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2003
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# CHAIRMAN'S STATEMENT

I am pleased to report that the six month period to 30 November 2008 has produced another strong set of financial results. Profits were ahead in both our football and property businesses and combined to deliver an overall pre-tax profit for the Group of £24.5 million compared to £20.0 million for the equivalent period last year. I believe these results are all the better for having been achieved against a background of what is clearly a very difficult economic climate.

Although results on the field could sometimes have been better, the Club remains well placed to challenge for at least a top four Premier League finish and, as February closes, we are still competing in two major cup competitions – the UEFA Champions League and FA Cup.

Construction activity at Highbury Square is making excellent progress. Two of the four stands have been finished and the remaining building works will be completed by early summer. To date we have completed the sale of 186 apartments with a sale value of £76.7 million. We consider this to be good progress in a very difficult property market. However, the market conditions have, inevitably, had some impact on Highbury Square and I will return to this in more detail in the Financial Review section of this report.

In December, we announced the restructuring of the board of directors of Arsenal Holdings plc. We were pleased to announce that Ivan Gazidis had joined Arsenal Holdings plc as Chief Executive with effect from 1 January 2009. Ivan joined the Company from Major League Soccer in the USA, where he was the Deputy Commissioner. We are delighted that Ivan has joined us; his credentials are first class and he has a wealth of business acumen together with a broad knowledge of the football industry. He will be a great asset to the Group and we are already enjoying working with him.

It was also announced that Lady Nina Bracewell-Smith had left the board of both Arsenal Holdings plc and Arsenal Football Club plc. Richard Carr left the board of the Company at the same time but we are delighted that he remains a director of the football club. I would like to take this opportunity to thank Lady Nina for the contribution she made to the Group in her time as a director and thank Richard for the role he played whilst a director of Arsenal Holdings plc.

Emirates Stadium has continued to collect awards, winning two more honours during the period and these are in addition to the 21 major awards the new stadium project has already received. The two new awards were: 'Best Development Partnership – Arsenal FC and Newlon' in the 2008 Affordable Home Ownership Awards and 'The UK's Coolest Sports Venue' in the 2008 Prestige Events Magazine Awards.

As well as being a fantastic venue for all of the Club's competitive home matches, Emirates Stadium continues to be an ideal location for high profile 'non-Arsenal' events and earlier this month we successfully hosted a sell-out international friendly match between Brazil and Italy. This match was the fourth time that the Brazil national team has played at Emirates Stadium and they recorded a 2-0 win thanks to first half goals from Elano and Robinho.

As you will probably be aware the Club's Charity of the Season for 2008/09 is Teenage Cancer Trust, a charity dedicated to improving the lives of young people with cancer. Our home fixture against Liverpool on Sunday 21 December was the 'Be a Gooner, Be a Giver' campaign's dedicated match day. We were delighted to announce that this match raised over £200,000 through many activities including the players, directors and many Club staff donating a day's wages to this fantastic charity. We are currently on course to reach our £300,000 fundraising target which will pay for an Education Zone within Teenage Cancer Trust's brand new Day Care Centre due to open in 2012 at University College Hospital, London.





January 2009 marked the first anniversary of Arsenal TV, which currently runs from 4.30pm on weekdays and 6pm on Sundays on Sky Channel 435 and Virgin Media Channel 542. The first year of this new service has been very successful and we hope that supporters are enjoying the channel's content. During the period, Arsenal.com was named 'Best Sports Website' at the 2008 UK Website of the Year awards. Also during the period, our Matchday Programme won the '2007/08 Programme of the Year Award' for all English clubs. This is the second time in the last three years that the Club has won this award. I would like to offer my congratulations to all the staff involved in these projects.

The proposed regeneration of Queensland Road is still very much a part of the Group's plans. A planning application for the redevelopment of this area has been submitted, and at time of writing, was still waiting to be considered by the local planning authority. This proposal is one of the final elements of the Emirates Stadium project and is expected to deliver a new sports centre as part of the development, together with regeneration of the area and over 350 affordable new homes.

## On the Field

With two thirds of the matches now played in the 2008/09 Premier League season, at time of writing, the Club is in fifth position and has a gap to close on the four teams currently occupying the UEFA Champions League qualification spots. Although we have experienced some disappointing results, the campaign has also seen some extremely good performances, most notably a 2-1 victory over Manchester United at Emirates Stadium and an impressive 2-1 win at Stamford Bridge against Chelsea. There is still a significant part of the season to play and we remain confident that the team can put together a good run of results to be challenging, for a top four finish at least, come the end of the season.

After beating FC Twente in the Qualifying Round, progress from the Group Stage in the UEFA Champions League was secured from a difficult group, containing Dynamo Kyiv, FC Porto and Fenerbahce. The team remained unbeaten at Emirates Stadium and most notably won 4-0 at home to FC Porto and 5-2 in Turkey over Fenerbahce. In the Knockout Round we are now looking ahead to what is sure to be an exciting night in Rome, after Robin van Persie's penalty gave us a 1-0 advantage from the home leg against AS Roma.

The UEFA Champions League trip to FC Porto in December marked Arsène Wenger's 700th match as manager of Arsenal Football Club. This is a tremendous achievement and, of course, we all hope Arsène will continue as our manager for many years to come.

