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ARSENAL PLC

109244



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FINANCIAL HIGHLIGHTS

	2001	2000
	£000's	£000's
Turnover	62,911	61,260
Operating (Loss) / Profit	(1,356)	8,940
Net Player Trading	9,976	12,044
Pre-Tax Profit	29,401	21,215
Earnings per Share	£419.07	£251.96
Equity Shareholders' Funds	91,799	41,078

DIRECTORS, OFFICERS & ADVISERS

PRESIDENT

Sir Robert Bellinger GBE DSc

MANAGER

A Wenger

LIFE VICE PRESIDENT

C E B L Carr

SECRETARY

D Miles

DIRECTORS

P D Hill-Wood (Chairman)

D B Dein (Vice Chairman)

Sir Roger Gibbs

R C L Carr

D D Fiszman

K J Friar OBE

K G Edelman (Managing)

GROUP CHIEF ACCOUNTANT

P M Game FCA

AUDITORS

HLB Kidsons

Spectrum House

20-26 Cursitor Street

London EC4A 1HY

BANKERS

Barclays Bank Plc

Holloway & Kingsland Business Centre

PO Box 3628

London E8 2JX

SOLICITORS

Lawrence Jones

Sea Containers House

20 Upper Ground

Blackfriars Bridge

London SE1 9LH

REGISTRARS

C I Registrars Limited

Cresta House

Alma Street

Luton

Bedfordshire LU1 2PU

REGISTERED OFFICE

Arsenal Stadium

Avenell Road

Highbury

London N5 1BU

COMPANY REG. NO. 109244 ENGLAND

THE CHAIRMAN'S REPORT

ON THE FIELD

Once again, Arsène Wenger, his staff and players can be proud of their achievements on the field last season. We reached the last eight of the UEFA Champions League for the first time and finishing second in the Premiership ensures Champions League football for the fourth successive year.

We also participated in another major cup final but, unfortunately, lost in painful circumstances. Losing an FA Cup Final is always a difficult experience, but after dominating the match for so long, it was especially disappointing.

The 2000/2001 season will, however, be remembered by all at the Club as the season in which we experienced the tragic deaths of Arsenal legends George Armstrong and David Rocastle.

'Geordie' spent the last decade coaching our reserve team side. He was an inspiring coach as well as a superb player, making a remarkable total of 621 appearances for the Club and was integral player in the Club's 1970/71 Double winning side.

'Rocky' joined Arsenal in August 1983 at the tender age of 16 and spent a very successful nine years with the Club. He was a talented midfielder, being part of the 1989 and 1991 League Championship winning sides. He made a total of 277 appearances for the Club, in which time he won 14 caps for England.

Both George Armstrong and David Rocastle will be sorely missed.

We were also saddened last season by the untimely death of youth player Niccolo Galli. Young Italian defender Niccolo was part of the FA Youth Cup winning team in 2000 and was a defensive rock to our Under 17 and Under 19 sides. He will also be sorely missed by everyone at Arsenal Football Club.

GRANADA MEDIA PARTNERSHIP

In September 2000 the Club signed a strategic partnership agreement with Granada Media plc.

Under the agreement Granada Media made an initial investment of £47 million in return for 5 per cent of the enlarged share capital of the Club, a 50 per cent interest in Arsenal Broadband, a global portal which is exploiting the Club's rights through its internet

The Chairman's Report

presence, and the appointment of Granada Media as our exclusive commercial services and media rights agent.

In addition, Granada Media has agreed to acquire an additional 4.99 per cent of the enlarged equity in Arsenal Football Club for £30 million. This arrangement is conditional on the finalisation of our plans for the new stadium.

The partnership will assist us in meeting the Club's strategic objectives. These are to build both a world class team and a new stadium with an increased capacity, so that more of our supporters can enjoy watching the team, and to develop the Arsenal brand on a global basis by extending our fan base around the world. The Board looks forward to a long and fruitful relationship with Granada Media.

CLUB DIRECTORS

On 12th July 2001 Clive Carr officially resigned from the Arsenal Football Club Board of Directors. Mr Carr loyally served on the Board for 20 years and his valuable contribution will be sadly missed.

Although retiring from the Board, I am delighted to announce that Mr Carr has accepted our offer to become a Life Vice President of the Football Club.

NEW STADIUM PROPOSAL

Staging last season's Champions League matches at Highbury proved to be a great success both on the field and behind the scenes. The strict guidelines set by UEFA for Champions League matches meant that the Club had to work extremely hard to meet the requirements. The necessary changes made to Highbury for the matches did result in a reduced capacity and significant inconvenience to many loyal supporters whom I thank for their understanding.

