13	167,007	187,964	-	-
Stock – retail merchandise		1,751	1,218	-	-
Debtors - due within one year	14	45,981	32,340	3	28
- due after one year	14	9,508	13,939	108,598	101,186
Cash and short-term deposits	15	99,617	93,264	7,951	14,758
		323,864	328,725	116,552	115,972
Creditors: amounts falling due within one year	16	(314,096)	(334,252)	(462)	(458)
Net current assets/(liabilities)		9,768	(5,527)	116,090	115,514
Total assets less current liabilities		519,313	500,061	146,149	145,573
Creditors: amounts falling due after more than one year	17	(292,748)	(310,203)	(13,450)	(13,130)
Provisions for liabilities and charges	19	(32,235)	(30,758)	-	-
Net assets		194,330	159,100	132,699	132,443
Capital and reserves					
Called up share capital	20	62	62	62	62
Share premium	21	29,997	29,997	29,997	29,997
Merger reserve	22	26,699	26,699	-	-
Profit and loss account	23	137,572	102,342	102,640	102,384
Shareholders' funds		194,330	159,100	132,699	132,443

These financial statements were approved and authorised for issue by the Board of Directors on 25 September 2009.
Signed on behalf of the Board of Directors

P.D. Hill-Wood

P.D. Hill-Wood
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2009

	Note	2009 £000's	2008 £000's
Net cash inflow/(outflow) from operating activities	25a	62,305	(21,013)
Player registrations	25d	(12,335)	4,010
Returns on investment and servicing of finance	25d	(17,689)	(19,655)
Taxation		(7,622)	(4,177)
Capital expenditure	25d	(2,950)	(6,944)
Net cash inflow/(outflow) before financing		21,709	(47,779)
Financing	25d	(15,356)	67,186
Increase in cash in the year		6,353	19,407

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

1. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable United Kingdom Generally Accepted Accounting Practice and, as described in the Directors' Report, on the going concern basis. The particular accounting policies adopted are described below and have been consistently applied throughout the year and preceding year.

(b) 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 31 May 2009.

Assets and liabilities held in the Group's employee benefit trusts are included in the consolidation 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%.

As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's retained profit for the year was £0.3 million (2008 - loss of £1.5 million).

(c) Joint venture

The joint venture is an undertaking in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group, which holds 50% of the voting rights, and KSE UK Inc under a contractual arrangement.

The Group's share of the results of its joint venture is included in the consolidated profit and loss account on the basis of audited financial statements. The Group's share of the results and net assets of the joint venture is included under the gross equity method and stated after adjustment to eliminate the Group's share of profits resulting from transactions between the Group and the joint venture which are included in carrying amount of assets reported in the joint venture's balance sheet.

(d) Turnover and income recognition

Turnover represents income receivable, net of VAT, from football and related commercial activities and income from the sale of development properties completed in the year. The Group has two classes of business - the principal activity of operating a professional football club and property development - both businesses are carried out principally within the United Kingdom.

Gate and other match/event 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. 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 completion of the relevant sale contract. Where elements of the sale price are subject to retentions by the purchaser the retained element of the sale price is not recognised until such time as all of the conditions relating to the retention have been satisfied. Where contracting work is undertaken for a third party and the outcome of the construction contract can be estimated reliably, revenue and costs are recognised by reference to the degree of completion of the contract activity at the balance sheet date.

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Depreciation

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

Freehold buildings	2% per annum
Leasehold properties	Over the period of the lease
Plant and equipment	5% to 20% per annum
Motor vehicles	25% per annum

Freehold land is not depreciated.

(f) Debt

Debt is initially stated at the amount of the net proceeds after deduction of the costs of obtaining the finance. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period. The carrying value of long-term debt is not discounted.

(g) Finance costs

Finance costs of debt, in the form of bonds or bank loans, (including the costs directly attributable to obtaining the debt finance) are recognised in the profit and loss account over the term of the debt at a constant rate on the carrying amount.

Finance costs directly attributable to the funding of property development projects are included within stocks.

(h) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to interest rate and foreign exchange movements. The Group does not hold derivative financial instruments for speculative purposes.

The Group's interest rate swaps are treated as hedges because the instruments relate to actual liabilities and change the nature of the interest rate by converting variable rates into fixed rates. Interest differentials under the swaps are recognised by adjusting net interest payable over the period of the contracts.