Our 2009 FA Cup campaign got off to a promising start with a 3-1 home win over Plymouth Argyle. This was followed by a goalless away draw and subsequent 4-0 replay win over Cardiff City in the fourth round.

In the Carling Cup, the Club's younger players were once again given an opportunity to gain first team experience and show their great potential. They did not disappoint, with two fantastic performances in the early stages of the competition. An emphatic 6-0 home victory over Championship side Sheffield United was followed by an equally pleasing 3-0 win over a full strength Wigan Athletic team. Unfortunately, in the quarter final our young side was unable to maintain this momentum and was beaten 0-2 at Burnley.

During the January transfer window we were delighted to complete the signing of Russian international Andrey Arshavin. Andrey, who was the 2006 Russian footballer of the year, is a versatile player with great experience, who adds real quality to our squad. He is an exciting impact player with a huge amount of ability and has been an influential force with both Zenit St Petersburg and the Russian national team in recent seasons. We wish Andrey the best of luck during his career with Arsenal.

Also during January, six of our young players joined clubs on loan in order to gain more first team experience. Jay Simpson (West Bromwich Albion), Gavin Hoyte (Watford), Henri Lansbury (Scunthorpe), Rui Fonte (Crystal Palace), Rene Steer (Gillingham) and Paul Rodgers (Northampton Town) will be looking to impress during their loan moves. They join Nacer Barazite (Derby County), Kerrea Gilbert (Leicester City), Abu Ogogo (Barnet), Philippe Senderos (AC Milan), Armand Traore (Portsmouth), Pedro Bothelo (Salamanca) and Vincent Van Den Berg (FC Zwolle) who are currently on loan away from the Club. We continue to wish all these players the best of luck throughout the rest of the season.



## Financial Review

The Group has delivered another strong set of financial results with growth in turnover and operating profits in both its football and property businesses.

The overall pre-tax profit for the six month period ended 30 November 2008 rose to £24.5 million as compared to £20.0 million for the same period last year.

| | 2008 £m | 2007 £m |
|---|---|---|
| Turnover | | |
| Football | 98.4 | 89.3 |
| Property development | 58.4 | 7.6 |
| **Total turnover** | **156.8** | **96.9** |
| | | |
| **Operating profits*** | | |
| Football* | 23.5 | 21.9 |
| Property development | 6.3 | 2.5 |
| **Total operating profit*** | **29.8** | **24.4** |
| Player trading | 8.0 | 8.6 |
| Depreciation | ( 5.8) | ( 5.8) |
| Joint venture | 0.4 | 0.5 |
| Net finance charges | ( 7.9) | ( 7.7) |
| **Profit before tax** | **24.5** | **20.0** |

* = operating profits before depreciation and player trading costs

So far the impact of the recession on the financial results of our football business has been relatively minor and, crucially, match attendances at Emirates Stadium have continued to be at sell-out levels. We are, however, selling fewer stadium tours and our retail sales numbers are static rather than showing growth on previous year performance.

Revenues in our core football business rose to £98.4 million (2007 – £89.3 million) and there were a number of reasons for this. Match day income benefited from: the staging of one additional Carling Cup home fixture, increased revenue from the pre-season Emirates Cup tournament and the general 2008/09 season price increase of 2.8%. Broadcasting revenues benefited from: a higher number of live TV games, the season to season step in the Premier League TV contracts and favourable rates of exchange on the € / £ conversion of Champions League distributions.

Football operating costs, excluding player trading and depreciation, were also up, to £74.1 million from £67.1 million in the previous year. There were a number of contributory factors underlying this increase with the main ones being changes in: player related costs, stadium utilities costs, the fees paid to Emirates Cup participant teams and retail costs, reflecting some tightening of our retail margins. In addition, we have booked exchange losses in the current period on certain € denominated elements of our player transfers payable provisions. The timing of payment of these provisions is triggered by future events, such as player appearances, and as such any exchange exposure is not easily hedged.

Player trading produced an overall surplus of £8.0 million (2007 – £8.6 million) including gains from the sale of player registrations of £18.5 million (2007 – £19.6 million). The most significant player sales were those of Alexander Hleb and Justin Hoyte; we also made a significant sell-on profit from David Bentley's move away from Blackburn Rovers.

After deducting the interest costs of our fixed rate stadium financing bonds, the overall pre-tax profit from the Group's football activities was £19.7 million (2007 – £19.1 million) and this is clearly a very satisfactory result.

The UK property market has been particularly affected by the economic downturn and, inevitably, this has had an impact on the Group's own property development activities in the period.

Highbury Square apartment completions are running below the level projected in our original development plan and whilst disappointing this is a direct consequence of the very challenging conditions in the property and mortgage finance markets. The number of sales contracts which have actually failed and been rescinded remains very low – in single figures. However, we have a backlog of purchasers who still intend to complete but await confirmation of mortgages as a result of both the tightening of mortgage availability and the increased deposit required. These delayed completions are coming through albeit relatively slowly. We are actively examining proposals which, subject to the consent of our lending banks, would allow support to be given, in appropriate circumstances and on commercial terms, to those substantial purchasers who have requested assistance in completing on their units.