Although the Club has adapted admirably to hosting major European matches at Highbury, many thousands of supporters are still unable to watch the team. For some time now we have conceded that there are natural limitations at Highbury, which is the reason why the Club continues to vigorously pursue a planned move to a 60,000 capacity stadium at Ashburton Grove, N7.

There have been a number of positive developments this year in our proposed stadium relocation which are fully detailed on pages 12 to 13.

The Chairman's Report

NEW SCHEME OF ARRANGEMENT

As part of the arrangements being made to construct the new stadium at Ashburton Grove, it is intended that the Arsenal Group will introduce a new holding company.

The reason for establishing a new holding company for the Arsenal Group is to provide greater flexibility in making the necessary financial arrangements for the construction of the new stadium and for the related property development required in connection with the move from the existing stadium at Highbury to the proposed new site.

It is also expected that the introduction of a new holding company will assist in the continued running of the business of the Group.

YOUTH DEVELOPMENT

Our youth team sensationally repeated their success of 2000 by again winning The FA Youth Cup. Their two-legged victory over Blackburn Rovers was the first time in over 20 years that The FA Youth Cup has been successfully defended.

The rapid progress of Ashley Cole into the England senior squad is particularly pleasing, but the overall strength and depth of youth players at the Club was clearly demonstrated again last season. We are all confident that this positive trend will continue and we will see more players coming through our system and breaking into the first team squad.

The Chairman's Report

In pursuit of our objective to provide the best foundation for producing home-grown talent, we have recently purchased and developed a site in Hale End, east London, which provides outstanding facilities for our Youth Academy for Boys aged between under 9 and under 16. The site, which has been fully operational since the end of July 2001, will offer Arsenal players of the future exceptional training and playing facilities.

I would like to thank Liam Brady, David Court, Don Howe, Neil Banfield and all of the youth development staff for their continued dedication to the future of the Club.

PLAYER TRANSFERS

Over the course of last season the Club welcomed a number of new players. These included French International striker Sylvain Wiltord from Bordeaux, Latvian International defender Igors Stepanovs from Skonto Riga and Brazilian midfielder Edu from Corinthians.

At the time of writing, our close season signings saw the arrival of a number of new players to the Club. Francis Jeffers from Everton, Giovanni van Bronckhorst from Rangers, Richard Wright from Ipswich Town, Sol Campbell from Tottenham Hotspur and Junichi Inamoto from Japanese Club Gamba Osaka are all welcome additions to our squad.

Players departing the Club (in chronological order) were Brian McGovern, Rhys Weston, Christopher Wreh, Paolo Vernazza, James Harper, Lee Canoville, Stefan Malz, Nelson Vivas and John Lukic. We wish all these players good fortune in their careers and thank them for their contribution to Arsenal Football Club.

The Chairman's Report

ARSENAL LADIES FOOTBALL CLUB

Arsenal Ladies Football Club continues to set the standard in women's football. Building on their success of last season, our ladies team made a clean sweep of the honours by winning the domestic treble.

Our ladies' Youth Academy has completed a very successful first year and this has been reflected in the continued success of our ladies youth teams.

ARSENAL IN THE COMMUNITY

The Arsenal Community department continues to work tirelessly, both locally to the Club and also in communities further afield. Our initiatives continue to concentrate on under-privileged youths in an effort to provide them with inspiration and direction.

In this year's annual report, we have dedicated a section to the work of 'Arsenal in the Community', which can be found on pages 14 to 17.

FINANCIAL REVIEW

INCOME

Turnover in the year to 31st May, 2001 increased by 2.7% to £62.9 million.

Gate Receipts

In progressing to the Quarter Final stage of the UEFA Champions League and to the FA Cup Final, the Club earned gate receipts from one additional home fixture last season compared to 1999/2000. As a consequence, gate receipts increased to £20.5 million.

Broadcasting

Increased payments from broadcasters last season were partially offset by fewer televised appearances – one less live Sky match and two fewer BBC highlights matches – compared to 1999/2000.

The Chairman's Report

The television and sponsorship income generated by the UEFA Champions League is "pooled" for the benefit of all Clubs in the competition. In reaching the Quarter Final stage, we enjoyed a greater share of an enlarged pool but this was offset by not benefiting from the television revenues for the UEFA Cup as in the previous year.

Retail Income

Whilst many Clubs suffered a downturn in merchandising sales, our own retail income last season rose by 1.78%. Internet sales of replica kit and souvenirs continues to grow satisfactorily with an increasing volume being generated overseas.

