CONTENTS


GOAL!
Fly Emirates
Fly Emirates

CHAIRMAN'S STATEMENT

I am pleased to report that the Group has delivered another profitable set of financial results for the first six months of the financial year.

In my report this time last year I wrote about the uncertainty in the property markets and the actions we were taking to secure the future of the Highbury Square project and extend the term of the related £135 million bank loan. There has been remarkable progress at Highbury Square over the last twelve months and the position today is vastly different. At the time of writing this report, 524 of 655 apartments have completed sale and the loan balance has been reduced to just £12.9 million. By the summer, we now expect to be in a position where Highbury Square will be starting to deliver a positive cash return which will be available for investment elsewhere in the Group. Clearly, this is very good news. We have also made excellent progress elsewhere in the property development business and, having recently completed the sale of the social housing section of Queensland Road, this part of the Group's activities is now debt free with three ongoing development projects from which we will look to realise further cash surpluses over the next two years.

Following a couple of disappointing recent results, a challenge for this season's Premier League title will not be easy but with just a six point gap to the leaders and a reasonable fixture schedule there is much to fight for and I am sure that the remaining months of the season will prove exciting. Arsène Wenger and the players remain very focused and they will continue to strive for the highest possible League finish and, of course, to prolong their UEFA Champions League campaign.

A feature of our football management strategy over the last year has been an intensive and determined policy of re-signing first team players to new long-term contracts. 17 first team players have been re-signed and this represents a significant level of investment in a very talented group of players. From a business perspective, having the players tied to long-term contracts is the best means of protecting the value of one of our most important assets. We have one of the youngest squads in the Premier League and their experience is growing with every game. We continue to believe that this group of players can and will be one to win trophies for the Club and they will certainly play some fantastic football along the way.

We have also invested in the appearance and feel of Emirates Stadium as a home for our fans and, in particular, in the "Arsenalisation" of the stadium and its immediate surrounds. To date, we have completed the Club Legends graphics to the external cores, the Highbury Shrine and the decoration of the lower concourses – the feedback we have from supporters has been hugely positive. In April, we will begin to lay the personalised granite stones which an incredible 13,000 fans have so far purchased as part of the development of Armoury Square, which will provide a new landmark at the stadium. We are committed to further "Arsenalisation" and are already evaluating the next round of projects.

For 2009/10 season, the Club is supporting Great Ormond Street Hospital Children's Charity as its Charity of the Season. Great Ormond Street is the UK's leading children's hospital and receives more than 200,000 patient visits every year from children all over the UK and the world. This season's fund raising target is £500,000 to build an all new and improved lung function unit at the hospital and the initiative has already raised over £250,000. Our home fixture against Chelsea on 29 November was the campaign's dedicated match day which saw Arsenal players, Directors and some members of staff donating a day's wages to the cause alongside supporters' generous donations. The Club continues with its fundraising with the annual "Be a Gunner. Be a Runner" event at Emirates Stadium on 13 March and the Annual Arsenal Charity Ball on 6 May 2010.




On the Field

At the time of writing, Arsenal's first-team has played 27 of 38 Premier League matches and sits just six points from first place – thus retaining a healthy interest in the League title, this despite disappointing results against direct rivals Chelsea and Manchester United.

Those matches aside, the 2009/10 season to date has been notable for some exciting attacking performances and the remarkable number of goals netted by Arsène Wenger's team.

The tone was set with a 6-1 win at Everton on the opening day of the Premier League season, with the side also scoring four or more times in league matches against Portsmouth (twice), Wigan Athletic, Blackburn Rovers, Wolverhampton Wanderers and Bolton Wanderers. Other notable league results have included a 3-0 home win in the north London 'derby' against Tottenham Hotspur and a 2-1 victory at Anfield against Liverpool, made all the more memorable by Andrey Arshavin's excellent winning goal.

The goal count has been achieved despite the frustrating absences of key attackers over recent months with Robin van Persie's long-term injury, sustained in November, being a crucial example. With other players returning to fitness, we are confident that the team can finish the season with strong run.