(i) Stocks

Stocks comprise retail merchandise and development property for onward sale and are stated at the lower of cost and net realisable value.

Where properties which are intended to be sold have been acquired they have been included in stock as development properties. Development property comprises freehold land inclusive of the direct cost of acquisition and other directly attributable property development costs including interest costs.

(j) Grants

Grants received in respect of tangible fixed assets are credited to the profit and loss account over the expected useful economic lives of the assets to which they relate. Grants received but not yet released to the profit and loss account are included in the balance sheet as deferred income.

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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 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.

(l) 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.

(m) Deferred income

Deferred income represents income from sponsorship agreements and other contractual agreements which will be credited to the profit and loss account over the period of the agreements, season ticket renewals for the 2009/10 season and advance income from executive boxes and Club Tier seats at Emirates Stadium. Deferred income also includes income from the pre-sale of residential properties at Highbury Square which will be credited to the profit and loss account on completion of the sale contracts.

(n) Leases

Rentals payable under operating leases are charged to the profit and loss account in the period in which they fall due.

(o) Pensions

The Group makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes including 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 Group 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 Group'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 already retired or who have left the Group has been charged to the profit and loss account.

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) Pensions (continued)

Under the provisions of 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 Group.

(p) 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 Group'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. Segmental analysis

Class of business:	**Football**		**Property development**		**Group**	
	2009 £000's	**2008** £000's	**2009** £000's	**2008** £000's	**2009** £000's	**2008** £000's
Turnover	225,052	207,723	88,287	15,247	313,339	222,970
Segment operating profit	30,751	26,719	7,762	14	38,513	26,733
Share of operating profit of joint venture	455	469	-	-	455	469
Profit on disposal of player registrations	23,177	26,458	-	-	23,177	26,458
Net finance charges	(14,449)	(13,947)	(2,184)	(3,045)	(16,633)	(16,992)
Profit/(loss) on ordinary activities before taxation	39,934	39,699	5,578	(3,031)	45,512	36,668
Segment net assets/(liabilities)	188,101	162,138	6,229	(3,038)	194,330	159,100

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

3. Turnover

Turnover, all of which originates in the UK, comprises the following:	2009 £000's	2008 £000's
Gate and other match day revenues	100,086	94,580
Broadcasting	73,239	68,360
Retail	13,858	13,052
Commercial	34,280	31,259
Property development	88,287	15,247
Player trading	3,589	472
	313,339	222,970

4. Operating expenses

Operating expenses comprise:	2009 £000's	2008 £000's
Amortisation of player registrations	23,876	21,757
Depreciation (less amortisation of grants)	11,682	11,553
Total depreciation and amortisation	35,558	33,310
Staff costs (see note 6)	103,978	101,302
Cost of property sales	79,931	15,022
Other operating charges	55,359	46,603
Total operating expenses	274,826	196,237

Other operating charges include:		
Auditors' remuneration		
- audit of the company	23	21
- audit of the subsidiaries	128	134
- other services	36	44
	187	199
- tax services	356	408
Operating lease payments		
- plant and machinery	163	152
- other	645	761
Profit on disposal of tangible fixed assets	(42)	(19)

In addition to the amounts disclosed above, the Group incurred non-audit services fees payable to the company's auditors in relation to its ongoing property developments of £4,500 (2008 - £28,800) (included in development property stocks) and £Nil (2008 - £60,000), relating to software development (included within additions to tangible fixed assets).

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

5. Net finance charges

	2009	2008
Interest payable and similar charges:	£000's	£000's
Bank loans and overdrafts	(7,184)	(7,307)
Fixed/floating rate bonds	(14,097)	(14,637)
Other	(2,071)	(1,844)
Costs of raising long term finance	(1,511)	(2,219)
	(24,863)	(26,007)
Finance costs capitalised	5,516	4,978
Total interest payable and similar charges	(19,347)	(21,029)
Interest receivable	2,714	4,037
Net finance charges	(16,633)	(16,992)

The interest capitalised of £5,516,000 (2008 - £4,978,000) is included in stock development properties.

6. Employees

	2009	2008
The average number of persons employed by the Group during the year was:	**Number**	**Number**
Playing staff	62	54
Training staff	38	31
Administrative staff	196	197
Ground staff	88	97
	384	379

In addition the Group utilises on average 893 temporary personnel on match days (2008 – 902).

