



AD1 *AABIC2C0* 0358
COMPANIES HOUSE 14/10/04



CONTENTS

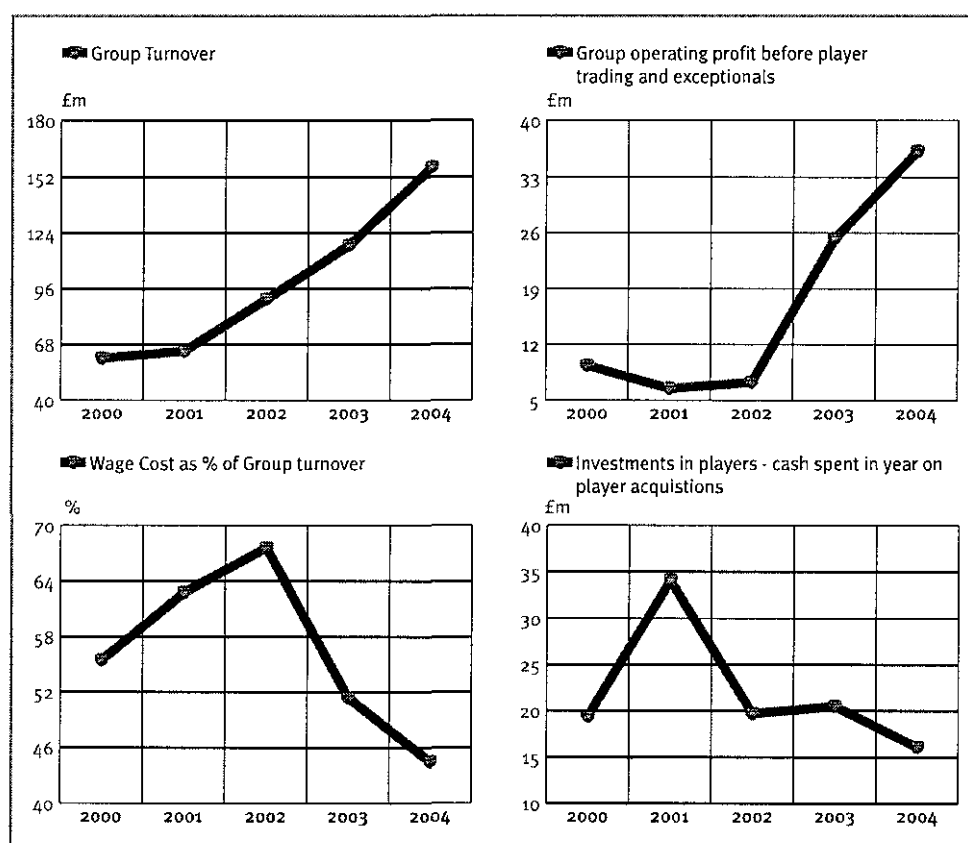
FINANCIAL HIGHLIGHTS	page 3
DIRECTORS, OFFICERS & ADVISERS	page 4
CHAIRMAN'S REPORT	page 5
NEW STADIUM	page 14
REVIEW OF THE 2003/2004 SEASON	page 15
CHARITY OF THE SEASON	page 20
ARSENAL IN THE COMMUNITY	page 21
DIRECTORS' REPORT	page 22
FINANCIAL STATEMENTS	
Corporate Governance	page 24
Remuneration Report	page 25
Independent Auditors' Report	page 26
Consolidated Profit and Loss Account	page 27
Balance Sheets	page 28
Consolidated Cash Flow Statement	page 29
Notes to the Accounts	page 30
FIVE YEAR SUMMARY	page 49
NOTICE OF ANNUAL GENERAL MEETING	page 50
AGM VOTING FORM	page 51



FINANCIAL HIGHLIGHTS



	2004	2003
Group Turnover £m	156.9	117.8
Group operating profit before player trading and exceptional costs £m	36.2	25.3
Profit before taxation £m	10.6	4.5
Earnings per share £	138.29	67.99





DIRECTORS, OFFICERS AND ADVISERS

**LIFE VICE PRESIDENT****C E B L Carr****DIRECTORS****P D Hill Wood****R C L Carr****D B Dein****K G Edelman****D D Fiszman****K J Friar OBE****Sir Roger Gibbs****MANAGER****A Wenger OBE****SECRETARY****D Miles****GROUP CHIEF ACCOUNTANT****S W Wisely ACA****AUDITORS****Deloitte & Touche LLP****Chartered Accountants****London****SOLICITORS****Slaughter & May****One Bunhill Row****London****EC1Y 8YY****BANKERS****Royal Bank of Scotland plc****62/63 Threadneedle Street****London****EC2R 8LA****Barclays Bank plc****Holloway & Kingsland****Business Centre****London****E8 2JX****REGISTRARS****Capita IRG plc****The Registry****34 Beckenham Road****Beckenham****Kent****BR3 4TU****REGISTERED OFFICE****Arsenal Stadium****Avenell Road****Highbury****London****N5 1BU****COMPANY REG. NO. 4250459****ENGLAND**



CHAIRMAN'S REPORT

I am delighted to introduce this year's report with a review of what has been a truly historic season for Arsenal both on and off the pitch.

On the playing side, Arsène Wenger guided the team to Premier League glory for the third time and did so by completing the whole League programme without a single defeat. Arsène, the players and the backroom staff deserve an enormous amount of credit for such an outstanding achievement, one that has not been accomplished since 1889 and one which may, such is the competitiveness of modern football in this country, never be repeated.

The League title was won with exceptional style, team spirit and great discipline – a fact emphasised by Arsenal's ranking at the top of the Fair Play table. I am also very proud that our supporters matched the team's placing by topping the Supporters' Fair Play table. There is no doubt in my mind that our fans are like a twelfth man on the pitch and being awarded this accolade is a reflection of their contribution.

Away from the action, it was with immense satisfaction that funding was secured for the new stadium project in February. The importance of this milestone cannot be underestimated and the day we completed the financial arrangements was, I believe, a significant moment in Arsenal's history.

Highbury has been Arsenal's home since 1913 but its capacity has long been acknowledged as a limiting factor in our ability to grow and compete financially. Our strategic objective is to deliver sustained revenue growth and profitability which will allow Arsenal to build on its leading position in domestic and European football. Securing the new stadium, with the increased revenues it will generate, is a huge step towards achieving that objective. This has been an enormously complex project and directors Danny Fiszman, Keith Edelman and Ken Friar, together with

Stuart Wisely and Philip Nash from our finance department and the whole project team, have worked tirelessly to remove all the obstacles with which we were faced and to put us in a position where our vision of a new stadium will be realised. Construction on the site resumed in February and the project is ahead of schedule and well on course for completion in time for the 2006/07 season.

Turning to the Group's financial results, I am delighted to report a second successive record set of full year results. Group turnover of £156.9 million was 33 per cent higher than last year's record level of £117.8 million. Operating profits before player trading and exceptional costs were ahead more than £10 million at £36.2 million (2003 - £25.3 million) and the Group's overall pre-tax profits increased from £4.5 million to £10.6 million. Both of our business segments – football and property development – made a significant contribution to our turnover growth and were strongly cash generative at an operations level. More detail on the Group's results for the year is given in the Financial Review section of this report.

On the field

The 2003/04 season will be remembered forever, not only by all associated with Arsenal Football Club but also in English football as a whole. To remain unbeaten for an entire Premiership campaign is a truly remarkable achievement and one that may never be matched. The team regained the championship in such a dominant fashion, playing with a style and panache rarely witnessed before in this country.

The first team squad has improved year on year since Arsène Wenger's arrival some eight years ago and he has assembled a collection of world-class athletes that we are privileged to have here at Highbury. The side has also shown remarkable consistency. This is the seventh consecutive





CHAIRMAN'S REPORT

year that the Club has finished in one of the top two positions in the League and, of course, we will be playing in the Champions League again next season.

Naturally, much of the attention last season centred on the record breaking league campaign, but I think we should also applaud the team's achievements in the cup competitions. Arsène Wenger and his players can be very proud of reaching two Semi-Finals and a Quarter-Final in the same season.

Only a late goal in the Champions League Quarter-Final against Chelsea prevented any further progress in Europe's premier club competition, but the campaign provided some great memories, not least the astounding 5-1 victory over Internazionale in the San Siro.

In the FA Cup, we were within touching distance of creating history by becoming the first team to reach four successive finals, but in the end it was not to be, as Manchester United won 1-0 at Villa Park in the Semi-Final. The cup run could hardly have been harder though, Arsenal was drawn against Premiership clubs in every round and again there were some performances to savour.

The Club was also one step from Cardiff in the Carling Cup, a competition which showcased some of the very talented young players we have developing through our Youth Development programme.

During the summer, many of our players represented their countries in Euro 2004. Ashley Cole and Sol Campbell performed exceptionally at the heart of England's defence in reaching the Quarter-Finals, with their performances earning them both places in the 'Euro 2004 All Star' team. Freddie Ljungberg was ever-present for Sweden, who also reached the last eight. Thierry Henry, Robert Pires and Patrick Vieira were members

of the French squad and Jens Lehmann was part of the German squad.

The summer months also saw the staging of the Copa America in Peru. Edu, who was Arsenal's sole representative in the competition, played in every match for Brazil who won South America's premier national team tournament, scoring in the decisive penalty shoot-out against Argentina.

Arsenal has started the new season by winning the FA Community Shield for the eleventh time and by extending our unbeaten League run to establish a new record in English football.

A full review of Arsenal's various teams can be found on pages 15 to 19 of this report starting with the First Team Review which provides a comprehensive record of all the first team's achievements during the 2003/04 season.

Player transfers

The Club has welcomed four new players since the start of the 2003/04 season. Spanish International Jose Antonio Reyes joined from Sevilla during the January transfer window and made an instant impression by scoring two wonderful goals against Chelsea in the FA Cup. Dutch under-21 International Robin van Persie joined the squad in the summer having spent seven years at Feyenoord, together with Spanish goalkeeper Manuel Almunia from Celta Vigo and French under-21 International midfielder Mathieu Flamini who played a prominent part in Marseille's progress to the UEFA Cup Final last season.

At the end of the 2003/04 season the Club said farewell to a true professional, Martin Keown. Martin has been an Arsenal stalwart for over a decade, making a total of 449 appearances during his 12 seasons with the Club and amassing a collection of honours including three League Championships,



CHAIRMAN'S REPORT

three FA Cups and the European Cup Winners' Cup. Martin was granted a testimonial match at the end of the season, when a full house at Highbury paid tribute to a player who has been at heart of the Arsenal defence for many years.