In the UEFA Champions League, a 5-1 aggregate win over Celtic in the Play Off qualifying round secured Arsenal's passage to a group comprising AZ Alkmaar, Olympiacos and Standard Liege. Qualification as group winners was achieved with a game to spare – with a thrilling 3-2 comeback win in Liege and a 4-1 win over AZ perhaps being the highlights of the Group Stage. A very young side – in fact the youngest ever to have been fielded in a Champions League game – also performed with huge credit despite losing 1-0 to Olympiacos in Athens as the group campaign concluded. We have started our Knockout Round tie against FC Porto with a narrow defeat in the away leg and we now anticipate a very exciting second leg at Emirates Stadium. We will be hoping to progress in the competition and better our semi-final finish of last season.

The team's FA Cup campaign was relatively short-lived, with a 2-1 win at West Ham – achieved after being a goal down – followed by a 3-1 away exit against Stoke City in the Fourth Round.

The Carling Cup again produced some excellent football from Arsenal's stars of the future. A 2-0 win over West Bromwich Albion at Emirates Stadium in the Third Round, which saw young forward Sanchez Watt score on his first-team debut, preceded a fine 2-1 victory against Liverpool, also at home. A 3-0 defeat away to Manchester City in the Quarter-Finals furthered the learning curve for some of the Club's young stars.

New signing Thomas Vermaelen, a central defender who joined from Ajax in the summer, has settled into his role with great aplomb and has impressed at both ends – finding time to score seven goals so far this season, as well as proving extremely competent at the back. The defensive ranks were further boosted in January when Sol Campbell made a welcome return to the Club, signing a deal until the end of the season and immediately featuring against both Stoke City and Aston Villa.

As ever, a number of young Arsenal players are building up their competitive experience on temporary loan with other clubs. Presently Philippe Senderos (Everton), Jack Wilshere (Bolton Wanderers), Henri Lansbury (Watford), Jay Simpson (QPR), Kerrea Gilbert

(Peterborough United), Sanchez Watt (Southend United), Mark Randall (MK Dons), Wojciech Szczesny (Brentford), Gavin Hoyte (Brighton & Hove Albion), Kyle Bartley (Sheffield United) and Havard Nordtveit (FC Nurnburg) are all enjoying such spells, and we wish them continued good fortune as they further their football education.

Financial Review

The Group has delivered another strong set of financial results with growth in turnover and profits. This has been a particularly strong period for our property business with Highbury Square making a significant contribution to the results.

The consolidated pre-tax profit for the first six months of the financial year rose from the £24.5 million achieved last year to £35.2 million.

	2009 £m	2008 £m
Turnover		
Football	100.2	98.4
Property development	96.6	58.4
Total turnover	**196.8**	**156.8**
Operating profits*		
Football*	18.0	23.5
Property development	11.3	6.3
Total operating profit*	**29.3**	**29.8**
Player trading	20.8	8.0
Depreciation	(6.0)	(5.8)
Joint venture	0.3	0.4
Net finance charges	(9.2)	(7.9)
Profit before tax	**35.2**	**24.5**

* = operating profits before depreciation and player trading costs

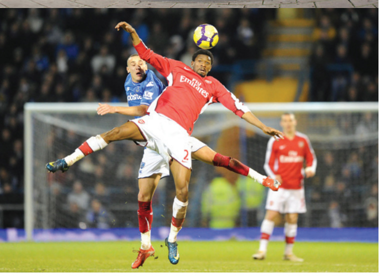
In the first half of the financial year we completed the sale of 261 apartments at Highbury Square generating turnover of £96.6 million. This brought the cumulative position up to 469 of the 655 apartments in the development having been sold and the cumulative sales value to £196.7 million. All of the sales proceeds generated in the period were applied in reduction of the bank loan for Highbury Square and, consequently, by 30 November 2009 the loan balance had been reduced to £35.7 million (31 May 2009 - £123.6 million).

The progress made on sales has allowed us to assess, with a far greater degree of certainty, the likely final outcome of the development in terms of its revenues and costs and, as a result, we have been able to book a small increase in the profit margin at which we are accounting for Highbury Square sales.

The official opening ceremony for Highbury Square was held on 24 September 2009 with Arsène Wenger and a number of players in attendance. From that date we launched the sales campaign for our stock of unsold units across the completed development and, although market conditions







remain uncertain, we have subsequently generated a very healthy level of new sales exchanges and completions. The level of completions from the original pre-sale exchanges has inevitably slowed; however, a steady trickle of contracts is continuing to make it over the line.