That said, we believe that Highbury Square is outperforming other residential projects in London and the quality of the development combined with the stadium's history and association with the Club means that we completed on 140 units with a sales value of £58.1 million in the first half of the financial year. Despite a further impairment write down of £0.9 million, on the carrying value of our Queensland Road site, those sales led to an operating profit contribution from our property business of £6.3 million (2007 – £2.5 million).

To date we have only released the units in the South and West stands. The construction works on the North and East stands will be finished over the next four months or so, along with the communal garden areas, and the 326 apartments in those stands, of which 293 are pre-sold, will then become due for sales completion.

Of the overall 655 apartments within the Highbury Square development, we are holding a residual stock of 60 unsold units and this number will increase to the extent that any pre-sold units fail to complete. As a result of the delay in completions, our most recent projections indicate a probable requirement to extend and revise the terms of the bank loan for Highbury Square beyond its current expiry date of April 2010. We are at a preliminary stage of discussions with the banking syndicate about an appropriate extension. In the current financial climate we do not expect these discussions to be concluded quickly, an increased cost is likely to be involved and there can be no certainty that a satisfactory agreement will be reached, but we believe that a positive outcome will be achieved in due course.

At 30 November the balance of the Highbury Square loan stood at £135 million. Sales proceeds are required to be used first in payment of the construction costs on site and once these costs are fully funded, through to completion of the development, sales proceeds are then used for repayment of the bank loan. We reached the milestone of fully funding the costs to complete at the end of January and subsequently sales receipts have reduced the loan balance to £133 million. Future sales proceeds will continue to reduce the balance of the loan.

We have a very much smaller property loan connected with the Queensland Road development site and, as a consequence of the delayed planning approval for the site, we have recently extended the term of this facility for another year.

It is appropriate at this point to confirm once again that the financial arrangements for the Group's property activities are separate and largely operate independently from the financing of the football business. This has always been a key aspect of our financial structure for the Group and is intended to provide us with the ability to develop the football team as with, for example, the signing of Andrey Arshavin, irrespective of the difficult conditions in which our property business is having to operate.

Clearly there are some significant challenges ahead of us, both on and off the pitch, over the closing months of this financial year and beyond. We have already established a strong base for the full year financial results but the ultimate quantum of profits for the 2008/09 year will be influenced by both results on the pitch and the level of further Highbury Square sales completions.

It is important to note that a number of our key commercial contracts are secure for a number of years and, following the recent announcement by the Premier League, this includes the key domestic TV arrangements. However, looking ahead to 2009/10 I believe it would be imprudent not to expect the recession to have some impact on our finances. Hopefully, the loyalty of our supporters, both corporate and individual, means this impact will be limited. We are closely monitoring the position with a view to ensuring, as we always have done, that the Group is on a robust footing and ready to respond to any challenges which this exceptional economic climate may bring.





P D Hill-Wood
25 February 2009

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 November 2008

| | Notes | Six months to 30 November 2008 Unaudited | | | Six months to 30 November 2007 Unaudited | Year ended 31 May 2008 Audited |
|---|---|---|---|---|---|---|
| | | Operations excluding player trading £'000 | Player trading £'000 | Total £'000 | Total £'000 | Total £'000 |
| **Turnover of the Group including its share of joint ventures** | | 157,312 | 827 | 158,139 | 97,695 | 225,013 |
| Share of turnover of joint ventures | | (1,320) | - | (1,320) | (830) | (2,043) |
| **Group turnover** | 4 | 155,992 | 827 | 156,819 | 96,865 | 222,970 |
| Operating expenses | | | | | | |
| – other | | (131,990) | - | (131,990) | (77,963) | (174,480) |
| – amortisation of player registrations | | - | (11,375) | (11,375) | (11,295) | (21,757) |
| Total operating expenses | 5 | (131,990) | (11,375) | (143,365) | (89,258) | (196,237) |
| **Operating profit/(loss)** | | 24,002 | (10,548) | 13,454 | 7,607 | 26,733 |
| Share of operating profit of joint venture | | 376 | - | 376 | 485 | 469 |
| Profit on disposal of player registrations | | - | 18,545 | 18,545 | 19,593 | 26,458 |
| Profit on ordinary activities before net finance charges | | 24,378 | 7,997 | 32,375 | 27,685 | 53,660 |
| Net finance charges | 6 | | | (7,852) | (7,707) | (16,992) |
| **Profit on ordinary activities before taxation** | | | | 24,523 | 19,978 | 36,668 |
| Taxation | 7 | | | (4,341) | (4,341) | (10,942) |
| **Profit after taxation retained for the financial period** | | | | 20,182 | 15,637 | 25,726 |
| **Earnings per share** | 8 | | | £324.37 | £251.33 | £413.49 |

All trading resulted from continuing operations.

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

The accompanying notes are an integral part of these statements.