	£000's	£000's
Staff costs:		
Wages and salaries	90,690	88,258
Social security costs	10,963	10,238
Other pension costs	2,325	2,806
	103,978	101,302

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

7. Directors' emoluments

	2009						2008
	Salary/fees	Bonus	Benefits	Sub total	Pension	Total	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
PD Hill Wood	65	-	10	75	-	75	75
KJ Friar OBE	458	500	28	986	419	1,405	298
DD Fiszman	25	-	-	25	-	25	25
Sir Chips Keswick	25	-	-	25	-	25	25
Lord Harris of Peckham	-	-	-	-	-	-	-
IE Gazidis	371	187	67	625	42	667	-
ES Kroenke	17	-	-	17	-	17	-
RCL Carr	14	-	-	14	-	14	25
Lady Nina Bracewell-Smith	14	-	-	14	-	14	25
KG Edelman	-	-	-	-	-	-	1,056
	989	687	105	1,781	461	2,242	1,529

Lord Harris of Peckham waived director's fees of £25,000 and the Group donated the amount waived to an appropriate charity.

The pension charge for K.J. Friar OBE represents part of the deficit on the defined benefit section of the Football League Pension and Life Assurance Scheme.

In the prior year, in addition to amounts disclosed above £1.67 million was receivable by K.G. Edelman, following his resignation as a director, as compensation for his loss of office and for consultancy services.

8. Tax on profit on ordinary activities

	2009	2008
	£000's	£000's
UK Corporation tax charge at 28% (2008 - 29.67%)	8,111	11,828
Over provision in respect of prior years	(2,425)	-
Total current taxation	5,686	11,828
Deferred taxation (see note 19)		
Origination and reversal of timing differences	2,187	1,298
Impact of change in tax rate	-	(1,274)
Under/(over) provision in respect of prior years	2,409	(910)
Total tax on profit on ordinary activities	10,282	10,942

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

8. Tax on profit on ordinary activities (continued)

	2009 £000's	2008 £000's
The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:		
Group profit on ordinary activities before tax	45,512	36,668
Tax on Group profit on ordinary activities before tax at standard UK corporation tax rate of 28% (2008 – 29.67%)	12,743	10,880
Effects of:		
Capital allowances in excess of depreciation	(1,339)	(3,287)
Other timing differences	(852)	1,989
Expenses not deductible for tax purposes	(2,441)	2,246
Adjustments to tax charge in respect of prior years	(2,425)	-
Group current tax for the year	5,686	11,828

The Group tax charge in future years may be affected by:

- the amount of capital investment which is expected to be maintained at a level such that in the short term the Group expects to be able to claim capital allowances in excess of depreciation;
- the legislation relating to taxation of profits on disposal of intangible assets, including player registrations, and rollover relief thereon; and
- the capital gain rolled over in respect of Highbury Stadium.

9. Earnings per share

Earnings per share (basic and diluted) are based on the weighted average number of ordinary shares of the Company in issue - 62,217 shares (2008 - 62,217 shares).

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

10. Tangible fixed assets

	Freehold properties £000's	Leasehold properties £000's	Plant and equipment £000's	Total £000's
Group				
Cost				
At 1 June 2008	389,288	6,534	80,909	476,731
Additions	864	540	1,278	2,682
Disposals	-	(704)	(644)	(1,348)
At 31 May 2009	390,152	6,370	81,543	478,065
Depreciation				
At 1 June 2008	12,390	2,362	12,462	27,214
Charge for the year	5,455	365	6,010	11,830
Disposals	-	(704)	(644)	(1,348)
At 31 May 2009	17,845	2,023	17,828	37,696
Net book value				
At 31 May 2009	372,307	4,347	63,715	440,369
At 31 May 2008	376,898	4,172	68,447	449,517

At 31 May 2009 the Group had contracted capital commitments of £3.9 million (2008 - £4.5 million).

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

11. Intangible fixed assets

Cost of player registrations	£000's
At 1 June 2008	109,920
Additions	41,299
Disposals	(19,757)
At 31 May 2009	131,462
Amortisation of player registrations	
At 1 June 2008	54,255
Charge for the year	23,876
Disposals	(15,115)
At 31 May 2009	63,016
Net book value	
At 31 May 2009	68,446
At 31 May 2008	55,665

The figures for cost of player registrations are historic 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 Group's youth system.