At the time of writing the cumulative sales figure has moved up to 524 completions and the loan balance has been further reduced to £12.9 million. We are delighted with this progress. Although we prudently extended the term of our Highbury Square loan out to December 2010 we can clearly now anticipate the point at which the project will become debt free. Once the loan is repaid all of the proceeds from the sale of the remaining apartments, the in-fill plots around the site and certain commercial elements within the development will be freely available for use elsewhere in the Group.

The revenues in our core football business rose to £100.2 million (2008 - £98.4 million). This increase was attributable to broadcasting and specifically to the UEFA Champions League where there was a revenue distribution for the first time to participants in the play-off round. We also benefited from improved performance bonuses and market pool shares.

Match-day revenue fell from £44.4 to £41.4 million but this was simply a reflection of the fact we played one less home fixture against the comparative period for last year. The fixture schedule has also had some impact on the level of our other football revenues but there were also recessionary factors at play as both retail and commercial revenues dipped slightly.

Football operating costs, excluding player trading and depreciation, were significantly increased, to £82.1 million from £74.1 million in the previous year. This change is almost entirely attributable to an increased level of investment in player wage costs, which rose by £8.6 million and reflect the new contract signings which I have referred to elsewhere in this report.

Player trading produced an overall surplus of £20.8 million (2008 - £8.0 million) including gains from the sale of player registrations of £33.9 million (2008 – £18.5 million). The most significant player sales were those of Kolo Toure and Emmanuel Adebayor.

At 30 November 2009 the Group had cash and bank balances of £101.0 million (2008 - £75.7 million) of which £22.5 million was restricted for debt service (2008 - £22.6 million) and an overall net debt balance of £203.6 million (2008 - £332.8 million). The significant reduction in net debt reflects the repayments made on the Highbury Square loan. Because the majority of the Group's debt is at fixed rates of interest the most significant impact of the fall, over the last year, in the level of interest rates has been on the interest we are able to earn on our cash deposits rather than on our debt service costs. Interest receivable for the period was £1.7 million down on last year and as a result the Group booked a higher net interest cost of £9.2 million (2008 - £7.9 million).

Adjustments required to the calculation of Highbury Square profits on a tax basis mean that the Group currently has a low effective rate of corporation tax at 17% for this half year (2008 – 17.7 %) compared to the standard rate of corporation tax of 28%.

The overall after tax profit for the period was £29.2 million (2008 - £20.2 million). Clearly this is a very satisfactory result and establishes a strong base for the full year financial results.

In February we completed the sale of the social housing element of the Queensland Road development site to Newlon Housing Trust. The payment received from Newlon reflects the fact that they are taking on the responsibility for the demolition, clearance and remediation of the entire site, including works which will eventually move the road to the south. Work has now commenced on site and given the proximity of the construction activity to the stadium we will continue to work alongside Newlon and their contractors to ensure our own operations are not impacted.

The sale to Newlon is essentially at no gain or loss in profit terms, because we have previously adjusted the carrying value of the site to its estimated recoverable sale value, but it is significant because it puts our other property trading subsidiary, Ashburton Trading, into a position where it is free of bank debt. As such any future property sales activity will generate cash which will be available to use elsewhere in the Group. There are three property assets which we will now be looking to sell over the next two years – the market housing part of the Queensland Road development , the site on the corner of Hornsey Road, opposite the Armoury, which includes a pedestrian link through to Holloway Road tube station and a further site on Holloway Road.

It is clear that the next couple of years will see our property activities delivering surplus cash back to the football club although I would not want to speculate on the exact quantum or timing of this. How we will use this surplus remains undecided but, in addition to investing in the team, I think we will examine investment in Club projects and infrastructure, both in and around Emirates Stadium, which will provide a long lasting benefit to the Club and its tremendous, loyal supporters.

Looking ahead, Ivan Gazidis has initiated and is leading a strategic process to develop the vision, direction and comprehensive plan which will take the Club beyond its move to Emirates Stadium and into the next phase of its growth. This review is at an early stage and our strong financial base allows us the time to take a measured and diligent approach to this important process. The objective is to set out a plan for the future of Arsenal Football Club which is respectful of the Club's traditions and values as well as being truly ambitious in its scope and which covers all aspects of our business, our fans' experience, our operations and our commercial opportunities.