Interest

As a direct result of the investment in the Club by Granada Media, net interest earnings in the year rose from £0.2 million to £1.6 million.

EXPENSES

Costs and Overheads increased in the year to £64.3 million from £52.3million, a rise of 22.8%.

Player wage costs accounted in the main for the increase in employment costs of £6.7 million.

A planning application for the building of a new stadium on the Ashburton Grove site was submitted in November 2000. Professional charges incurred in both the design of the new stadium and in connection with the planning application have accounted for the increase in Other Operating Charges of £5.0 million.

Player Trading

The transfer of Emmanuel Petit and Marc Overmars to Barcelona last summer contributed to a significant player trading profit for the second successive year which has enabled the Club to once again strengthen the first team squad.

The Chairman's Report

For accounting purposes the cost of Player Registrations has to be spread over the period of the respective players' contract. Therefore, additions to the squad have resulted in the amortisation cost of players in recent years having more than doubled from £7.3 million in 1999 to £15.1 million last year (2000 £10.2million).

The new players signed during this summer will again have a significant impact on our Player Registration costs next year.

Profit After Taxation

Corporation Tax of £5.1 million represents a tax charge of 17.5%. The main reason for this is as mentioned in Note 4 to the Financial Statements, that the Exceptional Profit on the disposal of internet and media rights to Arsenal Broadband Limited does not give rise to a corporation tax liability.

Shareholders Funds

At 31st May 2001, Shareholders Funds amounted to £91.8 million compared to £41.1 million a year earlier.

The increase of £50.7 million represents the retained profits of £24.3 million and the net proceeds of the Share Issue to Granada Media of £26.4 million.

PROSPECTS

For the fourth successive season, Arsenal Football Club has started the financial year looking forward to competing in the UEFA Champions League. This achievement is not only pleasing from a football point of view, but participating in Europe's elite competition also presents the Club with important financial rewards so that we can continue to compete at the highest possible level.

The improved deal for the TV broadcasting rights for Premiership football has also enhanced our financial prospects for the next three years.

Nevertheless, the inexorable increase in our costs, particularly player costs, continues

The Chairman's Report

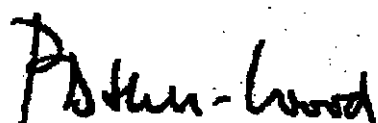
to impact our profitability. This was the reason behind the Board's reluctant decision to increase ticket prices for season 2001/2002 at a higher rate than previous seasons. Our prices are, however, still very competitive with other London clubs.

AUDITORS

HLB Kidsons, who have been our auditors for many years, will be standing down at the AGM. The Board considers that Arthur Andersen, with whom the Group already works on a number of non-audit matters, are ideally placed to take on the additional role of Group auditors. On behalf of the Board I would like to thank HLB Kidsons for the excellent service they have provided to Arsenal over the years.

I also would like to take this opportunity to thank all the staff at the Club for their hard work and dedication during the course of the year. Running a football club and organising match days is a complex logistical exercise, so I would like to convey my appreciation to all the full time and match day staff for their excellent commitment.

Finally, I would like to thank all our shareholders and our sponsors – Nike, Sega and Affinity. Your continued support is greatly appreciated.



P D Hill-Wood
Chairman

PROPOSED NEW STADIUM

As was anticipated in last year's Annual Report, planning applications for the Club's relocation were submitted to the London Borough of Islington in November 2000.

Following widespread public consultation, revised plans on the proposals for the new stadium at Ashburton Grove and associated developments at Lough Road and Highbury were submitted in June 2001. These plans respond positively to comments from local residents, local groups, Islington Council, the Mayor of London, GLA, Transport for London, the University of North London, the Commission for Architecture and the Built Environment (CABE) and other organisations.

Since that time, further public consultations have taken place including public exhibitions and regular updates on the official Club website – arsenal.com. The Club is pleased to confirm that over 75% of Islington residents responding to the Club's consultation have given their full support. The planning officers are due to make their recommendation in the autumn and the Club is hopeful that successful planning consent will be confirmed toward the end of the year.

The scheme is more comprehensive than that originally envisaged, and this is in direct response to the various comments that have been made. The stadium design remains unchanged and will include conference, function, banqueting and educational activities, in addition to 60,000 seats for spectators.

Arsenal Football Club has assembled an elite corps of leading professional consultants to advise on the project. HOK+Lobb, who were responsible for Stadium Australia and the Millennium Stadium in Cardiff, have been appointed to design the new stadium, which will be among the finest in Europe. Burro Happold, who were responsible for the design of the Millennium Dome, has been appointed as specialist consulting structural engineers.