# CONSOLIDATED BALANCE SHEET

At 30 November 2008

| | Notes | 30 November 2008 Unaudited £'000 | 30 November 2007 Unaudited £'000 | 31 May 2008 Audited £'000 |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Tangible assets | 9 | 445,104 | 453,122 | 449,517 |
| Intangible assets | 10 | 63,226 | 69,215 | 55,665 |
| Investment in joint venture | | 703 | 420 | 406 |
| | | 509,033 | 522,757 | 505,588 |
| **Current assets** | | | | |
| Stock – Development properties | 11 | 179,077 | 141,294 | 187,964 |
| Stock – Retail merchandise | | 3,540 | 2,522 | 1,218 |
| Debtors – Due within one year | 12 | 42,467 | 30,868 | 32,340 |
| Debtors – Due after one year | 12 | 10,299 | 9,460 | 13,939 |
| Cash at bank and in hand | 13 | 75,659 | 69,128 | 93,264 |
| | | 311,042 | 253,272 | 328,725 |
| **Creditors:** Amounts falling due within one year | 14 | (267,133) | (198,111) | (334,252) |
| **Net current assets / (liabilities)** | | 43,909 | 55,161 | (5,527) |
| **Total assets less current liabilities** | | 552,942 | 577,918 | 500,061 |
| **Creditors:** Amounts falling due after more than one year | 15 | (340,232) | (390,637) | (310,203) |
| **Provisions for liabilities** | 16 | (33,428) | (38,270) | (30,758) |
| **Net assets** | | 179,282 | 149,011 | 159,100 |
| **Capital and reserves** | | | | |
| Called up share capital | | 62 | 62 | 62 |
| Share premium | | 29,997 | 29,997 | 29,997 |
| Merger reserve | | 26,699 | 26,699 | 26,699 |
| Profit and loss account | 17 | 122,524 | 92,253 | 102,342 |
| **Shareholders' funds** | 18 | 179,282 | 149,011 | 159,100 |

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

# CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 November 2008

| | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| **Net cash inflow/(outflow) from operating activities** | 7,432 | (29,760) | (21,013) |
| Player registrations | (3,635) | 4,296 | 4,010 |
| Returns on investment and servicing of finance | (10,241) | (9,169) | (19,655) |
| Taxation | (5,567) | - | (4,177) |
| Capital expenditure | (1,755) | (3,255) | (6,944) |
| Cash outflow before financing | (13,766) | (37,888) | (47,779) |
| Financing | (3,839) | 33,159 | 67,186 |
| **(Decrease)/increase in cash** | (17,605) | (4,729) | 19,407 |

## Notes to the cash flow statement

| *a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities* | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| **Operating profit** | 13,454 | 7,607 | 26,733 |
| Profit on disposal of tangible fixed assets | (42) | - | (19) |
| Depreciation | 5,807 | 5,766 | 11,555 |
| Amortisation of player registrations | 11,375 | 11,295 | 21,757 |
| Decrease/(increase) in stock | 10,167 | (40,790) | (82,958) |
| (Increase)/decrease in debtors | (2,688) | 159 | (1,172) |
| (Decrease)/increase in creditors | (30,641) | (13,797) | 3,091 |
| **Net cash inflow/(outflow) from operating activities** | 7,432 | (29,760) | (21,013) |

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

| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
|---|---|---|---|
| (Decrease)/increase in cash for the period | (17,605) | (4,729) | 19,407 |
| Cash outflow/(inflow) from increase in debt | 3,839 | (33,159) | (67,186) |
| Change in net debt resulting from cash flows | (13,766) | (37,888) | (47,779) |
| Increase in debt resulting from non cash changes | (977) | (974) | (2,097) |
| Net debt at start of period | (318,073) | (268,197) | (268,197) |
| Net debt at close of period | (332,816) | (307,059) | (318,073) |

Bank balances, included in net debt, of £142,000 (30 November 2007 £189,000, 31 May 2008 £307,000) are held in an employee benefit trust at the discretion of the trustees.

# Notes to the cash flow statement *(continued)*

*c) Analysis of changes in net debt*

| | At 1 June 2008 £'000 | Non cash changes £'000 | Cash flows £'000 | At 30 November 2008 £'000 |
|---|---|---|---|---|
| Cash in hand, at bank | 93,264 | - | ( 17,605 ) | 75,659 |
| | 93,264 | - | ( 17,605 ) | 75,659 |
| Debt due within one year (bank loans/bonds) | ( 142,835 ) | - | 40,139 | ( 102,696 ) |
| Debt due after more than one year (bank loans/bonds) | ( 242,726 ) | ( 816 ) | ( 36,300 ) | ( 279,842 ) |
| Debt due after more than one year (debenture subscriptions) | ( 25,776 ) | ( 161 ) | - | ( 25,937 ) |
| Net debt | (318,073 ) | ( 977 ) | ( 13,766 ) | ( 332,816 ) |

Non cash changes represent £958,000 in respect of the amortisation of costs of raising finance, £161,000 in respect of rolled up, unpaid debenture interest for the period less £142,000 in respect of amortisation of the premium on certain of the Group's interest rate swaps.