Another product of the Club's youth development programme, Ray Parlour, also departed for pastures new this summer. Ray has been a fantastic servant to Arsenal since joining in 1989. He has, like Martin, made a significant contribution to the Club's silverware tally during his time here. Ray has nine major honours to his name which is testament to his consistent and hardworking approach to the game. He will undoubtedly receive a very warm reception from the Club and the fans when he returns to Highbury with Middlesbrough.

We would like to take this opportunity to thank Martin and Ray for the roles they have played in Arsenal's success and wish them the very best of luck for the future.

Other first team players departing the Club over the course of the year and subsequently were Kanu, Rami Shaaban, Igors Stepanovs, Sylvain Wiltord, Giovanni van Bronckhorst and Francis Jeffers. We wish all of these players well for the challenges ahead and thank them for their contribution.

FA Premier League Fair Play Awards

As well as winning the Premiership last season, the team also collected the FA Premier League Fair Play Award. Arsenal prides itself on acting in a sporting and proper manner and to finish top of the Fair Play League demonstrably illustrates that we respect the game and have a desire to win matches in the right way. Congratulations must also go to our fans for finishing top of the Supporters' Fair Play table.

New Stadium

In February, the Group confirmed that funding for the new stadium project had been secured and that construction and regenerative work in and around the site had resumed.

The construction of the new stadium is now progressing rapidly, and the project is ahead of schedule. Much of the stadium's foundation work has already been completed and its outer shell is beginning to take shape. It is hoped that by the end of the 2004/05 season, three of the four stands will have been fully erected.

Page 14 of this report illustrates in more detail the recent progress which has taken place on the new stadium project.

The Arsenal

After extensive research and consultation, the Club has devised and launched a new membership scheme – "The Arsenal".

The Arsenal scheme will enable us to bring together all those supporters already on the existing ticket and membership schemes and waiting lists and reward them accordingly. The Arsenal scheme will ensure that there is a consistent hierarchy of membership and benefits, and will also create a better understanding of our fans and their requirements, therefore allowing us to improve many aspects of our service to them. In addition, The Arsenal also enables us to reach out to thousands of supporters who do not already have an official association with the Club. The response to the scheme has been very positive with in excess of 75,000 supporters taking up membership of The Arsenal so far.

Further information concerning The Arsenal can be found on our official website, Arsenal.com.





CHAIRMAN'S REPORT

Commemorative kit

Following consultation with supporters' groups, we have decided to release a commemorative kit for our last season at Highbury. The strip will be the Club's first choice playing kit for the 2005/06 campaign and will have a theme that is inspired by, and significantly reflects, the history of Highbury. The designs of this kit will be released later in the year.

As a result, the new home kit, which was released in July 2004 will be worn by the team during the 2004/05 season only.

Commercial Partners

Over the past year, we are delighted to have extended the contract of Club sponsor O2 for a further two years until 2006. Nike will remain our kit sponsor until at least 2011.

In addition to Nike and O2 we have developed a strong list of other commercial and sponsorship partners which now includes: Ladbrokes, Samsung, Lanson, Renault, Lucozade, MBNA, Budweiser and Thomas Cook.

RNIB Award

At the end of last season, Arsenal was very proud to be awarded the Royal National Institute for the Blind's (RNIB) Accessible Sport award.

The RNIB acknowledged our efforts in promoting and encouraging those who are blind and partially sighted to take part in football. The award recognised the Arsenal's audio matchday programme and the specially designed coaching sessions for the visually impaired which are organised by our community department.

Charity of the Season

In July 2003, Arsenal selected ChildLine as its first ever Charity of the Season. The partnership has been a real success. Numerous fundraising and awareness building initiatives were organised throughout the course of the season, which generated around £100,000 for the children's charity.

Our original intention was to choose a different charity to support each season. However, after much consideration and discussion with ChildLine we have agreed to extend our relationship with them for one more season.

Page 20 of this report gives further information on Arsenal's partnership with ChildLine.

FINANCIAL REVIEW

I said in my half year report that the Group was in its strongest financial position for some years and this view is supported by a second successive, record set of full year results.

Continued strong growth in our football turnover and the completion of two significant property development sales in the year have resulted in a 33% increase in Group turnover to £156.9 million (2003 - £117.8 million).

Operating profits, before taking into account player trading costs of £19.6 million and exceptional costs of £6.3 million, have also shown excellent growth to £36.2 million (2003 - £25.3 million) and, at £10.6 million, the Group's overall pre-tax profit was more than double the previous year's figure of £4.5 million.

The completion of the long term financing for the new stadium project has resulted in a major improvement in the structure of the Group's balance sheet with short term, floating rate bank debt being replaced in the main by long term, fixed rate debt. Our





CHAIRMAN'S REPORT

financing structure is designed to keep investment in the new stadium separate from investment in the football club and it is very pleasing to report that, despite the expected increase in the Group's overall borrowings which derive from having incurred some £88 million of expenditure on the new stadium in the year, we had cash reserves of more than £17 million in Arsenal Football Club at the year end (2003 - £6.9 million net overdraft).

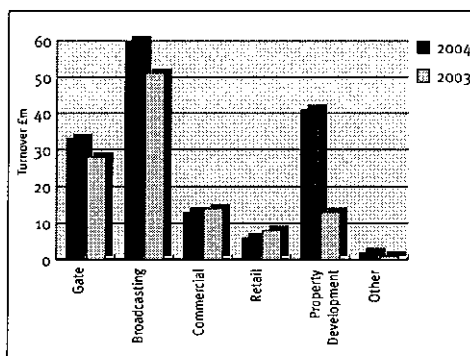
The contribution to the Group results of our two business segments – football and property development – was as follows:

	2004 £m	2003 £m
Football		
Turnover	115.1	103.8
Operating profit before player trading and exceptional costs	20.1	19.5
Property development		
Turnover	41.8	14.0
Operating profit before exceptional costs	16.1	5.8
Group		
Turnover	156.9	117.8
Operating profit before player trading and exceptional costs	36.2	25.3

Whilst property development is not expected to form a part of the Group's business in the long term, it will continue to make a significant contribution for a number of years. We expect to complete the sale of three further development sites in the 2004/05 financial year and beyond that we have the sale/development of Highbury and a number of other development opportunities to progress.

Income

Group turnover for the year was £156.9 million.



Gate receipts of £33.8 million (2003 - £27.9 million) represented 21.5% of Group turnover (2003 - 23.7%). There were 29 first team matches at Highbury in the 2003/04 season which is the same number as in the previous season. The average attendance was 38,034 for FA Premier League ("FAPL") and FA Cup games (2003 - 38,054) and 35,539 for Champions League games (2003 - 35,180).

Broadcasting income represented 38.1% of Group turnover (2003 - 44 %) and rose 15.4% to £59.8 million (2003 - £51.8 million). Our undefeated FAPL season attracted a very high level of domestic TV coverage with 15 live and 4 pay-per-view matches (2003 - 13 live and 4 pay-per-view) and, of course, the top merit award. 2003/04 was the final year of a Sky contract in which there were step increases in income across each of the three years; although the new FAPL TV contracts deliver a similar total return the distribution pattern is flat and this will probably result in a reduction in domestic TV income in season 2004/05.

In the new format Champions League our progress to the quarter final delivered total UEFA pool and performance distributions of £19.3 million against £16.1 million for the previous season, when we were eliminated at the second group stage.





CHAIRMAN'S REPORT

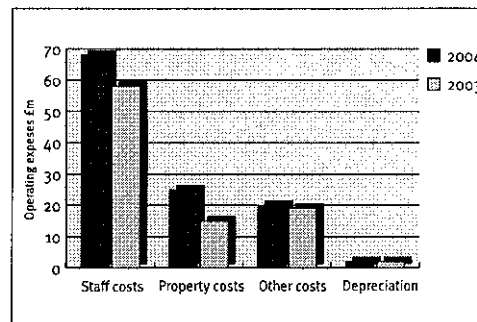
The increase in our commercial revenues, after adjusting for FA Cup prize distributions which are included within this category, was 4.4% with JVC and Lanson joining our list of sub-sponsors. 2004/2005 will see the first year of our new long term sponsorship deal with Nike and a number of other new sub-sponsorship deals will be established in place of arrangements which came to an end in the 2003/04 season.

Although our retail turnover did not reach the exceptional levels seen last year (when we were selling both new home and away strips) the yellow away strip for 2003/04 was very popular with supporters. Total retail turnover for the year of £6.9 million (2003 - £8.5 million) was regarded as a good result, particularly in the context of the 39% increase it represents over the figures achieved in season 2001/02.

Our property development activities delivered revenues of £41.8 million representing 26.7% of Group turnover (2003 - £14.0 million, 11.9%). The two most significant development sales were both at Lough Road, with the land to the south of the road which now connects Holloway Road to the new waste recycling centre being sold to Wilson Connolly for £37.1 million and a parcel of land to the north of the road being sold to Newlon Housing Trust for £9 million. Of this, contracted sales incomes of approximately £6 million are subject to retention by the purchaser. The retained element is not recognised in our accounts until such time as all of the retention conditions have been satisfied.

Operating expenses (excluding player trading)

Operating expenses, excluding exceptional items and player trading, increased from £92.5 million to £120.2 million.



Our wage bill of £69.9 million (2003 - £60.6 million) continues to be the largest element of our operating costs and provided a wage / turnover ratio of 44.5% (2003 - 51.4%). The main reasons for the increase are, firstly, the positive steps we have taken over the last two years to extend and secure the long term contractual positions of a number of established and emerging first team players, and, secondly, the bonus payments associated with winning the League and progressing to the quarter final of the Champions League.

The costs of property sales represent expenses incurred to assemble the development sites sold in the year including land acquisition, planning, land clearance and other pre-construction works, legal costs and also the attributable financing costs. The increase in these costs reflects the size of the sites sold in the year.

Player trading

The overall deficit on player trading was £23.6 million (2003 - £17.4 million).

The sale of player registrations produced a surplus of £2.3 million (2003 - £1.4 million) as a result of the sale of defenders Volz and Tavlaridis to Fulham and Lille respectively and appearance fees due from a number of other past transfers.





CHAIRMAN'S REPORT

The charge for amortisation of player registrations was £20.1 million (2003 - £18.8 million) and in addition an exceptional charge of £6.3 million (2003 - £nil) was incurred in the year. This exceptional charge reflects the impairment of certain players' registrations and reduces the carrying value of those registrations to their expected recoverable amount.

Profit after taxation

The retained profit for the year after taxation was £8.2 million (2003 - £4.0 million). The Group tax charge amounted to £2.4 million (2003 - £0.5 million) giving an effective rate of 22.9% (2003 - 11.5%). The effective tax rate, both this year and last, benefited from tax losses brought forward and 150% tax reliefs being available for land remediation works carried out at our stadium and property development sites.