The architect, Piers Gough of CZWG, has designed much of the development on Queensland Road, Drayton Park and part of Lough Road, whilst Sheppard Robson has produced exciting designs for the new Waste and Recycling Centre and the adjacent office and residential development.

Proposed New Stadium

The existing Arsenal Stadium at Highbury will be converted into high quality residential apartments, including affordable housing, which has been designed by Allies & Morrison.

Transport infrastructure and the movement of spectators is of paramount importance and this aspect has been handled by Steer Davies Gleave. Holloway Road underground station is to be upgraded and the Holloway Road/Hornsey Road junction is to be made more pedestrian friendly.

The Club continues to make progress in assembling the site and has already secured control of the majority of the Lough Road site, where it is proposed to relocate the waste and recycling centre from Ashburton Grove in addition to new housing developments and other mixed business uses.

New community health facilities will be introduced both at Highbury and at Lough Road as part of the residential development, close to the existing community they will serve.

Subject to a successful determination of the planning applications at the end of this year, and acquisition of the remainder of the Ashburton Grove site, development work will begin shortly after on the Lough Road site, with work on the new stadium site at Ashburton Grove planned for mid-2002. The complex construction will take approximately two years and the Club is striving to achieve the opening of the new stadium at the start of the 2004/2005 season.

Redevelopment work on Arsenal Stadium would start thereafter and is expected to be completed in around three years.

This will be one of the largest developments in the UK, resulting in the construction of approximately 2,300 new homes, including affordable housing. In addition, 3,900 jobs will be preserved or created thus regenerating a part of Islington that has lain derelict for more than 20 years.

ARSENAL IN THE COMMUNITY

Arsenal in the Community

By the title – 'Arsenal in the Community' it would be a natural assumption to think that all activities are restricted to the local area surrounding Arsenal Football Club. However, although work in the local community is a priority, Arsenal in the Community has expanded by working not only in deprived communities in England, but also by establishing working groups all over the world.

The work of Arsenal in the Community can be divided into four main categories: Arsenal Sports Centre, Arsenal Soccer Schools, Outreach activities and Arsenal Charity Commitments.

ARSENAL SPORTS CENTRE

The Arsenal Sports Centre was rebuilt in 1988 as part of the South Stand redevelopment at the stadium at a cost of £1.5 million, in order that the best possible facility could be offered to the local community.

The Arsenal Sports Centre is open seven days a week and offers a whole host of activities including:

- Local Schools Sessions
- After School Clubs
- Indoor Bowls
- Five and seven-a-side tournaments and competitions
- Community and charitable events
- NVQ Assessment Centre

Arsenal Sports Centre was one of the first accredited NVQ Assessment Centres in Leisure and Recreation. It is the base for the Arsenal Trainee programme which prepares over 30 young people each year – school leavers and unemployed persons – for a career in sports centre management, health and fitness, football coaching and youth work. Trainees receive tuition to NVQ Level 2 and also gain practical experience working in the community.

Arsenal in the Community

ARSENAL SOCCER SCHOOLS

Arsenal Soccer Schools is an initiative which offers children the chance to make new friends in an Arsenal environment and improve their soccer skills in specially prepared coaching programmes for all standards and abilities.

Although the Arsenal Sports Centre is the headquarters of Arsenal Soccer Schools, the Club regularly uses over 50 outside venues to stage the initiative, including Arsenal Soccer Schools organised by ex-Arsenal player Alan Smith in Hertfordshire.

OUTREACH ACTIVITIES

Local Primary Schools Sports Programme

As a demonstration of the Club's commitment to the community for the past 12 years, Arsenal sports staff and trainees have conducted sports lessons free of charge at 11 primary schools in the local area.

Arsenal Double Clubs

Arsenal's community unit has developed a system of after school clubs called the Arsenal Double Clubs that combine coaching football and activities to improve reading, writing and self-expression. A total of 16 primary and secondary schools in Islington, East Barnet and Wandsworth are now involved in the clubs.

Arsenal Study Support Centres

In September 2000 the Club launched the Arsenal Study Support Centre, an after schools project, based in Holloway, which offers children the chance to develop their education and IT skills in an 'Arsenal' environment. This will soon be followed by a second centre based at Arsenal Stadium to be launched in September 2001.

Arsenal Maimonides Soccer School

The purpose of 'Arsenal in the Community' is to demonstrate the positive way that the name and expertise of Arsenal can influence community projects. The Arsenal Maimonides Soccer School is an example of this work in action, nurturing good

Arsenal in the Community

relations between Jewish and Muslim children using football as a medium. A programme was devised to recruit and train Jewish and Muslim volunteers to organise a coaching course for a mixed group of Jewish and Muslim children. Last year the scheme involved over 100 children and 17 volunteers at Arsenal Stadium and also at two London venues.