I hope you enjoy the rest of the season.

P D Hill-Wood
25 February 2010





CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended 30 November 2009

	Notes	Six months to 30 November 2009 Unaudited			Six months to 30 November 2008 Unaudited	Year ended 31 May 2009 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		197,656	104	197,760	158,139	315,894
Share of turnover of joint ventures		(990)	-	(990)	(1,320)	(2,555)
Group turnover	4	196,666	104	196,770	156,819	313,339
Operating expenses						
– other		(173,395)	-	(173,395)	(131,990)	(250,950)
– amortisation of player registrations		-	(13,215)	(13,215)	(11,375)	(23,876)
Total operating expenses	5	(173,395)	(13,215)	(186,610)	(143,365)	(274,826)
Operating profit/(loss)		23,271	(13,111)	10,160	13,454	38,513
Share of operating profit of joint venture		333	-	333	376	455
Profit on disposal of player registrations		-	33,945	33,945	18,545	23,177
Profit on ordinary activities before net finance charges		23,604	20,834	44,438	32,375	62,145
Net finance charges	6			(9,223)	(7,852)	(16,633)
Profit on ordinary activities before taxation				35,215	24,523	45,512
Taxation	7			(5,985)	(4,341)	(10,282)
Profit after taxation retained for the financial period				29,230	20,182	35,230
Earnings per share	8			£469.81	£324.37	£566.24

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 2009

	Notes	30 November 2009 Unaudited £'000	30 November 2008 Unaudited £'000	31 May 2009 Audited £'000
Fixed assets				
Tangible assets	9	436,416	445,104	440,369
Intangible assets	10	68,218	63,226	68,446
Investment in joint venture		1,063	703	730
		505,697	509,033	509,545
Current assets				
Stock – Development properties	11	90,534	179,077	167,007
Stock – Retail merchandise		2,574	3,540	1,751
Debtors – Due within one year	12	46,866	42,467	45,981
Debtors – Due after one year	12	3,193	10,299	9,508
Cash and short-term deposits	13	101,029	75,659	99,617
		244,196	311,042	323,864
Creditors: Amounts falling due within one year	14	(207,609)	(267,133)	(314,096)
Net current assets		36,587	43,909	9,768
Total assets less current liabilities		542,284	552,942	519,313
Creditors: Amounts falling due after more than one year	15	(279,657)	(340,232)	(292,748)
Provisions for liabilities	16	(39,067)	(33,428)	(32,235)
Net assets		223,560	179,282	194,330
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	166,802	122,524	137,572
Shareholders' funds	18	223,560	179,282	194,330

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

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 November 2009

	Six months to 30 November		Year ended 31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Net cash inflow from operating activities	83,587	7,432	62,305
Player registrations	27,298	(3,635)	(12,335)
Returns on investment and servicing of finance	(8,524)	(10,241)	(17,689)
Taxation	(5,388)	(5,567)	(7,622)
Capital expenditure	(1,950)	(1,755)	(2,950)
Cash inflow/(outflow) before financing	95,023	(13,766)	21,709
Financing	(93,611)	(3,839)	(15,356)
Increase/(decrease) in cash	1,412	(17,605)	6,353

Notes to the cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities	Six months to 30 November		Year ended 31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Operating profit	10,160	13,454	38,513
Profit on disposal of tangible fixed assets	(2)	(42)	(42)
Depreciation	5,974	5,807	11,682
Amortisation of player registrations	13,215	11,375	23,876
Decrease in stock	75,754	10,167	25,940
Increase in debtors	(159)	(2,688)	(4,680)
Decrease in creditors	(21,355)	(30,641)	(32,984)
Net cash inflow from operating activities	83,587	7,432	62,305

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

Increase/(decrease) in cash for the period	1,412	(17,605)	6,353
Cash inflow from decrease in debt	93,611	3,838	15,356
Change in net debt resulting from cash flows	95,023	(13,767)	21,709
Increase in debt resulting from non cash changes	(897)	(977)	(1,316)
Net debt at start of period	(297,680)	(318,073)	(318,073)
Net debt at close of period	(203,554)	(332,817)	(297,680)