Shareholders' funds

At 31 May 2004 shareholders' funds amounted to £84.4 million (2003 - £76.2 million). The increase reflects the retained profit for the year.

Cash flow and treasury

Both of our business segments produced strongly positive cash flow from their operating activities.

	2004	2004
	Football	Property development
	£m	£m
Net cash from operations	28.0	12.7
Player registrations	(12.2)	-
Finance charges	(1.5)	(3.8)
Taxation	0.9	-
Capital expenditure	(0.9)	(104.2)
New bank loans	-	103.7
New debentures	10.1	-
Increase in cash in year	24.4	8.4

Net cash spent on player transfers results mainly from the acquisitions made in the year of Reyes, Senderos, Lehmann, Fabregas and Van Persie. The strength of the current playing squad has allowed us to concentrate our transfer activity on promising young players whom we hope will go on to become the established first team players of the future.

In February of this year the long term financing for the new stadium project was secured and this funding has been used to re-finance the short term banking facilities which the Group had previously utilised to fund the new stadium development and for the ongoing construction work.

Details of the Group's banking facilities are summarised in Table A on page 12.

The Group's policy is to eliminate as far as possible the interest rate risk associated with its long term bank debt and accordingly we have entered into interest rate swaps in respect of £322.6 million of our banking facilities and, therefore, £142.2 million of the bank debt drawn as of the balance sheet date. The effect of these interest swaps is to fix the interest rate for the entire expected term of the debt at a weighted average interest cost of 7.2%. £15.8 million of bank debt is un-hedged but this is debt which is expected to be repaid next year.

During the year the Group also raised finance of £10.1 million, net of issue costs, through an issue of C and D debentures. These debentures carry cumulative interest at 2.75 % and are redeemable on the 25th anniversary of their issue.





CHAIRMAN'S REPORT

Table A – Summary of Bank Facilities

Bankers	Facility	Term	Repayment	Amount drawn at 31 May 2004 £m
Banking group consisting of : Royal Bank of Scotland plc Espirito Santo Investment The Bank of Ireland Allied Irish Banks plc CIT Structured Finance (UK) Ltd HSH Nordbank AG	£260m senior debt	2017	From operating cash flows of Ashburton Properties Limited once new stadium opened	92.8
Banking group consisting of : Royal Bank of Scotland plc Espirito Santo Investment	£15.4m senior subordinated debt	2017	From operating cash flows of Ashburton Properties Limited once new stadium opened	-
Royal Bank of Scotland plc	£42.6m	2006	From contracted trade debtor receivables of Ashburton Trading Limited	29.4
Barclays Bank plc	£37m	2007	From expected property development sale proceeds	35.8
Barclays Bank plc	£25m	2004	Working capital	-
Gross bank debt				158.0
Costs of raising finance				(15.3)
				<hr/> 142.7 <hr/>





CHAIRMAN'S REPORT

Prospects

The construction of the new stadium, which is key to the long term success of the Group, is ahead of schedule and we can therefore look forward to the opening of the new stadium for the 2006/07 season. We will be incurring a significant level of debt in connection with the new stadium, however, the new stadium will be a strongly income generative asset and our forecasts are that the resulting incremental income will far exceed our interest and debt repayment commitments.

We have already made good progress with the pre-sale of executive boxes at the new stadium and later this year will be marketing Club Level seats and subsequently season tickets. We are also working toward securing a naming rights partner for the stadium.

Other developments for 2004/05 include:

- First year of new long term sponsorship deal with Nike;
- Expected completion of further property development sales;
- First year of new FAPL TV contracts; and
- Arsenal's seventh consecutive year of participation in the UEFA Champions League.

The Group's strong financial results for 2003/04 demonstrate that we are on course in terms of our objective of delivering the sustained revenue growth and profitability which will enable Arsenal to build on its

leading position in domestic and European football.

As I said at the start of my report, 2003/04 has been an historic year for Arsenal. On the field, Arsenal has been crowned as undefeated league champions. Off the field, the Group has recorded record levels of turnover and operating profits before player trading and a retained profit for the year of £8.2 million. Finally, the Group has secured the funding which will deliver the completion of its new stadium.

These achievements would not have been possible without the dedication, hard work and professionalism of my fellow directors, our management team and all of the Group's playing and non-playing staff, together with a small army of lawyers, bankers, financial advisers and other professionals. I offer the Board's sincere thanks to them all for the contribution they have made.

Finally, I would like to thank all of our shareholders, supporters and sponsors for their continued, and greatly appreciated, support throughout the year.

P D Hill Wood
Chairman
31 August 2004





NEW STADIUM

During the past year, Arsenal made significant progress towards its goal of moving to the new stadium. The conclusion of the stadium funding arrangements in February, which have been detailed elsewhere in this report, has allowed the re-commencement of the construction work on the project and this work is now progressing rapidly. Our construction contractor, Sir Robert McAlpine, currently has over 600 workers committed to the project.

The new stadium is well on course to be completed by August 2006 and as of June 2004, much of the foundation work at the site was already completed. The outer shell of the stadium is also well developed and gives an idea of the stadium's overall size. It is hoped that by the end of the 2004/05 season three of the four stands will have been constructed.

The pedestrian bridge to the north of the site has been raised and set in place over the railway line and the larger southern bridge was put in place early in August.

The new waste recycling centre, which is located close to Caledonian Road tube station, in an area which had lain derelict for over 20 years, has been completed and is operational. This new state-of-the-art facility replaced the old waste recycling centre, situated on the new stadium site.

The redevelopment of Highbury is planned to commence on completion of the new stadium in 2006. The Highbury site will be redeveloped into residential apartments, which will include 'affordable housing'. The final planning application for this development is currently being prepared for submission to Islington Council by the end of 2004.

The Group is making excellent progress with the pre-sale of executive boxes at the new stadium and high demand for the exclusive Diamond Club area has been registered. We expect to start marketing Club Level seats towards the end of 2004 and season tickets thereafter. The pricing structure for general admission to the new stadium is being finalised and will be communicated to all our supporters in due course.

A detailed, computer generated visualization model of the new stadium has been developed which will allow supporters to experience the view from their seat block during the process of choosing their seat in the new Stadium. A CD-rom promotion video of the visualization model is to be sent to all members of The Arsenal in the early autumn.

In March 2004 we appointed Los Angeles based Envision, the world's leading naming rights and sports entertainment agency, to manage the naming rights process for the new stadium. Envision, who have to date secured over a billion dollars in sponsorship for professional sporting teams and venues including the STAPLES Center (home to the LA Lakers), is charged with obtaining a multi-year deal offering the prospective partner exclusive naming rights and significant marketing benefits at the new stadium.

The opportunity of becoming the naming rights partner for the stadium has already generated strong interest from a number of sectors, including telecommunications, energy supply, soft drinks, consumer electronics and financial services.

Arsenal is continuing to record all construction activities as they happen. Arsenal.com and Arsenal publications will keep supporters and key stakeholders informed of all developments.



REVIEW OF THE 2003/2004 SEASON

FIRST TEAM

The first few games of the 2003/04 season provided an early indication that Arsenal were embarking on what was to become a record breaking campaign. For the first time in the Club's history, the team won its first four League games and in the process took an early Premiership lead.

Carling Cup and returned to the top of the Premiership table.

After the youngsters bowed out of the Carling Cup, Arsenal embarked on a ten-match winning streak. The acquisition of Jose Antonio Reyes in the January transfer window created added excitement and it was evident

FA BARCLAYCARD PREMIERSHIP 2003/2004 FINAL TABLE

	HOME						AWAY						GD	Pts
	P	W	D	L	F	A	W	D	L	F	A			
Arsenal	38	15	4	0	40	14	11	8	0	33	12	+47	90	
Chelsea	38	12	4	3	34	13	12	3	4	33	17	+37	79	
Manchester United	38	12	4	3	37	15	11	2	6	27	20	+29	75	
Liverpool	38	10	4	5	29	15	6	8	5	26	22	+18	60	
Newcastle United	38	11	5	3	33	14	2	12	5	19	26	+12	56	
Aston Villa	38	9	6	4	24	19	6	5	8	24	25	+4	56	
Charlton Athletic	38	7	6	6	29	29	7	5	7	22	22	0	53	
Bolton Wanderers	38	6	8	5	24	21	8	3	8	24	35	-8	53	
Fulham	38	9	4	6	29	21	5	6	8	23	25	+6	52	
Birmingham City	38	8	5	6	26	24	4	9	6	17	24	-5	50	
Middlesbrough	38	8	4	7	25	23	5	5	9	19	29	-8	48	
Southampton	38	8	6	5	24	17	4	5	10	20	28	-1	47	
Portsmouth	38	10	4	5	35	19	2	5	12	12	35	-7	45	
Tottenham Hotspur	38	9	4	6	33	27	4	2	13	14	30	-10	45	
Blackburn Rovers	38	5	4	10	25	31	7	4	8	26	28	-8	44	
Manchester City	38	5	9	5	31	24	4	5	10	24	30	+1	41	
Everton	38	8	5	6	27	20	1	7	11	18	37	-12	39	
Leicester City	38	3	10	6	19	28	3	5	11	29	37	-17	33	
Leeds United	38	5	7	7	25	31	3	2	14	15	48	-39	33	
Wolverhampton Wanderers	38	7	5	7	23	35	0	7	12	15	42	-39	33	

Arsène Wenger's team continued to pick up Premiership points, but struggled in the early stages of the UEFA Champions League. However, a home victory over Dynamo Kiev, and a remarkable 5-1 away win against Inter Milan soon signalled an upturn in European fortunes.

Arsenal remained unbeaten in all competitions from October 21 2003 to January 2004 - a run of 20 matches. During this time the side had progressed to the knock-out stages of the Champions League, started the defence of the FA Cup with a 4-1 away win over Leeds United, reached the last four of the

from his early performances that Arsène Wenger had once again been extremely astute in the transfer market.

The highlights of a tremendous February included the back-to-back wins over Chelsea (in the Premiership and FA Cup) and home and away victories over Celta Vigo in the Champions League. March began with an incredible 5-1 win at Portsmouth in the FA Cup and later that month, by virtue of a 1-1 draw against Manchester United, Arsenal set a new record for the longest unbeaten start to a League season.





REVIEW OF THE 2003/2004 SEASON

The treble dream disappeared in early April as Manchester United won 1-0 in the FA Cup Semi-Final at Villa Park to bring an end to our hopes of lifting the cup three years running. The following week Chelsea ended the side's Champions League aspirations with a 2-1 win at Highbury. However, Arsène Wenger's team bounced back in the Premiership, beating Liverpool 4-2 and Leeds United 5-0 in the space of a week to take Arsenal to the brink of the title.