*d) Gross cash flows*

| | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| **Player registrations:** | | | |
| Payments for purchase of players | ( 23,093 ) | ( 23,165 ) | ( 28,027 ) |
| Receipts from sale of players | 19,458 | 27,461 | 32,037 |
| | ( 3,635 ) | 4,296 | 4,010 |
| **Returns on investment and servicing of finance:** | | | |
| Interest received | 1,870 | 2,096 | 4,131 |
| Interest paid | ( 12,111 ) | ( 11,265 ) | ( 23,786 ) |
| | ( 10,241 ) | ( 9,169 ) | ( 19,655 ) |
| **Capital expenditure:** | | | |
| Payments to acquire tangible fixed assets | ( 1,797 ) | ( 3,255 ) | ( 6,963 ) |
| Receipts from sale of tangible fixed assets | 42 | - | 19 |
| | ( 1,755 ) | ( 3,255 ) | ( 6,944 ) |
| **Financing:** | | | |
| Repayment of borrowings | ( 5,300 ) | ( 6,869 ) | ( 6,869 ) |
| Increase in borrowings | 1,461 | 40,846 | 74,877 |
| Costs of raising finance | - | ( 818 ) | ( 822 ) |
| Total debt (repayment)/financing | ( 3,839 ) | 33,159 | 67,186 |

# NOTES TO THE INTERIM ACCOUNTS
30 November 2008

## 1 Basis of preparation of Group financial statements

The Group financial statements consolidate the assets, liabilities and results of the company and its subsidiary undertakings made up to 30 November 2008. The Group has two classes of business – the principal activity of operating a professional football club and property development.

The interim results have been prepared, in accordance with United Kingdom Generally Accepted Accounting Practice, on the same basis and using the same accounting policies as those used in the preparation of the full year's accounts to 31 May 2008. The status of the Group's financing arrangements is reported in notes 14 and 15 and is summarised in the Chairman's Statement. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and the financial statements continue to be prepared on the going concern basis.

## 2 Significant accounting policies

### Income recognition

Gate and other match day revenue is recognised over the period of the football season as games are played. 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 legal completion of the relevant sale contract. Where elements of the sale price are subject to retentions by the purchaser the retained element of the sale price is not recognised until such time as all of the conditions relating to the retention have been satisfied. 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.

### Player registrations

The costs associated with the acquisition of player registrations or extending their contracts, including agents' fees, are capitalised and amortised, in equal instalments, over the period of the respective players' contracts. Where a contract life is renegotiated the unamortised costs, together with the new costs relating to the contract extension, are amortised over the term of the new contract. Where the acquisition of a player registration involves a non-cash consideration, such as an exchange for another player registration, the transaction is accounted for using an estimate of market value for the non-cash consideration. Under the conditions of certain transfer agreements or contract renegotiations, further fees will be payable in the event of the players concerned making a certain number of First Team appearances or on the occurrence of certain other specified future events. Liabilities in respect of these additional fees are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur.

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 3 Segmental analysis

**Class of business**

| | Football | | |
|---|---|---|---|
| | Six months to 30 November | | Year ended 31 May |
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Turnover | 98,433 | 89,250 | 207,723 |
| Profit on ordinary activities before taxation | 19,661 | 19,055 | 39,699 |
| Segment net assets | 175,599 | 149,659 | 162,138 |

**Class of business**

| | Property development | | |
|---|---|---|---|
| | Six months to 30 November | | Year ended 31 May |
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Turnover | 58,386 | 7,615 | 15,247 |
| Profit/(loss) on ordinary activities before taxation | 4,862 | 923 | (3,031) |
| Segment net assets/(liabilities) | 3,683 | (648) | (3,038) |

**Class of business**

| | Group | | |
|---|---|---|---|
| | Six months to 30 November | | Year ended 31 May |
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Turnover | 156,819 | 96,865 | 222,970 |
| Profit on ordinary activities before taxation | 24,523 | 19,978 | 36,668 |
| Net assets | 179,282 | 149,011 | 159,100 |

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 4 Turnover

| | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | **2008 Unaudited £'000** | **2007 Unaudited £'000** | **2008 Audited £'000** |
| Gate and other match day revenues | 44,448 | 41,072 | 94,580 |
| Player trading | 827 | 303 | 472 |
| Broadcasting | 28,886 | 24,307 | 68,360 |
| Retail income | 7,979 | 7,846 | 13,052 |
| Commercial | 16,293 | 15,722 | 31,259 |
| Property development | 58,386 | 7,615 | 15,247 |
| | 156,819 | 96,865 | 222,970 |

## 5 Operating costs

| | Six months to 30 November | | Year ended 31 May |
|---|---|---|---|
| | **2008 Unaudited £'000** | **2007 Unaudited £'000** | **2008 Audited £'000** |
| Football operating costs | 91,277 | 84,112 | 181,004 |
| Property development – operating costs | 51,188 | 5,146 | 11,145 |
| Property development – impairment | 900 | - | 4,088 |
| | 143,365 | 89,258 | 196,237 |

The impairment charge reflects a reduction in the carrying value of the Group's unsold development site at Queensland Road.

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 6 Net finance charges

| Interest payable and similar charges: | Six months to 30 November 2008 Unaudited £'000 | Six months to 30 November 2007 Unaudited £'000 | Year ended 31 May 2008 Audited £'000 |
|---|---|---|---|
| Bank loans and overdrafts | (4,621) | (3,007) | (7,307) |
| Fixed/floating rate bonds | (7,088) | (7,414) | (14,637) |
| Other | (631) | (156) | (1,844) |
| Costs of raising long-term finance | (1,073) | (1,015) | (2,219) |
| | (13,413) | (11,592) | (26,007) |
| Finance costs capitalised | 3,602 | 1,780 | 4,978 |
| Total interest payable and similar charges | (9,811) | (9,812) | (21,029) |
| Interest receivable | 1,959 | 2,105 | 4,037 |
| Net finance charges | (7,852) | (7,707) | (16,992) |

The interest capitalised of £3,602,000 (period to 30 November 2007 £1,780,000 and year to 31 May 2008 £4,978,000) is included in stock development properties.