Bank balances, included in net debt, of £122,000 (30 November 2008 £142,000, 31 May 2009 £129,000) 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 2009 £'000	Non cash changes £'000	Cash flows £'000	At 30 November 2009 £'000
Cash and short-term deposits	99,617	-	1,412	101,029
	99,617	-	1,412	101,029
Debt due within one year (bank loans/bonds)	(134,102)	-	87,174	(46,928)
Debt due after more than one year (bank loans/bonds)	(237,101)	(732)	6,437	(231,396)
Debt due after more than one year (debenture subscriptions)	(26,094)	(165)	-	(26,259)
Net debt	(297,680)	(897)	95,023	(203,554)

Non cash changes represent £872,000 in respect of the amortisation of costs of raising finance, £165,000 in respect of rolled up, unpaid debenture interest for the period less £140,000 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
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Player registrations:			
Payments for purchase of players	(14,959)	(23,093)	(35,398)
Receipts from sale of players	42,257	19,458	23,063
	27,298	(3,635)	(12,335)
Returns on investment and servicing of finance:			
Interest received	342	1,870	2,926
Interest paid	(8,866)	(12,111)	(20,615)
	(8,524)	(10,241)	(17,689)
Capital expenditure:			
Payments to acquire tangible fixed assets	(1,952)	(1,797)	(2,992)
Receipts from sale of tangible fixed assets	2	42	42
	(1,950)	(1,755)	(2,950)
Financing:			
Repayment of borrowings	(93,540)	(5,300)	(15,838)
Increase in borrowings	1,398	1,461	795
Costs of raising finance	(1,469)	-	(311)
Total debt repayment	(93,611)	(3,839)	(15,354)
Debenture repayments	-	-	(2)
	(93,611)	(3,839)	(15,356)

NOTES TO THE INTERIM ACCOUNTS

30 November 2009

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 2009. 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 2009. 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 2009

3 Segmental analysis

Class of business	Football		
	Six months to 30 November		Year ended 31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Turnover	100,230	98,433	225,052
Profit on ordinary activities before taxation	25,841	19,661	39,934
Segment net assets	206,016	175,599	188,101

Class of business	Property development		
	Six months to 30 November		Year ended 31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Turnover	96,540	58,386	88,287
Profit on ordinary activities before taxation	9,374	4,862	5,578
Segment net assets	17,544	3,683	6,229

Class of business	Group		
	Six months to 30 November		Year ended 31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Turnover	196,770	156,819	313,339
Profit on ordinary activities before taxation	35,215	24,523	45,512
Net assets	223,560	179,282	194,330

NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2009

4 Turnover

	Six months to 30 November		Year ended 31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Gate and other match day revenues	41,373	44,448	100,086
Player trading	104	827	3,589
Broadcasting	35,397	28,886	73,239
Retail income	7,469	7,979	13,858
Commercial	15,887	16,293	34,280
Property development	96,540	58,386	88,287
	196,770	156,819	313,339

5 Operating costs

	Six months to 30 November		Year ended 31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Football operating costs	101,419	91,277	194,895
Property development – operating costs	85,191	51,188	77,331
Property development – impairment	-	900	2,600
	186,610	143,365	274,826

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

NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2009

6 Net finance charges

Interest payable and similar charges:	Six months to 30 November 2009 Unaudited £'000	Six months to 30 November 2008 Unaudited £'000	Year ended 31 May 2009 Audited £'000
Bank loans and overdrafts	(1,371)	(4,621)	(7,184)
Fixed/floating rate bonds	(6,938)	(7,088)	(14,097)
Other	(180)	(631)	(2,071)
Costs of raising long-term finance	(1,151)	(1,073)	(1,511)
	(9,640)	(13,413)	(24,863)
Finance costs capitalised	104	3,602	5,516
Total interest payable and similar charges	(9,536)	(9,811)	(19,347)
Interest receivable	313	1,959	2,714
Net finance charges	(9,223)	(7,852)	(16,633)

The interest capitalised of £104,000 (period to 30 November 2008 £3,602,000 and year to 31 May 2009 £5,516,000) 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 2009 Unaudited £'000	Six months to 30 November 2008 Unaudited £'000	Year ended 31 May 2009 Audited £'000
Corporation tax on result for the period at 28%	314	349	8,111
Overprovision in respect of prior years	-	-	(2,425)
Movement in deferred taxation	5,671	3,992	4,596
Total tax charge	5,985	4,341	10,282

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 2008 - 62,217 shares and year to 31 May 2009 - 62,217 shares).

NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2009

9 Tangible fixed assets

	Freehold property £'000	Leasehold property £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 June 2009	390,152	6,370	81,543	478,065
Additions	764	41	1,289	2,094
Disposals	-	-	(15)	(15)
At 30 November 2009	390,916	6,411	82,817	480,144
Depreciation				
At 1 June 2009	17,845	2,023	17,828	37,696
Charge for period	2,736	187	3,124	6,047
Disposals	-	-	(15)	(15)
At 30 November 2009	20,581	2,210	20,937	43,728
Net book value				
At 30 November 2009	370,335	4,201	61,880	436,416
At 31 May 2009	372,307	4,347	63,715	440,369

10 Intangible fixed assets

	£'000
Cost of player registrations	
At 1 June 2009	131,462
Additions	15,747
Disposals	(7,499)
At 30 November 2009	139,710
Amortisation of player registrations	
At 1 June 2009	63,016
Charge for the period	13,215
Disposals	(4,739)
At 30 November 2009	71,492
Net book amount	
At 30 November 2009	68,218
At 31 May 2009	68,446

NOTES TO THE INTERIM ACCOUNTS *(continued)*
30 November 2009

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 greater than their book value.

12 Debtors

	30 November		31 May
	2009 Unaudited £'000	**2008 Unaudited £'000**	**2009 Audited £'000**
Amounts recoverable within one year:			
Trade debtors	7,171	5,819	11,380
Other debtors	17,627	17,843	18,211
Prepayments and accrued income	22,068	18,805	16,390
	46,866	42,467	45,981
Amounts recoverable after more than one year:			
Trade debtors	500	2,500	1,500
Other debtors	141	5,319	5,319
Prepayments and accrued income	2,552	2,480	2,689
	3,193	10,299	9,508

Other debtors of £17.8 million, include £17.3 million in respect of player transfers (30 November 2008 £21.9 million and 31 May 2009 £22.9 million) all of which is recoverable within one year.

13 Cash at bank and in hand

	30 November		31 May
	2009 Unaudited £'000	**2008 Unaudited £'000**	**2009 Audited £'000**
Debt service reserve accounts	22,497	22,557	32,283
Other accounts	78,532	53,102	67,334
	101,029	75,659	99,617

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 2009

14 Creditors: Amounts falling due within one year

	30 November		31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Bank loans – secured	41,689	98,020	129,172
Fixed and floating rate bonds – secured	5,239	4,676	4,930
Trade creditors	8,410	11,886	13,698
Corporation tax	4,994	6,845	10,068
Other tax and social security	3,406	2,585	10,410
Other creditors	22,779	17,558	24,726
Accruals and deferred income	121,092	125,563	121,092
	207,609	267,133	314,096

Other creditors, above and as disclosed in note 15, include £25.7 million (30 November 2008 £17.7 million and 31 May 2009 £25.8 million) in respect of player transfers.

Bank loans of £41.7 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 loans concerned is December 2010.

Proceeds from the sale of apartments at Highbury Square are required to be used for repayment of the bank loan.

The loan balance at 30 November 2009 was £35.7 million and subsequently sales receipts have reduced the balance to £12.9 million.

15 Creditors: Amounts falling due after more than one year

	30 November		31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Bank loans – secured	-	42,389	-
Fixed rate bonds – secured	178,044	181,437	183,815
Floating rate bonds – secured	53,352	56,016	53,286
Debentures	26,259	25,937	26,094
Other creditors	5,216	4,204	4,803
Grants	4,358	4,505	4,431
Deferred income	12,428	25,744	20,319
	279,657	340,232	292,748

NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2009

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
	2009 Unaudited £'000	**2008 Unaudited £'000**	**2009 Audited £'000**
Bank loans – secured	43,046	140,807	129,602
Costs of raising finance	(1,357)	(398)	(430)
	41,689	140,409	129,172
Due within one year	41,689	98,020	129,172
Due after more than one year	-	42,389	-
	41,689	140,409	129,172