A 2-2 draw with Tottenham at White Hart Lane secured the Club's 13th championship. It was the first time in the modern era that a team had won the League while still unbeaten, but the target still remained to complete a 38 game league programme without a single defeat.

With two draws and two wins in May, the Premiership was won by an impressive 11 points from nearest rivals Chelsea, and an unbeaten League season achieved, a feat only ever matched in the top division of English professional football by the 'Preston Invincibles' in the 1880s.

Notable records and achievements by Arsène Wenger and his team in 2003/04 were:

First Premiership Club to go an entire league campaign unbeaten - Preston North End completed a 22-match campaign unbeaten in 1889.

Top flight record for longest unbeaten start to a season - previous record was 29, held jointly by Leeds United (1973/74) and Liverpool (1987/88).

Longest unbeaten run in the Premiership - at end of 2003/04 season stood at 40 matches. (2 matches from 2002/03 and 38 from 2003/04). Previous record held by Arsenal at 30 matches (between December 2001 and October 2002).

Longest unbeaten sequence during a single English season - Arsenal's 38 from last season beat the previous record of 30 held by Burnley (1920/21).

Most appearances in FA Cup Semi-Final - by reaching this stage in 2003/04, Arsenal has now appeared in 24 FA Cup Semi-Finals, one more than Manchester United and Everton.

Only English club ever to remain unbeaten away from home in entire league campaign - this has now been done twice under Arsène Wenger in 2001/02 and 2003/04.

Fewest defeats in Premiership season - last season's unbeaten achievement bettered the previous record of three defeats, set by Arsenal (2001/02), Manchester United (1998/99, 1999/00) and Chelsea (1998/99).

Arsène Wenger - League Managers' Association and Barclaycard Premiership Manager of the Year and Barclaycard Manager of the Month for August 2003 and February 2004.

Thierry Henry - Premiership Golden Boot winner with 30 goals. Football Writers' Association Player of the Year and PFA Player of the Year (becoming the first player ever to retain both awards) and second in the FIFA World Player of the Year poll.

The PFA Team of the Season - included six Arsenal players. They were Ashley Cole, Lauren, Sol Campbell, Patrick Vieira, Robert Pires and Thierry Henry.

Gael Clichy - at 18 years and 10 months, became the youngest player to win a Premiership medal.





REVIEW OF THE 2003/2004 SEASON

RESERVES

Eddie Niedzwiecki's reserves enjoyed a good season, providing the backbone of the Carling Cup team while also managing to achieve a top six finish in the FA Premier Reserve League - South.

No fewer than ten young professionals at Arsenal made the step up to First Team level last season, a reflection of the work that Eddie has been doing with the team over the past few years. Justin Hoyte, John Spicer, Olafur Ingi-Skulason, Frankie Simek and David Bentley are some of the reserve team regulars who also appeared at first team level as the Club reached the Semi-Final of the Carling Cup.

FA BARCLAYCARD PREMIERSHIP RESERVE LEAGUE SOUTH 2003/2004 FINAL TABLE

	P	HOME					AWAY					GD	Pts
		W	D	L	F	A	W	D	L	F	A		
Charlton Athletic	28	8	3	3	26	12	9	3	2	20	7	+27	57
Derby County	28	4	9	1	27	16	9	1	4	19	15	+15	49
Southampton	28	8	4	2	28	11	6	2	6	15	17	+15	48
West Ham United	28	7	4	3	18	12	5	4	5	19	23	+2	44
Tottenham Hotspur	28	7	3	4	27	15	4	6	4	15	20	+7	42
Arsenal	28	5	4	5	22	19	5	5	4	19	16	+6	39
Chelsea	28	6	3	5	18	13	5	3	6	19	20	+4	39
Leicester City	28	7	5	2	22	15	2	6	6	12	25	-6	38
Coventry City	28	7	2	5	21	18	2	8	4	17	22	-2	37
Wimbledon	28	5	2	7	17	21	4	3	7	18	26	-12	32
Watford	28	1	8	5	14	21	5	4	5	18	19	-8	30
Portsmouth	28	5	5	4	21	17	1	6	7	15	22	-3	29
Nottingham Forest	28	4	5	5	20	21	2	6	6	13	20	-8	29
Ipswich Town	28	4	3	7	14	17	4	1	9	20	27	-10	28
Fulham	28	5	3	6	14	24	1	5	8	13	30	-27	26

Many of the Club's scholars also gained experience of reserve team football during the season, as Eddie regularly fielded a team with an average age of less than 21. Anthony Stokes made his debut at the age of 15, while 16 year-olds Ryan Smith and Cesc Fabregas also turned out regularly for the Reserves.

A nine game unbeaten run at the end of the season, which included seven clean sheets, lifted Arsenal up to a final standing of sixth. It was the third season running the reserves had played their home matches at Barnet FC, and Niedzwiecki and his team are looking forward to another fruitful campaign at Underhill during the 2004/05 season.





REVIEW OF THE 2003/2004 SEASON

Youth

The Under-17s and the Under-19s both challenged for honours last season, with the older age group finishing top of their table. The Under-17s were unable to match that achievement, but still managed to finish a commendable fourth position in their table.

Neil Banfield, after coaching the Under-17s last season, moved to the Under-19s where his team finished top, ahead of Chelsea and Aston Villa. Unfortunately, in the Under-19s play-off semi-final they were narrowly beaten by Southampton.

FA ACADEMY LEAGUE U19 GROUP C 2003/04 FINAL TABLE

	P	W	D	L	F	A	Pts
Arsenal	26	16	4	6	58	29	52
Chelsea	26	12	3	11	40	33	39
Aston Villa	26	12	2	12	54	48	38
Birmingham City	26	10	7	9	30	24	37
Watford	26	10	5	11	38	51	35
Leicester City	26	10	4	12	40	44	34
Reading	26	9	4	13	36	40	31
Fulham	26	4	7	15	22	52	19
Bristol City	26	3	5	18	37	64	14

Steve Bould took over the position of the Under-17s coach and saw his team finish behind Aston Villa, Leicester City and Coventry City. Anthony Stokes completed the campaign as their top scorer with 10 goals.

FA ACADEMY LEAGUE U17 GROUP C 2003/04 FINAL TABLE

	P	W	D	L	F	A	Pts
Aston Villa	26	16	5	5	90	41	53
Leicester City	26	14	5	7	59	54	47
Coventry City	26	12	6	8	55	46	42
Arsenal	26	12	6	8	39	40	42
Birmingham City	26	11	7	8	52	47	40
Bristol City	26	9	3	14	55	62	30
Fulham	26	7	6	13	37	56	27
Watford	26	5	5	16	38	71	20

The 2004/2005 season will see a change in the structure of the youth game. The Under-17s and Under-19s leagues are to be replaced with an Under-18s league. This is expected to lead to an increase in the amount of competition in the youth ranks which will, it is hoped, be mirrored in the quality of football being played.

In the FA Youth Cup, after an opening 9-0 win over Crawley Town, the Club's participation was ended after a Fourth Round 2-0 defeat at the hands of Southampton.



REVIEW OF THE 2003/2004 SEASON

Ladies

The Ladies finished one of the most exciting seasons of recent years by clinching the League and FA Cup 'double'.

After finishing the 2002/03 campaign without winning a trophy, Vic Akers' side actually went three better last season by winning both the FA Cup and Premier League, as well as the London County Cup. The League title was decided on the last day of the season in an enthralling game played against Fulham at Highbury, where the Arsenal Ladies recorded a 3-1 victory.

The Ladies won the first half of the 'double' by beating Charlton Athletic in the final of the FA Cup 3-0. They narrowly missed out on the 'treble' after they were beaten by Charlton Athletic in the semi-final of the League Cup. They made up for that however when they claimed the London County Cup at the expense of Fulham with a 4-0 win.

FA Women's National Premier League 2003/04 FINAL TABLE

	P	W	D	L	F	A	Pts
Arsenal	18	15	2	1	65	11	47
Charlton Athletic	18	15	1	2	52	17	46
Fulham	18	14	2	2	60	20	44
Leeds United	18	8	4	6	32	28	28
Doncaster Rovers Belles	18	8	3	7	41	40	27
Everton	18	6	2	10	21	36	20
Birmingham City	18	4	5	9	17	31	17
Bristol Rovers	18	3	3	12	27	37	12
Aston Villa	18	1	4	13	18	63	7
Tranmere Rovers	18	1	4	13	13	63	7

The season provided many highlights but the one that stands out is the way the team battled to become champions after they were 14 points behind the league leaders at Christmas. Also Julie Fleeting, who arrived at the start of the new year, was a revelation for the Ladies and helped inspire the team as a whole.

The 2004/05 season will see the team compete in the UEFA Women's Cup. This is fantastic news for the Ladies and hopefully they will progress as far as they did last time they participated (they reached the semi-final in 2002/03) if not further.

Arsenal Ladies continue to operate on a semi-professional basis and guided by Vic Akers we hope they will continue to raise standards in the Women's game both here in Britain and in Europe.





CHARITY OF THE SEASON

In August 2003 Arsenal selected ChildLine as its first ever 'Charity of the Season'. Arsenal has supported numerous charities and worthwhile causes in a variety of ways for many years and will continue to do so. However, the concept of 'Charity of the Season' aims to consolidate all of the Club's existing charitable activities into supporting a single good cause.

ChildLine was chosen as the inaugural beneficiary of this partnership to help raise vital funds to increase the number of children and young people its counselors can give support to through its helpline. Additionally, the partnership provided ChildLine with an invaluable means to communicate, through football, to one of its most difficult targets - boys and young men. The partnership allowed ChildLine to raise much-needed funds and awareness amongst Arsenal's many fans and a wider sporting audience as well as to take advantage of several sought after communications opportunities.

Arsenal donated thousands of pounds worth of advertising space free of charge at Highbury, in the Club's match day programme and magazine, and on players' T-shirts as they warmed up before matches. ChildLine was also given regular editorial slots in Arsenal's publications and on Arsenal.com to call for volunteers, publicise its campaigns and raise awareness of the issues children call about.

As well as helping ChildLine to raise funds through its association with the Club, Arsenal organised a 'ChildLine Match Day' at the high profile home game against Tottenham Hotspur in November 2003. More than £12,000 was raised through a variety of means including programme sales, an SMS text messaging competition and raffles.