## 7 Taxation

The charge for taxation is based on the estimated effective tax rate for the year as a whole.

| | Six months to 30 November 2008 Unaudited £'000 | Six months to 30 November 2007 Unaudited £'000 | Year ended 31 May 2008 Audited £'000 |
|---|---|---|---|
| Corporation tax on result for the period at 28% (period to 30 November 2007 and year to 31 May 2008 29.67%) | 349 | 5,723 | 11,828 |
| Movement in deferred taxation | 3,992 | (1,382) | (886) |
| Total tax charge | 4,341 | 4,341 | 10,942 |

## 8 Earnings per share

The calculation of earnings per share is based on the profit for the period divided by the weighted average number of ordinary shares in issue being 62,217 (period to 30 November 2007 – 62,217 shares and year to 31 May 2008 – 62,217 shares).

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 9 Tangible fixed assets

| | Freehold property £'000 | Leasehold property £'000 | Plant and equipment £'000 | Total £'000 |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 June 2008 | 389,288 | 6,534 | 80,909 | 476,731 |
| Additions | 384 | 405 | 679 | 1,468 |
| Disposals | - | ( 318 ) | ( 70 ) | ( 388 ) |
| At 30 November 2008 | 389,672 | 6,621 | 81,518 | 477,811 |
| **Depreciation** | | | | |
| At 1 June 2008 | 12,390 | 2,362 | 12,462 | 27,214 |
| Charge for period | 2,725 | 178 | 2,978 | 5,881 |
| Disposals | - | ( 318 ) | ( 70 ) | ( 388 ) |
| At 30 November 2008 | 15,115 | 2,222 | 15,370 | 32,707 |
| **Net book value** | | | | |
| At 30 November 2008 | 374,557 | 4,399 | 66,148 | 445,104 |
| At 31 May 2008 | 376,898 | 4,172 | 68,447 | 449,517 |

## 10 Intangible fixed assets

| | £'000 |
|---|---|
| **Cost of player registrations** | |
| At 1 June 2008 | 109,920 |
| Additions | 23,577 |
| Disposals | ( 19,756 ) |
| At 30 November 2008 | 113,741 |
| **Amortisation of player registrations** | |
| At 1 June 2008 | 54,255 |
| Charge for the period | 11,375 |
| Disposals | ( 15,115 ) |
| At 30 November 2008 | 50,515 |
| **Net book amount** | |
| At 30 November 2008 | 63,226 |
| At 31 May 2008 | 55,665 |

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 11 Stock – Development properties

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

## 12 Debtors

| | 30 November | | 31 May |
|---|---|---|---|
| | **2008 Unaudited £'000** | **2007 Unaudited £'000** | **2008 Audited £'000** |
| Amounts recoverable within one year: | | | |
| Trade debtors | 5,819 | 5,284 | 9,624 |
| Other debtors | 17,843 | 7,679 | 10,555 |
| Prepayments and accrued income | 18,805 | 17,905 | 12,161 |
| | 42,467 | 30,868 | 32,340 |
| Amounts recoverable after more than one year: | | | |
| Trade debtors | 2,500 | 2,500 | 2,500 |
| Other debtors | 5,319 | 6,094 | 8,845 |
| Prepayments and accrued income | 2,480 | 866 | 2,594 |
| | 10,299 | 9,460 | 13,939 |

Other debtors of £23.2 million, include £21.9 million in respect of player transfers (30 November 2007 £13.3 million and 31 May 2008 £18.1 million) of which £5.2 million is recoverable in more than one year.

## 13 Cash at bank and in hand

| | 30 November | | 31 May |
|---|---|---|---|
| | **2008 Unaudited £'000** | **2007 Unaudited £'000** | **2008 Audited £'000** |
| Debt service reserve accounts | 22,557 | 23,087 | 31,553 |
| Other accounts | 53,102 | 46,041 | 61,711 |
| | 75,659 | 69,128 | 93,264 |

The Group is required under the terms of its fixed and floating rate bonds to maintain specified amounts on bank deposit as security against future payments of interest and principal. Accordingly the use of these debt service reserve accounts is restricted to that purpose.

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 14 Creditors: Amounts falling due within one year

| | 30 November | | 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Bank loans – secured | 98,020 | 49,555 | 138,454 |
| Fixed and floating rate bonds – secured | 4,676 | 4,649 | 4,381 |
| Trade creditors | 11,886 | 18,190 | 7,844 |
| Corporation tax | 6,845 | 10,211 | 12,142 |
| Other tax and social security | 2,585 | 2,780 | 15,922 |
| Other creditors | 17,558 | 10,039 | 13,464 |
| Accruals and deferred income | 125,563 | 102,687 | 142,045 |
| | 267,133 | 198,111 | 334,252 |

Other creditors, above and as disclosed in note 15, include £17.7 million (30 November 2007 £13.5 million and 31 May 2008 £16.0 million) in respect of player transfers.