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

	30 November		31 May
	2009 Unaudited £'000	**2008 Unaudited £'000**	**2009 Audited £'000**
Fixed rate bonds	189,318	194,905	194,905
Costs of raising finance	(5,897)	(8,792)	(6,160)
	183,421	186,113	188,745
Due within one year	5,377	4,676	4,930
Due after more than one year	178,044	181,437	183,815
	183,421	186,113	188,745

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

The floating rate bonds above comprise:

	30 November		31 May
	2009 Unaudited £'000	**2008 Unaudited £'000**	**2009 Audited £'000**
Floating rate bonds	50,000	50,000	50,000
Interest rate swap	6,065	6,345	6,205
Costs of raising finance	(2,851)	(329)	(2,919)
	53,214	56,016	53,286
Due within one year	(138)	-	-
Due after more than one year	53,352	56,016	53,286
	53,214	56,016	53,286

NOTES TO THE INTERIM ACCOUNTS *(continued)*
30 November 2009

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 bond 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 £872,000 (period to 30 November 2008 £958,000 and year ended 31 May 2009 £503,000).

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 £34.2 million (30 November 2008 £26.0 million, 31 May 2009 £59.1 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
	2009 Unaudited £'000	**2008 Unaudited £'000**	**2009 Audited £'000**
Between one and two years	6,209	48,343	5,890
Between two and five years	20,719	19,654	19,654
After five years	232,759	240,022	240,179
	259,687	308,019	265,723
Within one year	48,936	103,941	135,189
	308,623	411,960	400,912

NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2009

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 2009 was as follows:

	Fixed rate Unaudited 2009 £'000	Floating rate Unaudited 2009 £'000	Interest free Unaudited 2009 £'000	Total Unaudited 2009 £'000	Weighted average fixed rate Unaudited %	Weighted average period for which rate is fixed Unaudited Yrs
Bonds – fixed rate	189,318	-	-	189,318	5.6	19.5
Bonds – floating rate	50,000	-	-	50,000	6.6	21.5
Bank loans	-	43,046	-	43,046	6.6	-
Debentures	11,829	-	14,430	26,259	2.8	18.5
	251,147	43,046	14,430	308,623		

The interest rate on the floating rate element of bank loans is currently set at LIBOR plus 2% to 2.5% (30 November 2008 1.4% to 1.7% and 31 May 2009 1.3% to 2.0%).

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 2009 the total unrecognised loss on the Group's interest rate swaps was £13.9 million (31 May 2009: £11.9 million).

The interest rate profile at 30 November 2008 for comparative purposes was:

	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		

NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2009

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

The interest rate profile at 31 May 2009 for comparative purposes was:

	Fixed rate Audited 2009 £'000	Floating rate Audited 2009 £'000	Interest free Audited 2009 £'000	Total Audited 2009 £'000	Weighted average fixed rate Audited %	Weighted average period for which rate is fixed Audited 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	-	-
Debentures	11,973	-	14,432	26,405	2.8	19
	256,878	129,602	14,432	400,912		

16 Provisions for liabilities

	30 November		31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Pensions provision	1,279	511	1,362
Transfers provision	9,449	10,857	8,204
Deferred taxation	28,339	22,060	22,669
	39,067	33,428	32,235

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
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
At start of period	137,572	102,342	102,342
Profit for the period	29,230	20,182	35,230
Balance at end of period	166,802	122,524	137,572

NOTES TO THE INTERIM ACCOUNTS *(continued)*

30 November 2009

18 Reconciliation of shareholders' funds

	30 November		31 May
	2009 Unaudited £'000	2008 Unaudited £'000	2009 Audited £'000
Opening shareholders' funds	194,330	159,100	159,100
Profit for the period	29,230	20,182	35,230
Closing shareholders' funds	223,560	179,282	194,330

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 £11.2 million (30 November 2008 £12.6 million, 31 May 2009 £7.1 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 £4.6 million (30 November 2008 £6.3 million, 31 May 2009 £6.3 million).

20 Additional information

a) The interim financial statements do not constitute statutory financial statements within the meaning of Section 435 of the Companies Act 2006. The financial information for the year ended 31 May 2009 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 Section 498 (2) or (3) Companies Act 2006.

b) These results were announced to PLUS on 26 February 2010 and posted to all shareholders on the register at 25 February 2010. 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 2009 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 2009 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 2010