The directors consider the net realisable value of intangible fixed assets to be significantly greater than their book value.

12. Investments

	Group	
Investment in joint venture	**2009**	**2008**
	£000's	£000's
Investments at cost	20,000	20,000
Accumulated share of profit of joint venture	730	406
Adjustment to eliminate unrealised profit on sale of intangible assets	(20,000)	(20,000)
Share of joint venture	730	406

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 Group 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. The Group's share of the assets included in the audited balance sheet of Arsenal Broadband Limited for the year ended 31 May 2009 is as follows:

	2009	**2008**
	£000's	£000's
Fixed assets	307	303
Current assets	1,300	1,312
Liabilities	(877)	(1,209)
	730	406

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

12. Investments (continued)

Investments in subsidiary undertakings	**Company**
	£000's
Balance at 1 June 2008 and 31 May 2009	30,059

The Company has the following principal subsidiary companies (of which those marked * are indirectly held):

	Country of incorporation	**Proportion of shares owned**	**Principal activity**
Arsenal (AFC Holdings) Limited	Great Britain	100%	Share holding
Arsenal Football Club plc*	Great Britain	100%	Professional football club
Arsenal (Emirates Stadium) Limited*	Great Britain	100%	Property development
Arsenal Overseas Limited*	Jersey	100%	Retail operations
Arsenal Securities plc*	Great Britain	100%	Financing
Arsenal Stadium Management Company Limited*	Great Britain	100%	Stadium operations
ATL (Holdings) Limited	Great Britain	100%	Share holding
Ashburton Trading Limited*	Great Britain	100%	Property development
HHL Holding Company Limited	Great Britain	100%	Share holding
Highbury Holdings Limited*	Great Britain	100%	Property holding
Ashburton Properties (Northern Triangle) Limited*	Great Britain	100%	Property development

13. Stocks - development properties

Properties are held for resale and are recorded at the lower of cost and net realisable value. The directors consider the net realisable value of development property stocks to be greater than their book value.

14. Debtors

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
	£000's	£000's	£000's	£000's
Amounts recoverable within one year:				
Trade debtors	11,380	9,624	-	-
Other debtors	18,211	10,555	-	-
Prepayments and accrued income	16,390	12,161	3	28
	45,981	32,340	3	28
Amounts recoverable in more than one year:				
Trade debtors	1,500	2,500	-	-
Amount due from group undertakings	-	-	108,598	101,186
Other debtors	5,319	8,845	-	-
Prepayments and accrued income	2,689	2,594	-	-
	9,508	13,939	108,598	101,186

Other debtors, of £23.53 million, include £22.89 million in respect of player transfers (2008 - £18.13 million) of which £5.18 million is recoverable in more than one year.

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

15. Cash and short-term deposits

	Group		Company	
	2009	2008	2009	2008
	£000's	£000's	£000's	£000's
Debt service reserve accounts	32,283	31,553	-	-
Other accounts	67,334	61,711	7,951	14,758
	99,617	93,264	7,951	14,758

The Group is required under the terms of its fixed rate bonds 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 bank treasury deposits as a means of maximising the interest earned on its cash balances. Included in the above is cash held on short-term deposit of £45.5 million (2008 - £61.7 million).

16. Creditors: amounts falling due within one year

	Group		Company	
	2009	2008	2009	2008
	£000's	£000's	£000's	£000's
Fixed rate bonds – secured	4,930	4,381	-	-
Bank loans and overdrafts – secured	129,172	138,454	-	-
Trade creditors	13,698	7,844	-	-
Corporation tax	10,068	12,142	437	437
Other tax and social security	10,410	15,922	-	-
Other creditors and loans	24,726	13,464	-	-
Accruals and deferred income	121,092	142,045	25	21
	314,096	334,252	462	458

Other creditors, above and as disclosed in note 17, include £25.80 million (2008 - £15.98 million) in respect of player transfers.