Being Arsenal's Charity of the Season also enabled ChildLine to engage and reward its key stakeholders including staff, supporters and

volunteers. ChildLine was given access to the FA Cup for a 'Photo for a Donation Day' in January 2004. This provided not only a unique fundraising opportunity but also a chance for ChildLine to thank other corporate and community supporters, as well as being a morale boosting event for all ChildLine staff and volunteers. Patrick Vieira attended the event and, as part of a specially organised auction, had his photograph taken with both supporters of Arsenal and ChildLine who had bid the highest amount of money for the opportunity. He also took time to tour the counselling centre, talk to volunteers and learn about the valuable work of ChildLine.

ChildLine's tenure as the Club's Charity of the Season coincided perfectly with the launch of one of ChildLine's biggest-ever awareness campaigns, "Boys Allowed", which aimed to reach boys and young men with the message that it's okay to have problems and to seek help to find solutions. The six-month campaign was given considerable weight by the backing of the Arsenal team. High profile players took part in publicity launching the campaign and pledged to help ChildLine raise awareness of its campaign throughout its duration.

The partnership also provided Arsenal with the opportunity to draw on ChildLine's expertise in developing its own work with children and young people through its community programmes and the Junior Gunners.

Approximately £100,000 was raised for ChildLine over the season. ChildLine relies on voluntary donations for over 90% of its income and the impact of a donation of this size is considerable. The money will go towards funding the helpline, enabling ChildLine to answer more than 16,500 calls from children and young people (it costs £3 for ChildLine to pick up a call from a child). £10,000 will go to the London helpline, so assisting Arsenal's local community. Funds will also be used to recruit and train more volunteer counselors.



ARSENAL IN THE COMMUNITY

Arsenal's community department, which is now approaching its 20th year, continues to work tirelessly organising community sports and education programmes, not only in the Borough of Islington, but also across the globe.

Arsenal Soccer Schools

Highbury is the headquarters of the Arsenal Soccer Schools, organising football courses for boys and girls aged 7-12 years at over 100 venues across the South of England, including residential soccer camps in Hampshire, Bedfordshire and Kent. Soccer Schools were also launched in Egypt and Portugal during 2003 and Arsenal representatives also coached in Thailand.

More than 10,000 children have been coached as part of the Arsenal Soccer Schools during the past 12 months.

Arsenal Abroad

Communities around the world have benefitted from sport and education projects delivered by the Club. During the 2003/04 season, visits were made to communities in Egypt (340 children), Cyprus (250 children), Israel (128 children), Thailand (130 children), Ukraine (60 children) and Portugal (50 children). Most of these countries are part of ongoing projects and receive regular visits from Arsenal in the Community.

Arsenal Double Clubs

The Arsenal Double Club is an after-schools programme, with sessions divided into two halves of football coaching and literacy games based on Arsenal Football Club. The initiative is designed to improve reading, writing and self-expression, with Arsenal Double Clubs taking place at schools across London. Over the last year approximately 1,200 children were involved in the scheme.

In January 2004, the Club kicked off a Department of Education & Skills backed pilot scheme, where an Arsenal track-suited member of staff is placed in four London secondary schools to implement a Double Club and specialist football programme on a full time basis. Initial indications are very positive and it is hoped that this initiative will be expanded to other schools in the near future.

Arsenal Disability Football

Over the season, monthly football coaching sessions took place at Highbury's indoor sports centre for visually impaired youngsters, adults with learning difficulties and powerchair users.

Arsenal and Positive Futures

Working in partnership with the largest neighbourhood and street wardens programme in Islington, this project aims to positively engage 10 to 19 year olds with current sports, education training and employment opportunities.

Support for Charities

In addition to the 'Charity of the Season' initiative with ChildLine, the Arsenal Charitable Trust continues to donate to a number of worthwhile causes. During the year some of the charities/organisations which received assistance from the Trust were: Football Aid, Imperial Cancer Research Fund, NSPCC, The Willow Foundation, Cystic Fibrosis, Scope, The Whittington Hospital, The Gunners Community Trust, The National Children's Home, London Playing Fields Society, Islington & Camden Foundation and Action Research.

In addition, the Arsenal Ex-Professional & Celebrities XI played around 40 games during the season. The team has raised close to £1 million for charity during the past decade.





DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2004.

Principal activities

The principal activity of the Group is that of a professional football club and the related commercial activities. The Group is also engaged in a number of property developments associated with its new stadium project.

Profits and dividends

The results for the year are set out on page 27 and are considered, together with the Group's future prospects, in the Financial Review section of the Chairman's Report. The directors do not recommend the payment of a dividend (2003 - £Nil).

Directors and their interests

The directors of the company at 31 May 2004, all of whom served throughout the year, together with details of their interests in the company's share capital are set out below:

	Ordinary shares of £1 each	
	2004	2003
P.D. Hill Wood	348	348
R.C.L. Carr	2,722	2,722
D.B. Dein	9,072	9,072
K.G. Edelman	25	25
D.D. Fiszman	15,659	15,659
K.J. Friar OBE	199	199
Sir Roger Gibbs	50	50

The shares held by K.G. Edelman are as nominee for D.D. Fiszman.

In addition to the above K.G. Edelman holds 1 Subscriber Ordinary share of £1.

In accordance with the provisions of Article 88 of the Articles of Association K.G. Edelman and D.D. Fiszman retire by rotation and, being eligible, offer themselves for re-election at the company's Annual General Meeting.

Substantial shareholdings

In addition to the directors' interests set out above the Company has been notified of the following interests in over 3 per cent of its issued share capital at 24 August 2004:

	Shares	%
Lady Nina Bracewell-Smith	9,893	16.8
Granada Media Group Limited	2,947	5.0
G. Klass	2,006	3.4

Political and charitable contributions

During the year the Group made donations for charitable purposes amounting to £4,782 (2003 - £7,297).

Creditor payment policy

The Group's policy is to pay all creditors in accordance with contractual and other legal obligations. Advantage is taken of available discounts for prompt payment whenever possible.

The rate, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amount owing to trade and other creditors at the year end was 22 days (2003- 98 days).





DIRECTORS' REPORT

Employees

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

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

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

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

Directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Auditors

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

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

D Miles
Secretary
31 August 2004

Registered office: Arsenal Stadium,
Avenell Road, Highbury,
London.
N5 1BU





CORPORATE GOVERNANCE

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

Going concern

The directors have satisfied themselves that the Group has adequate resources to continue in operational existence for the foreseeable future, and for this reason the financial statements continue to be prepared on the going concern basis.

Directors

The Board currently consists of three executive directors and four non-executive directors. In addition, T. Betts, as a representative of Granada Media Group Limited, and Lady Nina Bracewell-Smith attend board meetings as observers. The Board meets on a monthly basis to review the performance of the Group and to determine long term objectives and strategies and is supplied with management accounts and other relevant information.

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

Internal control

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

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

Audit Committee

The Audit Committee, consists of three non-executive directors, D.D. Fiszman (Chairman), P.D. Hill Wood, R.C.L. Carr together with the Granada Media representative as an observer.

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

Remuneration Committee

The Remuneration Report is set out on page 25.





THE REMUNERATION COMMITTEE

The Remuneration Committee

The Committee consists of three non-executive directors, P.D. Hill Wood (Chairman), Sir Roger Gibbs, and R.C.L. Carr, together with the Granada representative as an observer.

Policy on remuneration of executive directors

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

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

Policy on remuneration of the non-executive directors

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

Directors' remuneration

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

P.D. Hill Wood
Chairman of the Remuneration Committee
31 August 2004





INDEPENDENT AUDITORS' REPORT

To the shareholders of Arsenal Holdings plc

We have audited the financial statements of Arsenal Holdings Plc for the year ended 31 May 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the Chairman's report and the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company and group's affairs as at 31 May 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors, London

31 August 2004





CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 May 2004

	Note	2004			2003		
		Operations excluding player trading £000's	Player trading £000's	Total £000's	Operations excluding player trading £000's	Player trading £000's	Total £000's
Turnover of the group including its share of joint ventures		156,791	500	157,291	118,165	-	118,165
Share of turnover of joint ventures		(404)	-	(404)	(334)	-	(334)
Group turnover	3	156,387	500	156,887	117,831	-	117,831
Operating expenses - other	4	(120,225)	(20,137)	(140,362)	(92,512)	(18,774)	(111,286)
Operating expenses - exceptional	4	-	(6,269)	(6,269)	(2,500)	-	(2,500)
Total operating expenses		(120,225)	(26,406)	(146,631)	(95,012)	(18,774)	(113,786)
Operating profit/(loss)		36,162	(25,906)	10,256	22,819	(18,774)	4,045
Share of operating loss of joint venture		(67)	-	(67)	(165)	-	(165)
Profit on disposal of player registrations		-	2,282	2,282	-	1,370	1,370
Profit/(loss) on ordinary activities before finance charges		<u>36,095</u>	<u>(23,624)</u>	12,471	<u>22,654</u>	<u>(17,404)</u>	5,250
Net finance charges	5			(1,894)			(721)
Profit on ordinary activities before taxation				10,577			4,529
Taxation	8			(2,425)			(521)
Profit after taxation retained for the financial year				<u>8,152</u>			<u>4,008</u>
Earnings per share (basic and diluted)	9			<u>£138.29</u>			<u>£67.99</u>

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

All trading resulted from continuing operations.

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





BALANCE SHEET

At 31 May 2004

	Note	Group 2004 £000's	Group 2003 £000's	Company 2004 £000's	Company 2003 £000's
Fixed assets					
Tangible fixed assets	10	209,615	124,770	-	-
Intangible fixed assets	11	34,989	39,396	-	-
Investments	12	-	-	30,059	30,059
		<u>244,604</u>	<u>164,166</u>	<u>30,059</u>	<u>30,059</u>
Current assets					
Stock – development properties	13	20,009	30,745	-	-
Stock – retail merchandise		702	808	-	-
Debtors - due within one year	14	30,647	23,148	-	-
- due after one year	14	18,697	3,563	40,610	22,513
Cash at bank and in hand		26,003	1,351	-	-
		<u>96,058</u>	<u>59,615</u>	<u>40,610</u>	<u>22,513</u>
Creditors: amounts falling due within one year	15	<u>(103,537)</u>	<u>(125,629)</u>	-	-
Net current (liabilities)/assets		<u>(7,479)</u>	<u>(66,014)</u>	<u>40,610</u>	<u>22,513</u>
Total assets less current liabilities		<u>237,125</u>	<u>98,152</u>	<u>70,669</u>	<u>52,572</u>
Creditors: amounts falling due after more than one year	16	<u>(148,579)</u>	<u>(17,636)</u>	<u>(10,105)</u>	-
Provisions for liabilities and charges	18	<u>(4,183)</u>	<u>(4,305)</u>	-	-
Net assets		<u>84,363</u>	<u>76,211</u>	<u>60,564</u>	<u>52,572</u>
Equity capital and reserves					
Called up share capital	19	59	59	59	59
Merger reserve	20	26,699	26,699	-	-
Profit and loss account	21	57,605	49,453	60,505	52,513
Equity shareholders' funds		<u>84,363</u>	<u>76,211</u>	<u>60,564</u>	<u>52,572</u>

These financial statements were approved by the Board of Directors on 31 August 2004.