Bank loans of £135.4 million are categorised as either creditors falling due within one year or after more than one year on the basis of the revised expected repayment profile. The term date for repayment of the loan concerned is April 2010.

Proceeds from the sale of apartments at Highbury Square are required to be used first in payment of the construction costs on site and once these costs are fully funded, through to completion of the development, sales proceeds are then used for repayment of the bank loan. The milestone of fully funding the costs to complete was reached at the end of January 2009 and subsequently sales receipts have reduced the loan balance to £133 million. Future sales proceeds will continue to reduce the balance of the loan. Of the overall 655 apartments within the Highbury Square development, a subsidiary company is holding a residual stock of 60 unsold units and this number will increase to the extent that any pre-sold units fail to complete. As a result of the delay in completions, the Group's most recent projections indicate a probable requirement to extend and revise the terms of the bank loan for Highbury Square beyond its current expiry date of April 2010. The Group is at a preliminary stage of discussions with the banking syndicate about an appropriate extension. In the current financial climate the directors do not expect these discussions to be concluded quickly, an increased cost is likely to be involved and there can be no certainty that a satisfactory agreement will be reached, but they believe that a positive outcome will be achieved in due course.

## 15 Creditors: Amounts falling due after more than one year

| | 30 November | | 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Bank loans – secured | 42,389 | 54,233 | - |
| Fixed rate bonds – secured | 181,437 | 186,113 | 186,662 |
| Floating rate bonds – secured | 56,016 | 56,017 | 56,064 |
| Debentures | 25,937 | 25,620 | 25,776 |
| Other creditors | 4,204 | 4,508 | 5,340 |
| Grants | 4,505 | 4,653 | 4,579 |
| Deferred income | 25,744 | 59,493 | 31,782 |
| | 340,232 | 390,637 | 310,203 |

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 15 Creditors: Amounts falling due after more than one year (continued)

The bank loans above and disclosed in note 14 comprise:

| | 30 November | | 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Bank loans – secured | 140,807 | 105,315 | 139,346 |
| Costs of raising finance | (398) | (1,527) | (892) |
| | 140,409 | 103,788 | 138,454 |
| Due within one year | 98,020 | 49,555 | 138,454 |
| Due after more than one year | 42,389 | 54,233 | - |
| | 140,409 | 103,788 | 138,454 |

The fixed rate bonds above and disclosed in note 14 comprise:

| | 30 November | | 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Fixed rate bonds | 194,905 | 200,204 | 200,204 |
| Costs of raising finance | (8,792) | (9,535) | (9,161) |
| | 186,113 | 190,669 | 191,043 |
| Due within one year | 4,676 | 4,556 | 4,381 |
| Due after more than one year | 181,437 | 186,113 | 186,662 |
| | 186,113 | 190,669 | 191,043 |

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

The floating rate bonds above comprise:

| | 30 November | | 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Floating rate bonds | 50,000 | 50,000 | 50,000 |
| Interest rate swap | 6,345 | 6,625 | 6,485 |
| Costs of raising finance | (329) | (515) | (421) |
| | 56,016 | 56,110 | 56,064 |
| Due within one year | - | 93 | - |
| Due after more than one year | 56,016 | 56,017 | 56,064 |
| | 56,016 | 56,110 | 56,064 |

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 15 Creditors: Amounts falling due after more than one year (continued)

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

The costs of raising debt finance (bank loans and bonds) are amortised to the profit and loss account over the term of the debt, the amortisation charge for the period was £958,000 (period to 30 November 2007 £957,000 and year ended 31 May 2008 £2,065,000).

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 £26.0 million (30 November 2007 £25.5 million, 31 May 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: | 30 November | | 31 May |
|---|---|---|---|
| | **2008 Unaudited £'000** | **2007 Unaudited £'000** | **2008 Audited £'000** |
| Between one and two years | 48,343 | 5,587 | 5,587 |
| Between two and five years | 19,654 | 72,987 | 18,644 |
| After five years | 240,022 | 246,603 | 246,760 |
| | 308,019 | 325,177 | 270,991 |
| Within one year | 103,941 | 56,272 | 144,646 |
| | 411,960 | 381,499 | 415,637 |

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 15 Creditors: Amounts falling due after more than one year (continued)

**Interest rate profile**

After taking into account interest rate swaps, the interest rate profile of the Group's financial liabilities at 30 November 2008 was as follows:

| | Fixed rate Unaudited 2008 £'000 | Floating rate Unaudited 2008 £'000 | Interest free Unaudited 2008 £'000 | Total Unaudited 2008 £'000 | Weighted average fixed rate Unaudited % | Weighted average period for which rate is fixed Unaudited Yrs |
|---|---|---|---|---|---|---|
| Bonds – fixed rate | 194,905 | - | - | 194,905 | 5.6 | 20.5 |
| Bonds – floating rate | 50,000 | - | - | 50,000 | 6.6 | 22.5 |
| Bank loans | 32,982 | 107,825 | - | 140,807 | 6.6 | 0.5 |
| Debentures | 11,816 | - | 14,432 | 26,248 | 2.8 | 19.5 |
| | 289,703 | 107,825 | 14,432 | 411,960 | | |

The interest rate on the floating rate element of bank loans is currently set at LIBOR plus 1.4% to 1.7% (30 November 2007 1.4% and 31 May 2008 1.4% to 1.7%).