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2009	2008	2009	2008
	£000's	£000's	£000's	£000's
Fixed rate bonds – secured	183,815	186,662	-	-
Floating rate bonds – secured	53,286	56,064	-	-
Debenture loans	26,094	25,776	11,664	11,344
Amounts due to group undertakings	-	-	1,786	1,786
Other creditors	4,803	5,340	-	-
Grants	4,431	4,579	-	-
Deferred income	20,319	31,782	-	-
	292,748	310,203	13,450	13,130

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

17. Creditors: amounts falling due after more than one year (continued)

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£000's	£000's	£000's	£000's
Debenture loans comprise:				
Par value of debentures plus accumulated interest	26,405	26,087	11,975	11,655
Costs of raising finance	(311)	(311)	(311)	(311)
	26,094	25,776	11,664	11,344

Under the issue terms debentures with a par value of £14,438,000 are repayable at par after 133 years and these debentures are interest free. Debentures with a par value of £10,224,000 are repayable at the option of the debenture holders in 19 years and carry cumulative compound interest at 2.75% per annum.

	Group	
The bank loans above and disclosed in note 16 comprise:	**2009**	**2008**
	£'000	£'000
Bank loans	129,602	139,346
Costs of raising finance	(430)	(892)
	129,172	138,454
Due within one year	129,172	138,454
Due after more than one year	-	-
	129,172	138,454

The costs of raising bank loan finance are amortised to the profit and loss account over the term of the loan. The amortisation charge for the year was £773,000 (2008 - £1,090,000).

A subsidiary company has recently reached agreement for the refinance of its bank facility to provide for a final repayment by December 2010. If this refinance had been in place at the balance sheet date, £15 million of bank loans would have been classified as due after more than one year.

The fixed rate bonds above and disclosed in note 16 comprise:

	2009	**2008**
	£'000	£'000
Fixed rate bonds	194,905	200,204
Costs of raising finance	(6,160)	(9,161)
	188,745	191,043
Due within one year	4,930	4,381
Due after more than one year	183,815	186,662
	188,745	191,043

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

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

17. Creditors: amounts falling due after more than one year (continued)

The floating rate bonds above comprise:

	2009	2008
	£'000	£'000
Floating rate bonds	50,000	50,000
Interest rate swap	6,205	6,485
Costs of raising finance	(2,919)	(421)
	53,286	56,064
Due within one year	-	-
Due after more than one year	53,286	56,064
	53,286	56,064

The floating rate bonds bear interest at LIBOR for three month deposits plus a margin of 0.22% and the Group has entered into interest rate swaps which fix the LIBOR element of this cost at 5.75%.

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 bonds. The amortisation charge for the year was £503,000 (2008 - £975,000). During the year unamortised costs of £2.6 million were reallocated from fixed rate to floating rate bonds.

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 0.50% of fixed rate bond principal outstanding and 0.65% of the floating rate bond principal outstanding.

The Group's fixed rate bonds, floating rate bonds and bank loans 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 £59.1 million (2008 - £53.2 million) of the Group's bank deposits, by legal mortgages or fixed charges over the share capital and intellectual property rights of certain subsidiary companies and fixed and floating charges over the other assets of certain subsidiary companies.

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

	2009	2008
	£'000	£'000
Between one and two years	5,890	5,587
Between two and five years	19,654	18,644
After five years	240,179	246,760
	265,723	270,991
Within one year	135,189	144,646
Total debt	400,912	415,637

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

18. Derivative financial instruments

The Group's financial instruments comprise mainly of cash and bank balances, fixed and floating rate bonds, bank loans, debentures and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations. The main risks arising from the Group's financial instruments are interest rate, liquidity and foreign currency risks and the Board reviews and agrees its policy for managing these risks.

The Group has entered into interest rate swaps the purpose of which is to minimise its exposure to interest rate risk. The Group has entered into forward exchange contracts the purpose of which is to minimise its exposure to exchange rate risk in relation to certain ¤ denominated receivables. The Group does not hold or issue derivative financial instruments for speculative purposes.

The numerical disclosures in this note deal with financial assets and liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures (other than the currency disclosures).