Signed on behalf of the Board of Directors

P.D. Hill Wood
Director

P.D. Hill Wood

K.G. Edelman
Director

K.G. Edelman



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 May 2004

	Note	2004 £000's	2003 £000's
Net cash inflow from operating activities	23a	40,671	562
Player registrations	23d	(12,188)	(16,762)
Returns on investment and servicing of finance	23d	(5,334)	(1,347)
Taxation		917	(435)
Capital expenditure	23d	(105,067)	(42,527)
Net cash outflow before financing		(81,001)	(60,509)
Financing	23d	113,833	39,000
Increase/(decrease) in cash in the year	23c	<u>32,832</u>	<u>(21,509)</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

1 PRINCIPAL ACCOUNTING POLICIES

(a) Basis of accounting

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

(b) Basis of preparation of Group financial statements

The Group financial statements consolidate the assets, liabilities and results of the Company and its subsidiary undertakings made up to 31 May 2004.

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

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's retained profit for the year was £8.0 million (2003 - £22.5 million). All of the Company's operating costs are borne by a subsidiary company.

(c) Joint venture

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

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

(d) Turnover and income recognition

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

Gate and other match 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 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.





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Depreciation

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

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

Freehold land is not depreciated. No depreciation is, or will be, charged on the Group's new stadium development until the new stadium is complete and has been brought into use in the Group's business.

(f) New stadium project

Directly attributable costs incurred in the period relating to the new stadium development have been capitalised. Acquisitions of freehold property are recognised on exchange of unconditional purchase contracts or on completion. Where properties acquired relate to the stadium site they have been included in Fixed Assets. Where properties which are intended to be sold have been acquired they have been included in stock as development properties.

(g) Finance costs

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

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. Capitalisation will cease when substantially all of the activities that are necessary to get the asset ready for use are complete.

(h) Debt

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

(i) Derivative financial instruments

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

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

(j) Stocks

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

Development property comprises freehold land inclusive of the direct cost of acquisition and other directly attributable property development costs including interest.





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Player registrations

The costs associated with the acquisition of players' registrations are capitalised and amortised, in equal instalments, over the period of the respective players' contracts. Provision is made for any impairment and player registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

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

(l) Foreign currencies

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

(m) Deferred income

Deferred income represents income from sponsorship agreements and other contractual agreements which is credited to the profit and loss account over the period of the agreement and season ticket renewals for the 2004/05 season.

(n) Leases

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

(o) Pensions

The Group makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes the principal one of which is The Football League Pension and Life Assurance Scheme. Contributions are charged to the profit and loss account over the period to which they relate. In addition the Group is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the "Scheme"). A provision has been established for the Group's share of the deficit which exists in this section of the scheme and this additional contribution is being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have already retired or who have left the Group has been charged to the profit and loss account.

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

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

(p) Taxation

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

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



NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

1 PRINCIPAL ACCOUNTING POLICIES (continued)

(p) Taxation (continued)

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

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

2 Segmental analysis

Class of business:	Football		Property development		Group	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Turnover	<u>115,062</u>	<u>103,801</u>	<u>41,825</u>	<u>14,030</u>	<u>156,887</u>	<u>117,831</u>
Segment operating (loss)/profit	(5,797)	723	16,053	3,322	10,256	4,045
Share of operating loss of joint venture	(67)	(165)	-	-	(67)	(165)
Profit on disposal of player registrations	2,282	1,370	-	-	2,282	1,370
Net finance charges	<u>(1,090)</u>	<u>(320)</u>	<u>(804)</u>	<u>(401)</u>	<u>(1,894)</u>	<u>(721)</u>
(Loss)/profit on ordinary activities before taxation	<u>(4,672)</u>	<u>1,608</u>	<u>15,249</u>	<u>2,921</u>	<u>10,577</u>	<u>4,529</u>
Segment net assets/(liabilities)	<u>84,980</u>	<u>88,090</u>	<u>(617)</u>	<u>(11,879)</u>	<u>84,363</u>	<u>76,211</u>

3. Turnover

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

	2004 £000's	2003 £000's
Gate and other match day revenues	33,765	27,907
Broadcasting	59,780	51,802
Retail	6,885	8,534
Commercial	14,132	15,558
Property development	41,825	14,030
Player trading	500	-
	<u>156,887</u>	<u>117,831</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

4 Operating expenses

	2004 £000's	2003 £000's
Operating expenses comprise:		
Amortisation of player registrations	20,137	18,774
Depreciation	1,922	1,826
Total depreciation and amortisation	22,059	20,600
Staff costs (see note 6)	69,889	60,569
Cost of property sales	25,526	8,115
Other operating charges	22,888	22,002
Operating expenses before exceptional items	140,362	111,286
New stadium project – exceptional	-	2,500
Impairment of player registrations – exceptional	6,269	-
Total operating expenses	146,631	113,786

The directors have carried out a detailed review of the carrying value of the Group's player registrations, in particular taking account of the anticipated market value of players who have been identified as surplus to current First Team squad requirements. As a result an additional amortisation charge of £6,269,000 has been made to reflect the impairment in carrying value of certain players' registrations and to reduce the book value of these registrations to their expected recoverable amount. This impairment charge is classed as exceptional.

Other operating charges include:

Auditors' remuneration

- audit	93	75
- non-audit services	432	359
Operating lease payments		
- plant and machinery	224	196
- other	303	63
(Profit)/loss on disposal of tangible fixed assets	(20)	54

Included in the above are audit fees of £10,000 (2003 - £10,000) in respect of the company.

The fees for non-audit services in the table above primarily relate to advice for corporate and employee taxation. In addition to the amounts disclosed above the Group incurred non-audit services fees payable to the company's auditors in relation to its ongoing property developments of £92,000 (2003: £653,000) (included within fixed assets) and £Nil (2003: £175,000) (included in development property stocks).

Further amounts of £Nil (2003 - £236,000) were paid to the company's auditors and included in fixed assets in respect of IT systems development and £248,000 (2003: £Nil) included in the costs of raising bank loan finance.





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

5 Net finance charges

	2004 £000's	2003 £000's
Interest payable and similar charges:		
Bank loans and overdrafts	(4,160)	(1,324)
Other	(447)	(238)
Costs of raising short term finance	(942)	-
Costs of raising long term finance	(418)	-
	<u>(5,967)</u>	<u>(1,562)</u>
Finance costs capitalised	3,968	673
Total interest payable and similar charges	<u>(1,999)</u>	<u>(889)</u>
Interest receivable	105	168
	<u>(1,894)</u>	<u>(721)</u>

Of the interest capitalised, an amount of £3,462,000 (2003: £76,000) is included in tangible fixed assets and £506,000 (2003: £597,000) is included in development property stocks.

6 Employees

The average number of persons employed by the Group during the year was:

	2004 Number	2003 Number
Playing staff	72	71
Training staff	31	29
Administrative staff	135	129
Ground staff	33	27
	<u>271</u>	<u>256</u>
	£000's	£000's
Staff costs:		
Wages and salaries	61,322	52,419
Social security costs	6,204	5,597
Other pension costs	2,363	2,553
	<u>69,889</u>	<u>60,569</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

7 Directors' emoluments

	Salary/fees	Bonus	2004 Benefits	Sub total	Pension	Total	2003 Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
PD Hill Wood	40	-	-	40	-	40	41
DB Dein	250	-	-	250	-	250	255
Sir Roger Gibbs	5	-	-	5	-	5	5
RCL Carr	5	-	-	5	-	5	5
KJ Friar OBE	199	198	20	417	110	527	483
DD Fisman	5	-	-	5	-	5	5
KG Edelman	407	315	6	728	9	737	468
	<u>911</u>	<u>513</u>	<u>26</u>	<u>1,450</u>	<u>119</u>	<u>1,569</u>	<u>1,262</u>

The pension contribution for K.J. Friar OBE represents part of the deficit on the Football League Pension and Life Assurance Scheme and reflects the insufficiency of contributions required by the scheme in previous years.

8 Tax on profit on ordinary activities

	2004 £000's	2003 £000's
UK Corporation tax charge at 30% (2003 – 30%)	1,632	1,010
Over-provision in respect of prior years	(379)	(127)
Total current taxation	<u>1,253</u>	<u>883</u>
Deferred taxation (see note 18)		
Origination and reversal of timing differences	1,671	(362)
Over-provision in respect of prior years	(499)	-
Total tax on profit on ordinary activities	<u>2,425</u>	<u>521</u>
The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:		
Group profit on ordinary activities before tax	<u>10,577</u>	<u>4,529</u>
Tax on Group profit on ordinary activities before tax at standard UK corporation tax rate of 30% (2003 – 30%)	3,173	1,359
Effects of:		
Utilisation of tax losses	(114)	(1,355)
Enhanced tax reliefs	(2,479)	(438)
Capital allowances in excess of depreciation	(520)	(25)
Expenses not deductible for tax purposes	1,568	1,419
Losses of joint venture not valued for tax purposes	4	50
Adjustments to tax charge in respect of prior years	(379)	(127)
Group current tax for the year	<u>1,253</u>	<u>883</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

8 Tax on profit on ordinary activities (continued)

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

- any change in the standard rate of UK taxation, currently 30%;
- the planned level of capital investment which is expected to increase significantly with the result that the Group expects to be able to claim capital allowances in excess of depreciation in future years;
- the quantum of tax losses to be agreed on the new stadium project expenditure incurred to date; and
- the legislation relating to taxation of profits on disposal of intangible assets, including player registrations, and rollover relief thereon.

9 Earnings per share

Earnings per share (basic and diluted) are based on attributable retained profit and are calculated based on the weighted average number of ordinary shares of the Company in issue – 58,947 shares (2003 – 58,947 shares).