Changes in the fair value of interest rate swaps, which are used as hedges, are not recognised in the financial statements until the hedged position matures. At 30 November 2008 the total unrecognised loss on the Group's interest rate swaps was £14.0 million (31 May 2008: £5.4 million).

The interest rate profile at 30 November 2007 for comparative purposes was:

| | Fixed rate Unaudited 2007 £'000 | Floating rate Unaudited 2007 £'000 | Interest free Unaudited 2007 £'000 | Total Unaudited 2007 £'000 | Weighted average fixed rate Unaudited % | Weighted average period for which rate is fixed Unaudited Yrs |
|---|---|---|---|---|---|---|
| Bonds - fixed rate | 200,204 | - | - | 200,204 | 5.6 | 22 |
| Bonds - floating rate | 50,000 | - | - | 50,000 | 6.6 | 24 |
| Bank loans | 74,136 | 31,179 | - | 105,315 | 6.6 | 2 |
| Debentures | 11,498 | - | 14,432 | 25,930 | 2.8 | 20 |
| | 335,838 | 31,179 | 14,432 | 381,449 | | |

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 15 Creditors: Amounts falling due after more than one year (continued)

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

| | Fixed rate Audited 2008 £'000 | Floating rate Audited 2008 £'000 | Interest free Audited 2008 £'000 | Total Audited 2008 £'000 | Weighted average fixed rate Audited % | Weighted average period for which rate is fixed Audited 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 |
| Debentures | 11,655 | - | 14,432 | 26,087 | 2.8 | 20 |
| | 360,319 | 40,886 | 14,432 | 415,637 | | |

## 16 Provisions for liabilities

| | 30 November | | 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| Pensions provision | 511 | 640 | 576 |
| Transfers provision | 10,857 | 20,059 | 12,116 |
| Deferred taxation | 22,060 | 17,571 | 18,066 |
| | 33,428 | 38,270 | 30,758 |

The pensions provision relates to the expected contribution required towards making good the Minimum Funding Requirements deficit which exists in the Football League Pension and Life Assurance Scheme less payments made to the scheme in this respect. The transfers provision relates to the probable additional fees payable based on the players concerned achieving a specified number of appearances.

## 17 Profit and loss account

| | 30 November | | 31 May |
|---|---|---|---|
| | 2008 Unaudited £'000 | 2007 Unaudited £'000 | 2008 Audited £'000 |
| At start of period | 102,342 | 76,616 | 76,616 |
| Profit for the period | 20,182 | 15,637 | 25,726 |
| Balance at end of period | 122,524 | 92,253 | 102,342 |

# NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2008

## 18 Reconciliation of shareholders' funds

| | 30 November | | 31 May |
|---|---|---|---|
| | **2008 Unaudited £'000** | **2007 Unaudited £'000** | **2008 Audited £'000** |
| Opening shareholders' funds | 159,100 | 133,374 | 133,374 |
| Profit for the period | 20,182 | 15,637 | 25,726 |
| Closing shareholders' funds | 179,282 | 149,011 | 159,100 |

## 19 Contingent liabilities

Under the conditions of certain transfer agreements in respect of players purchased, further transfer fees will be payable to the vendors in the event of the players concerned making a certain number of First Team appearances or in the event of certain other future events specified in the transfer agreements. The maximum unprovided potential liability is £12.6 million (30 November 2007 £10.6 million, 31 May 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 (30 November 2007 £7.7 million, 31 May 2008 £6.3 million).

## 20 Additional information

a) The interim financial statements do not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 31 May 2008 has been extracted from the statutory accounts for the year then ended which have been filed with the Registrar of Companies. The audit report on these accounts was unqualified and did not contain any statements under s.237 (number 2) or (number 3) Companies Act 1985.

b) These results were announced to PLUS on 26 February 2009 and posted to all shareholders on the register at 25 February 2009. Copies of this interim report will be available from the company's registered office at Highbury House, 75 Drayton Park, London N5 1BU.

# INDEPENDENT REVIEW REPORT TO ARSENAL HOLDINGS PLC

We have been engaged by the company to review the interim financial statements in the half-yearly financial report for the six months ended 30 November 2008 which comprises the consolidated profit and loss account, the consolidated balance sheet, the cash flow statement and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Plus Markets Rules for Issuers and the ASB Statement Half-Yearly Reports. As disclosed in note 1, the annual financial statements of the company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The interim financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

**Our responsibility**
Our responsibility is to express to the Company a conclusion on the interim financial statements in the half-yearly financial report based on our review.

**Scope of Review**
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**
Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements in the half-yearly financial report for the six months ended 30 November 2008 is not prepared, in all material respects, in accordance with the Plus Markets Rules for Issuers and the ASB Statement Half-Yearly Reports.

**Deloitte LLP**
Chartered Accountants and Statutory Auditors
London, United Kingdom
25 February 2009