Interest rate profile

After taking into account these interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 May 2009 was as follows:

	Fixed rate 2009 £000's	Floating rate 2009 £000's	Interest free 2009 £000's	Total 2009 £000's	Weighted average fixed rate %	Weighted average period for which rate is fixed yrs
Bonds – fixed rate	194,905	-	-	194,905	5.6	20
Bonds – floating rate	50,000	-	-	50,000	6.6	22
Bank loans	-	129,602	-	129,602	-	-
Debenture loans	11,973	-	14,432	26,405	2.8	19
	256,878	129,602	14,432	400,912		

The interest rate profile at 31 May 2008 for comparative purposes was:-

	Fixed rate 2008 £000's	Floating rate 2008 £000's	Interest free 2008 £000's	Total 2008 £000's	Weighted average fixed rate %	Weighted average period for which rate is fixed yrs
Bonds – fixed rate	200,204	-	-	200,204	5.6	21
Bonds – floating rate	50,000	-	-	50,000	6.6	23
Bank loans	98,460	40,886	-	139,346	6.6	1
Debenture loans	11,655	-	14,432	26,087	2.8	20
	360,319	40,886	14,432	415,637		

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

18. Derivative financial instruments (continued)

The interest rate on the floating rate element of bank loans is currently set at LIBOR plus margins ranging from 1.3% to 2.0% (2008 - 1.4% to 1.7%). The Group's bank deposits earn interest at rates linked to LIBOR. The Group's other financial assets, comprising mainly debtor balances, do not earn interest.

In addition to the above, the Group has commitments under letters of credit, as disclosed in note 27, of £6.3 million (2008 - £6.3 million) on which interest is currently paid at a fixed rate of 2%.

Borrowing facilities

The Group had undrawn committed borrowing facilities at the balance sheet date, in respect of which all conditions precedent had been met, as follows:

	2009	**2008**
	£000's	£000's
Expiring in:		
One year or less	50,942	62,654

Fair values

The fair value of all financial instruments at 31 May 2008 and 2009, other than interest rate swaps as disclosed below, was not materially different from their book value.

	2009		**2008**	
	Book value	**Fair value**	**Book value**	**Fair value**
	£000's	£000's	£000's	£000's
Derivative financial instruments held to manage the Group's interest rate profile:				
Interest rate swaps	-	(11,963)	-	(4,750)

The fair value of interest rate swaps have been determined by reference to relevant market data and the discounted value of expected cash flows arising from the transactions.

Changes in the fair value of interest rate swaps, which are used as hedges, are not recognised in the financial statements until the hedged position matures.

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

18. Derivative financial instruments (continued)

An analysis of these unrecognised gains and losses is as follows:	Group 2009 £000's	Group 2008 £000's
Unrecognised losses at start of year	(4,750)	(3,287)
Unrecognised losses arising in year	(7,213)	(1,463)
Unrecognised losses at end of year	(11,963)	(4,750)
Of which:		
Gains and losses expected to be recognised in 2009/10	(11,963)	(4,750)
Gains and losses expected to be recognised later than 2009/10	-	-

Foreign currencies

Included in other debtors are amounts of £11.8 million (2008 - £9.5 million) denominated in Euros.

Included in prepayments and accrued income are amounts of £6.4 million (2008 - £4.5 million) denominated in Euros.

Included in other creditors are amounts of £6.0 million (2008 - £0.5 million) denominated in Euros and £0.2 million (2008 - £0.2 million) denominated in US dollars. Included in provisions are amounts of £2.1 million (2008 - £4.7 million) denominated in Euros and £0.9 million (2008 - £1.3 million) denominated in US dollars.

19. Provisions for liabilities and charges

	Group 2009 £000's	Group 2008 £000's
Pensions provision (see note 29 (b))	1,362	576
Deferred taxation	22,669	18,066
Transfers	8,204	12,116
	32,235	30,758

The transfers provision relates to the probable additional transfer fees payable based on the players concerned achieving a specified number of appearances.

The deferred tax charge for the year was £4.60 million (see note 8) (2008 – credit of £0.88 million).

Deferred tax provision	Group 2009 £000's	Group 2008 £000's
Corporation tax deferred by accelerated capital allowances	13,413	9,662
Interest capitalised and other timing differences	9,256	8,404
Total provision for deferred taxation	22,669	18,066

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

20. Called up share capital

	2009	2008
Authorised	**Number**	**Number**
Ordinary shares of £1 each	62,217	62,217
Subscriber Ordinary shares of £1 each	2	2
Redeemable preference shares	49,998	49,998

Allotted, issued and fully paid	**£**	**£**
Subscriber Ordinary shares of £1	2	2
Ordinary shares of £1 each	62,217	62,217

The two Subscriber Ordinary shares carry no right to vote or to income and a deferred right to a return of capital paid up.