10 Tangible fixed assets

	Assets in course of construction £000's	Freehold properties £000's	Leasehold properties £000's	Plant and equipment £000's	Total £000's
Group					
Cost					
At 1 June 2003	51,494	70,561	8,142	9,018	139,215
Additions	66,704	22,123	62	523	89,412
Disposals	-	-	-	(50)	(50)
Transfers	2,891	(2,160)	(3,371)	-	(2,640)
At 31 May 2004	<u>121,089</u>	<u>90,524</u>	<u>4,833</u>	<u>9,491</u>	<u>225,937</u>
Depreciation					
At 1 June 2003	-	6,493	785	7,167	14,445
Charge for the year	-	1,011	216	695	1,922
Disposals	-	-	-	(45)	(45)
At 31 May 2004	<u>-</u>	<u>7,504</u>	<u>1,001</u>	<u>7,817</u>	<u>16,322</u>
Net book value					
At 31 May 2004	<u>121,089</u>	<u>83,020</u>	<u>3,832</u>	<u>1,674</u>	<u>209,615</u>
At 31 May 2003	<u>51,494</u>	<u>64,068</u>	<u>7,357</u>	<u>1,851</u>	<u>124,770</u>

At 31 May 2004 the Group had contracted capital commitments of £175.2 million (2003 - £3.7 million).





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

11 Intangible fixed assets

	2004 £000's
Cost of player registrations	
At 1 June 2003	100,683
Additions	22,139
Disposals	(705)
At 31 May 2004	<u>122,117</u>
Amortisation of player registrations	
At 1 June 2003	61,287
Charge for the year	20,137
Impairment (see note 4)	6,269
Disposals	(565)
At 31 May 2004	<u>87,128</u>
Net book value	
At 31 May 2004	<u>34,989</u>
At 31 May 2003	<u>39,396</u>

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

12 Investments

	2004 £000's	2003 £000's
Investment in joint venture		
Investments at cost	20,000	20,000
Accumulated share of loss of joint venture	(912)	(845)
Adjustment to eliminate unrealised profit on sale of intangible assets	(20,000)	(20,000)
Provision against share of losses of joint venture (note 18)	<u>(912)</u>	<u>(845)</u>

The joint venture represents an interest in Arsenal Broadband Limited, a company incorporated in Great Britain and engaged in running the official Arsenal Football Club internet portal. The Group owns all of the 20,000,001 Ordinary "A" shares of £1 each and the one "C" share of £1 issued by Arsenal Broadband and controls 50 per cent of the voting rights. The Group's share of the assets included in the audited balance sheet of Arsenal Broadband Limited for the year ended 31 May 2004 is as follows:

	2004 £000's	2003 £000's
Current assets	260	215
Liabilities due within one year	<u>(1,172)</u>	<u>(1,060)</u>
	<u>(912)</u>	<u>(845)</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

12 Investments (continued)

Investments in subsidiary undertakings

Company

Balance at 1 June 2003 and 31 May 2004

£000's
30,059

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

	Country of incorporation	Proportion of shares owned	Principal activity
Arsenal Football Club plc	Great Britain	100%	Professional football club
Ashburton Properties Limited*	Great Britain	100%	Property development
Ashburton Trading Limited	Great Britain	100%	Property development
Ashburton Trading (Sales) Limited*	Great Britain	100%	Property holding
Ashburton Properties (Northern Triangle) Limited*	Great Britain	100%	Property development
Highbury Holdings Limited	Great Britain	100%	Property holding
Gillespie (Jersey) Limited*	Jersey	100%	Property holding
Gillespie Holding Company (Jersey) Limited*	Jersey	100%	Property holding
Arsenal Overseas Limited*	Jersey	100%	Retail operations

13 Stocks - development properties

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

14 Debtors

	Group		Company	
	2004 £000's	2003 £000's	2004 £000's	2003 £000's
Amounts recoverable within one year:				
Trade debtors	16,186	744	-	-
Other debtors	4,035	10,178	-	-
Prepayments and accrued income	10,426	12,226	-	-
	<u>30,647</u>	<u>23,148</u>	<u>-</u>	<u>-</u>
Amounts recoverable in more than one year:				
Trade debtors	18,605	-	-	-
Amount due from group undertakings	-	-	40,610	22,513
Other debtors	92	3,563	-	-
	<u>18,697</u>	<u>3,563</u>	<u>40,610</u>	<u>22,513</u>

Trade debtors of £29.0 million, of which £10.4 million is recoverable within one year, are supported by bank guarantees. Other debtors, recoverable within one year, include £3.3 million in respect of player transfers (2003 - £4.7 million).





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

15 Creditors: amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£000's	£000's	£000's	£000's
Bank loans and overdrafts - secured	23,715	47,180	-	-
Trade creditors	6,843	29,317	-	-
Corporation tax	3,590	1,271	-	-
Other tax and social security	2,925	1,955	-	-
Other creditors	11,885	5,785	-	-
Accruals and deferred income	54,579	40,121	-	-
	<u>103,537</u>	<u>125,629</u>	<u>-</u>	<u>-</u>

Other creditors, above and as disclosed in note 16, include £13.1 million (2003 - £7.0 million) in respect of player transfers.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	2004	2003	2004	2003
Bank loans - secured	119,013	-	-	-
Debenture loans	24,543	14,438	10,105	-
Other creditors	2,584	2,383	-	-
Deferred income	2,439	815	-	-
	<u>148,579</u>	<u>17,636</u>	<u>10,105</u>	<u>-</u>
Debenture loans comprise:				
Par value of debentures plus accumulated interest	24,896	14,438	10,458	-
Costs of raising finance	(353)	-	(353)	-
	<u>24,543</u>	<u>14,438</u>	<u>10,105</u>	<u>-</u>

Under the issue terms debentures with a par value of £14,438,000 are repayable at par after 138 years and these debentures are interest free. Debentures with a par value of £10,224,000 are repayable at the option of the debenture holders in 24 years and carry cumulative compound interest at 2.75% per annum.

	Group	
	2004	2003
Bank loans comprise:		
Bank loans - secured	158,006	47,180
Costs of raising finance	(15,278)	-
	<u>142,728</u>	<u>47,180</u>
Due within one year	23,715	47,180
Due after more than one year	119,013	-
	<u>142,728</u>	<u>47,180</u>



NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

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

	Group	
	2004	2003
	£000's	£000's
Bank loans are repayable as follows:		
Between one and two years	15,976	-
Between two and five years	40,512	-
After five years	76,933	-
	<u>133,421</u>	<u>-</u>
Within one year	24,585	47,180
Total bank loans	<u>158,006</u>	<u>47,180</u>

The Group's bank loans are secured by a mixture of legal mortgages and fixed charges on the freehold and leasehold property owned by the Group, by fixed charges over certain of the Group's trade debtors and the related bank guarantees, by fixed charges over £8.4 million of the Group's bank deposits, by fixed charges over the share capital of certain subsidiary companies and fixed and floating charges over the other assets of certain subsidiary companies.

17. Derivative financial instruments

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

The Group has entered into interest rate swaps the purpose of which is to minimise its exposure to interest rate risk. The Group does not hold or issue derivative financial instruments for speculative purposes.

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

Interest rate profile

After taking into account interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 May 2004 was as follows:

	Fixed rate	Floating rate	Interest free	Total	Weighted average fixed rate	Weighted average period for which rate is fixed
	2004	2004	2004	2004		
	£000's	£000's	£000's	£000's	%	yrs
Bank loans	142,187	15,819	-	158,006	7.2	10
Debenture loans	10,458	-	14,438	24,896	2.8	24
	<u>152,645</u>	<u>15,819</u>	<u>14,438</u>	<u>182,902</u>		





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

17. Derivative financial instruments (continued)

The interest rate profile at 31 May 2003 for comparative purposes was:

	Fixed rate 2003	Floating rate 2003	Interest free 2003	Total 2003
	£000's	£000's	£000's	£000's
Bank loans	-	47,180	-	47,180
Debenture loans	-	-	14,438	14,438
	<u>-</u>	<u>47,180</u>	<u>14,438</u>	<u>61,618</u>

The interest rate on the floating rate element of bank loans is currently set at LIBOR plus 1.95% (2003 - 1.5%). Other than banks deposits, which earn interest at rates linked to LIBOR, the Group's financial assets do not attract interest. In addition to the above, the Group has commitments under letters of credit, as disclosed in note 25, of £6.3 million on which interest is currently paid at a fixed rate of 2%.

Borrowing facilities

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

	2004	2003
	£000's	£000's
Expiring in:		
One year or less	25,000	17,800
Between two and five years	<u>177,281</u>	<u>-</u>

Fair values

The fair value of all financial instruments at 31 May 2003 and 2004, other than interest rate swaps as disclosed below, was not materially different from their book value.

	2004		2003	
	Book value	Fair value	Book value	Fair value
	£000's	£000's	£000's	£000's
Derivative financial instruments held to manage the Group's interest rate profile:				
Interest rate swaps	<u>-</u>	<u>(734)</u>	<u>-</u>	<u>-</u>

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

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





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

17. Derivative financial instruments (continued)

	Group	
	2004 £000's	2003 £000's
An analysis of these unrecognised gains and losses is as follows:		
Unrecognised losses arising in year	(734)	-
Unrecognised losses at end of year	(734)	-
Of which:		
Gains and losses expected to be recognised in 2005	-	-
Gains and losses expected to be recognised in 2006 or later	(734)	-

Foreign currency

Included in other debtors are amounts of £1.0 million (2003: £Nil) denominated in Euros and £1.1 million (2003 - £2.0 million) denominated in US dollars.

Included in other creditors are amounts of £8.1million (2003: £Nil) denominated in Euros and £0.4 million (2003 - £2.8 million) denominated in US dollars.

18. Provisions for liabilities and charges

	Group	
	2004 £000's	2003 £000's
Share of losses of joint venture (see note 12)	912	845
Pensions provision (see note 27 (b))	982	1,319
Deferred taxation	2,289	1,118
Other	-	1,023
	<u>4,183</u>	<u>4,305</u>

The other provision at 31 May 2003 related to obligations under a property lease contract connected with the new stadium project and was charged within assets in the course of construction. The provision is no longer required and has been released unused. The deferred tax charge for the year was £1.17 million (see note 8).

	Group	
	2004 £000's	2003 £000's
Deferred tax provision		
Deferred tax in respect of:		
Player registrations at start of year	176	480
Released to profit and loss account	(49)	(304)
Player registrations at end of year	127	176
Corporation tax deferred by accelerated capital allowances	1,966	1,177
Other timing differences	592	(235)
Tax losses available	(396)	-
Total provision for deferred taxation	<u>2,289</u>	<u>1,118</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

19. Called up share capital

	2004 Number	2003 Number
Authorised		
Ordinary shares of £1 each	62,217	62,217
Subscriber Ordinary shares of £1 each	2	2
Redeemable preference shares	<u>49,998</u>	<u>49,998</u>
	£	£
Allotted, issued and fully paid		
Subscriber Ordinary shares of £1	2	2
Ordinary shares of £1 each	<u>58,947</u>	<u>58,947</u>

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

The Company has entered into an additional subscription agreement with Granada Media Group Limited whereby Granada will subscribe for an additional 2,947 Ordinary Shares for a consideration of £30 million upon the fulfilment of certain conditions.