21. Share premium

	Group	Company
	£000's	£000's
Balance at 1 June 2008 and 31 May 2009	29,997	29,997

22. Other reserves

	Merger reserve
	£000's
Group	
Balance at 1 June 2008 and 31 May 2009	26,699

23. Profit and loss account

	Group Profit and loss account	Company Profit and loss account
	£000's	£000's
Balance at 31 May 2008	102,342	102,384
Profit for the year	35,230	256
Balance at 31 May 2009	137,572	102,640

24. Reconciliation of movement in shareholders' funds

	2009	2008
	£000's	£000's
Profit for the year	35,230	25,726
Opening shareholders' funds	159,100	133,374
Closing shareholders' funds	194,330	159,100

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

25. Notes to the consolidated cash flow statement

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

	2009 £000's	2008 £000's
Operating profit	38,513	26,733
Amortisation of player registrations	23,876	21,757
Profit on disposal of tangible fixed assets	(42)	(19)
Depreciation	11,682	11,555
Decrease/(increase) in stock	25,940	(82,958)
Increase in debtors	(4,680)	(1,172)
(Decrease)/increase in creditors	(32,984)	3,091
Net cash inflow / (outflow) from operating activities	62,305	(21,013)

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

	2009 £000's	2008 £000's
Increase in cash for the period	6,353	19,407
Cash outflow/(inflow) from change in debt	15,356	(67,186)
Change in net debt resulting from cash flows	21,709	(47,779)
Change in debt resulting from non cash changes	(1,316)	(2,097)
Net debt at start of year	(318,073)	(268,197)
Net debt at end of year	(297,680)	(318,073)

Bank balances, included in net debt, of £129,000 (2008 - £307,000) are held in an employee benefit trust at the discretion of the trustees.

(c) Analysis of changes in net debt	At 1 June 2008 £000's	Non cash changes £000's	Cash flows £000's	At 31 May 2009 £000's
Cash at bank and in hand	31,601	-	22,498	54,099
Short-term deposits	61,663	-	(16,145)	45,518
	93,264	-	6,353	99,617
Debt due within one year - (bank loans/bonds)	(142,835)	-	8,733	(134,102)
Debt due after more than one year - (bank loans/bonds)	(242,726)	(996)	6,621	(237,101)
Debt due after more than one year - (debentures)	(25,776)	(320)	2	(26,094)
Net debt	(318,073)	(1,316)	21,709	(297,680)

Non cash changes represent £1,276,000 in respect of the amortisation of costs of raising finance, £320,000 in respect of rolled up, unpaid debenture interest and £280,000 in respect of amortisation of the premium on certain of the Group's interest rate swaps.

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

25. Notes to the consolidated cash flow statement (continued)

(d) Gross cash flows

	2009 £000's	2008 £000's
Player registrations:		
Payments for purchase of players	(35,398)	(28,027)
Receipts from sale of players	23,063	32,037
	(12,335)	4,010
Returns on investment and servicing of finance:		
Interest received	2,926	4,131
Finance charges paid	(20,615)	(23,786)
	(17,689)	(19,655)
Capital expenditure:		
Payments to acquire tangible fixed assets	(2,992)	(6,963)
Receipts from sale of tangible fixed assets	42	19
	(2,950)	(6,944)
Financing:		
Repayment of borrowings	(15,838)	(6,869)
Increase in short term borrowings	795	74,877
Costs of raising finance	(311)	(822)
Total debt financing	(15,354)	67,186
Debenture repayments	(2)	-
	(15,356)	67,186

26. Leasing commitments

Commitments due under operating leases for the period to 31 May 2010 are in respect of:

	2009		2008	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
Leases expiring in:				
Two to five years	-	163	-	151
Over five years	621	-	625	-
	621	163	625	151

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

27. Commitments and 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 Group'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 potential liability is £7.1 million (2008 - £12.3 million).

The Group has commitments outstanding under letters of credit, issued to guarantee its performance of certain future contractual obligations in relation to its new stadium and property development projects, of £6.3 million (2008 - £6.3 million). Provision has been made in the accounts for those costs incurred under these contractual obligations by the balance sheet date. When these liabilities are paid the commitment outstanding under letters of credit will be reduced accordingly.