20. Other reserves

	Merger reserve £000's
Group	
Balance at 1 June 2003 and 31 May 2004	<u>26,699</u>

21. Profit and loss account

	Group Profit and loss account £000's	Company Profit and loss account £000's
Balance at 31 May 2003	49,453	52,513
Profit for the year	8,152	7,992
Balance at 31 May 2004	<u>57,605</u>	<u>60,505</u>

22. Reconciliation of movement in equity shareholders' funds

	2004 £000's	2003 £000's
Profit for the year	8,152	4,008
Opening equity shareholders' funds	76,211	72,203
Closing equity shareholders' funds	<u>84,363</u>	<u>76,211</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

23. Notes to the consolidated cash flow statement

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

	2004 £000's	2003 £000's
Operating profit	10,256	4,045
Amortisation of player registrations	26,406	18,774
(Profit)/loss on disposal of tangible fixed assets	(20)	54
Depreciation	1,922	1,826
Decrease/(increase) in stock	11,348	(4,932)
Increase in debtors	(24,086)	(11,040)
Increase/(decrease) in creditors	14,845	(8,165)
Net cash inflow from operating activities	40,671	562

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

	2004 £000's	2003 £000's
Increase/(decrease) in cash for the period	32,832	(21,509)
Cash inflow from increase in debt	(113,833)	(39,000)
Change in net debt	(81,001)	(60,509)
Net (debt)/funds at start of year	(60,267)	242
Net debt at end of year	(141,268)	(60,267)

Bank balances, included in net debt of £31,000 (2003 - £1,243,000) are held in an employee benefit trust at the discretion of the trustees.

(c) Analysis of changes in net debt

	At 1 June 2003 £000's	Cash flows £000's	At 31 May 2004 £000's
Cash at bank and in hand	1,351	24,652	26,003
Bank overdrafts	(8,180)	8,180	-
	(6,829)	32,832	26,003
Debt due within one year - bank loans	(39,000)	15,285	(23,715)
Debt due after more than one year - bank loans	-	(119,013)	(119,013)
Debt due after more than one year - debenture subscriptions	(14,438)	(10,105)	(24,543)
Net debt	(60,267)	(81,001)	(141,268)





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

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

(d) Gross cash flows

	2004 £000's	2003 £000's
Player registrations:		
Payments for purchase of players	(16,063)	(20,552)
Receipts from sale of players	3,875	3,790
	<u>(12,188)</u>	<u>(16,762)</u>
 Returns on investment and servicing of finance:		
Interest received	105	168
Finance charges paid	(5,439)	(1,515)
	<u>(5,334)</u>	<u>(1,347)</u>
 Capital expenditure:		
Payments to acquire tangible fixed assets	(105,092)	(42,534)
Receipts from sale of tangible fixed assets	25	7
	<u>(105,067)</u>	<u>(42,527)</u>
 Financing:		
Repayment of short term borrowings	(40,181)	-
Increase in short term borrowings	25,766	39,000
Issue of debentures	10,458	-
Increase in long term borrowings	133,421	-
Costs of raising finance	(15,631)	-
	<u>113,833</u>	<u>39,000</u>

24. Leasing commitments

Commitments due under operating leases for the period to 31 May 2005 are in respect of:

	2004		2003	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
Leases expiring in:				
Within one year	-	9	-	107
Two to five years	-	85	-	80
Over five years	638	-	150	-
	<u>638</u>	<u>94</u>	<u>150</u>	<u>187</u>





NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

25. Contingencies

Under the conditions of certain transfer agreements in respect of players purchased, further transfer fees will be payable to the vendors in the event of the players concerned making a certain number of First Team appearances or in the event of certain other future events specified in the transfer agreements. In accordance with the Group's accounting policy for transfer fees, any additional fees which may be payable under these agreements, will be accounted for in the year that it becomes probable that the number of appearances will be achieved or the specified future events will occur. The maximum potential liability is £7.4 million (2003 - £4.7 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 (2003 - £Nil). Provision has been made in the accounts for those costs incurred under these contractual obligations by the balance sheet date. When these liabilities are paid the commitment outstanding under letters of credit will be reduced accordingly.

26. Related party transactions

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

	2004 Income/ (charge) £000's	2003 Income/ (charge) £000's
Provision of office services	17	-
Merchandising and advertising sales	(134)	(142)

At 31 May 2004 the balance owing from the Group to Arsenal Broadband Limited was £326,000 (2003 - £278,000).

27. Pensions

a) *Defined contribution schemes*

Total contributions charged to the profit and loss account during the year amounted to £2,193,000 (2003 - £1,973,000).

b) *Defined benefit scheme*

	2004 £000's	2003 £000's
Provision at start of year	1,319	961
Payments in year	(337)	(455)
Increase in provision	-	813
Provision at end of year	982	1,319

The Group is advised only of its share of the deficit in the Scheme. The most recent actuarial valuation of the Scheme was as at 31 August 2002 and indicated that the contribution required from the Group towards making good this deficit was £1.38 million at 1 April 2003 (the total deficit in the Scheme at this date was £13.9 million).

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

The agreed revised deficit is being paid off over a period of 10 years commencing May 2003. Payments for the year amounted to £337,000 and the profit and loss account charge was £170,000 (2003 - £591,000).





Arsenal

Statement of Accounts and Annual Report 2003/2004

CHAMPIONS
2003/2004 PREMIERSHIP WINNERS

NOTES TO THE ACCOUNTS

For the year ended 31 May 2004

28. Post balance sheet events

Since the end of the financial year a subsidiary company, Arsenal Football Club plc, has contracted for the purchase and sale of various players. The net cost of these transfers, taking into account the applicable levies, is £0.7 million. These transfers will be accounted for in the year ending 31 May 2005.





FIVE YEAR SUMMARY

	2000	2001	2002	2003	2004
	£000's	£000's	£000's	£000's	£000's
Profit and Loss Account					
Group Turnover	61,260	64,689	90,967	117,831	156,887
Operating profit before player trading and exceptional costs	8,940	6,505	7,292	25,319	36,162
Operating expenses - player registrations	(10,172)	(15,145)	(17,681)	(18,774)	(19,637)
Operating expenses - exceptional	-	(6,561)	(15,206)	(2,500)	(6,269)
Operating (loss)/profit	(1,232)	(15,201)	(25,595)	4,045	10,256
Share of results of joint venture	-	(168)	(512)	(162)	(67)
Profit on disposal of player registrations	22,216	25,121	2,873	1,370	2,282
Exceptional profits	-	20,000	-	-	-
Net interest	231	1,615	891	(721)	(1,894)
Profit / (loss) before tax	21,215	31,367	(22,343)	4,532	10,577
Profit / (loss) after tax	14,067	26,272	(20,562)	4,011	8,152
Earnings per share	£251.20	£453.90	(£348.82)	£68.04	£138.29
Balance Sheet					
Tangible fixed assets	36,491	42,024	46,430	124,770	209,615
Intangible fixed assets	38,832	45,111	53,060	39,396	34,989
Net current (liabilities) / assets	(4,566)	31,222	(4,595)	(66,014)	(7,479)
Long term creditors and provisions	(30,729)	(25,592)	(22,692)	(21,938)	(152,762)
Net assets	40,028	92,765	72,203	76,214	84,363
Share capital	56	59	59	59	59
Reserves	39,972	92,706	72,144	76,155	84,304
Shareholders funds	40,028	92,765	72,203	76,214	84,363
Net assets per share	£714.79	£1,573.10	£1,224.88	£1,292.92	£1431.17

Playing record

FA Premier League	2nd	2nd	Champions	2nd	Champions
FA Challenge Cup	4th round	Finalists	Winners	Winners	Semi-finalists
Europe	1st round	Quarter finals	2nd round	2nd round	Quarter finals
	Champions League	Champions League	Champions League	Champions League	Champions League
	Finalist				
	UEFA Cup				





NOTICE OF ANNUAL GENERAL MEETING

ARSENAL HOLDINGS PLC

NOTICE IS HEREBY GIVEN that the third Annual General Meeting of the shareholders of Arsenal Holdings plc will be held at the Arsenal Stadium, Avenell Road, Highbury, London N5 1BU on Thursday 7 October 2004, at 12 noon when the following ordinary business will be transacted, viz:

1. To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon for the year ended 31 May 2004.
2. To re-elect D.D. Fiszman, a Director, who retires by rotation in accordance with article 88 of the articles of association.
3. To re-elect K.G. Edelman, a Director, who retires by rotation in accordance with article 88 of the articles of association.
4. To elect Deloitte & Touche LLP as Auditors for the ensuing year and authorise the Directors to fix their remuneration.
5. To transact any other ordinary business of the meeting.

By Order of the Board

D MILES

SECRETARY

Registered Office:

Arsenal Stadium

Avenell Road

Highbury

London. N5 1BU.

Note: Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on the members behalf. A proxy need not be a member of the Company. The form of proxy should be deposited at the Registered Office of the Company not later than 48 hours before the time appointed for the meeting. Where a form of proxy is signed under power of attorney or other authority, the form of proxy should be accompanied by the authorising instrument of a notarially certified copy. The sending of a form of proxy will not preclude members from attending and voting at the meeting in person, should they so wish.





AGM VOTING FORM

ARSENAL HOLDINGS PLC

I, the undersigned hereby appoint P D Hill Wood, Esq., whom failing D B Dein Esq., whom failing Sir Roger Gibbs, whom failing R C L Carr Esq., whom failing D D Fisman Esq., whom failing K J Friar OBE, whom failing K G Edelman Esq., as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Thursday 7 October 2004, and at any adjournment thereof.

Dated this _____ day of _____ 2004

Signature _____

Name (in block capitals) _____

Address _____

Resolution No.1	FOR* / AGAINST*
Resolution No.2	FOR* / AGAINST*
Resolution No.3	FOR* / AGAINST*
Resolution No.4	FOR* / AGAINST*
Resolution No.5	FOR* / AGAINST*

**Delete as appropriate*

Unless otherwise instructed the proxy will vote as he thinks fit.

This form DOES NOT permit admission to the Annual General Meeting and must be deposited at the Registered Office of the Company not less than 48 hours prior to the time of the meeting.

CUT HERE





Arsenal

Statement of Accounts and Annual Report 2003/2004

CHAMPIONS
2003/2004 PREMIERSHIP WINNERS

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No BS LON 11449

2

Arsenal Holdings PLC
Arsenal Stadium
Highbury
LONDON
N5 1BR

FIRST FOLD

THIRD FOLD AND TUCK IN