28. Related party transactions

The Group had the following transactions with Arsenal Broadband Limited in the year:-

	2009 Income/ (charge) £000's	**2008 Income/ (charge)** £000's
Provision of office services	123	124
Merchandising and advertising sales	(665)	(587)
Arsenal TV commission	356	-

At 31 May 2009 the balance owing from the Group to Arsenal Broadband Limited was £1,546,000 (2008 - £337,000).

29. Pensions

a) *Defined contribution schemes*
Total contributions charged to the profit and loss account during the year amounted to £2,300,463 (2008 - £2,782,215).

b) *Defined benefit scheme*

	2009 £000's	**2008** £000's
Provision at start of year	576	705
Payments in year	(129)	(129)
Increase in provision	915	-
Provision at end of year	1,362	576

The Group is advised of its share of the deficit in the Scheme. The most recent actuarial valuation of the Scheme was as at 31 August 2008 and indicated that the contribution required from the Group towards making good this deficit was £1.33 million at 1 September 2009 (the total deficit in the Scheme at this date was £13.2 million).

NOTES TO THE ACCOUNTS

For the year ended 31 May 2009

29. Pensions (Continued)

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 Group has been charged in full to the profit and loss account.

The agreed revised deficit is being paid off over a period of 10 years commencing September 2009. Payments for the year amounted to £128,916 and the profit and loss account charge was £24,000 (2008 - £24,000).

30. Post balance sheet events

Player transactions

Since the end of the financial year a subsidiary company, Arsenal Football Club plc, has contracted for the purchase and sale of various players. The net income resulting from these transfers, taking into account the applicable levies, is £27.3 million. These transfers will be accounted for in the year ending 31 May 2010.

Bank facility

Since the year end a subsidiary company, Highbury Holdings Limited, has made repayments on its property development bank loan reducing the balance from £123.6 million to £47.1 million. Highbury Holdings Limited has also agreed the refinance of this bank loan into a new facility with a term date of December 2010.

FIVE YEAR SUMMARY

PROFIT AND LOSS ACCOUNT	2005 £000's	2006 £000's	2007 £000's	2008 £000's	2009 £000's
Group Turnover	138,395	137,237	200,843	222,970	313,339
Operating profit before player trading and exceptional costs	32,631	11,323	41,614	48,018	58,800
Operating expenses - player registrations	(14,993)	(15,262)	(18,238)	(21,285)	(20,287)
Operating expenses - exceptional	-	-	-	-	-
Operating profit / (loss)	17,638	(3,939)	23,376	26,733	38,513
Share of results of joint venture	204	499	435	469	455
Profit on disposal of player registrations	2,894	19,150	18,467	26,458	23,177
Net interest - ordinary	(1,471)	175	(15,304)	(16,992)	(16,633)
Net interest - exceptional	-	-	(21,401)	-	-
Profit before tax	19,265	15,885	5,573	36,668	45,512
Profit after tax	8,293	7,902	2,816	25,726	35,230
Earnings per share	£138.91	£127.01	£45.26	£413.49	£566.24
Earnings per share (excluding exceptional items)	£138.91	£127.01	£286.05	£413.49	£566.24
BALANCE SHEET					
Tangible fixed assets	314,822	451,501	455,376	449,923	441,099
Intangible fixed assets	28,983	66,555	64,671	55,665	68,446
Net current assets / (liabilities)	28,149	(38,166)	61,231	(5,527)	9,768
Long term creditors and provisions	(249,298)	(349,332)	(447,904)	(340,961)	(324,983)
Net assets	122,656	130,558	133,374	159,100	194,330
Share capital	62	62	62	62	62
Share premium	29,997	29,997	29,997	29,997	29,997
Reserves	92,597	100,499	103,315	129,041	164,271
Shareholders funds	122,656	130,558	133,374	159,100	194,330
Net assets per share	£1,971.45	£2,098.46	£2,143.69	£2,557.18	£3,123.42
PLAYING RECORD					
Premier League	2nd	4th	4th	3rd	4th
FA Challenge Cup	Winners	4th round	5th round	5th round	Semi finals
Europe	1st K/O round Champions League	Finalist Champions League	1st K/O round Champions League	Quarter finals Champions League	Semi finals Champions League