Coaching abroad

Arsenal has community coaching links with many countries including Bosnia, Cyprus, Egypt, Israel, South Africa, Thailand and the Ukraine, assisting with grass-roots coaching programmes in each territory.

Arsenal Soccer Schools visited a number of foreign communities last year, including Cairo, Chernigov (near Chernobyl) and Soweto.

ARSENAL CHARITY COMMITMENTS

The Arsenal Charitable Trust

The Club's charitable trust has continued to raise money in many ways and to make donations to many worthy causes. Since its formation in 1992, nearly £2 million has been raised directly for the Arsenal Charitable Trust.

The Arsenal Ex-Professional & Celebrity Team

This team, comprising former Arsenal players and celebrities from the world of entertainment, was formed in 1991 with the express intent of raising money for charity. The team stages matches all year round, playing throughout the country and Europe. Since its formation, the Arsenal Ex-Professional & Celebrity Team has been instrumental in raising £1 million for charitable causes.

REVIEW OF THE 2000/2001 SEASON

FIRST TEAM

Last season saw the Arsenal first team finish Premiership runners-up for the third consecutive campaign, ensuring participation in the UEFA Champions League 2001/2002.

Arsène Wenger's team was particularly effective at Highbury, losing just once, while achieving numerous convincing victories, including 5-0 triumphs over Newcastle United and Manchester City, a 6-1 victory over Leicester City and a 1-0 win against Manchester United that featured one of the Premiership's goals of the season from Thierry Henry.

The Gunners also enjoyed a memorable run to The FA Cup Final, played at the Millennium Stadium, Cardiff. Victories over Carlisle United (away), Queens Park Rangers (away), Chelsea (home) and Blackburn Rovers (home) heralded a mouth-watering Semi-Final fixture against north London rivals Tottenham Hotspur at Old Trafford and, despite Spurs taking an early lead, Arsenal triumphed 2-1 with goals from Patrick Vieira and Robert Pires.

Liverpool provided tough opposition in the Final and this time it was Arsenal who took the lead only to concede two late goals and return from Wales empty-handed.

Arsenal also made record progress in the UEFA Champions League reaching the Quarter Finals, where they lost out on the away goals rule to Valencia. The team progressed through two group stages to reach the last eight, with memorable Highbury victories over Ukraine's Shakhtar Donetsk and a star-studded Lazio side. Notable away performances in Europe included victories in Prague and Lyon, in addition to a respectable draw against Lazio in Rome.

F.A. CARLING PREMIERSHIP FINAL TABLE

		HOME						AWAY							
	Pld	W	D	L	F	A	W	D	L	F	A	GD	Pts		
Manchester United	38	15	2	2	49	12	9	6	4	30	19	+48	80		
Arsenal	38	15	3	1	45	13	5	7	7	18	25	+25	70		
Liverpool	38	13	4	2	40	14	7	5	7	31	25	+32	69		
Leeds United	38	11	3	5	36	21	9	5	5	28	22	+21	68		
Ipswich Town	38	11	5	3	31	15	9	1	9	26	27	+15	66		
Chelsea	38	13	3	3	44	20	4	7	8	24	25	+23	61		
Sunderland	38	9	7	3	24	16	6	5	8	22	25	+5	57		
Aston Villa	38	8	8	3	27	20	5	7	7	19	23	+3	54		
Charlton Athletic	38	11	5	3	31	19	3	5	11	19	38	-7	52		
Southampton	38	11	2	6	27	22	3	8	8	13	26	-8	52		
Newcastle United	38	10	4	5	26	17	4	5	10	18	33	-6	51		
Tottenham Hotspur	38	11	6	2	31	16	2	4	13	16	38	-7	49		
Leicester City	38	10	4	5	28	23	4	2	13	11	28	-12	48		
Middlesbrough	38	4	7	8	18	23	5	8	6	26	21	0	42		
West Ham United	38	6	6	7	24	20	4	6	9	21	30	-5	42		
Everton	38	6	8	5	29	27	5	1	13	16	32	-14	42		
Derby County	38	8	7	4	23	24	2	5	12	14	35	-22	42		
Manchester City	38	4	3	12	20	31	4	7	8	21	34	-24	34		
Coventry City	38	4	7	8	14	23	4	3	12	22	40	-27	34		
Bradford City	38	4	7	8	20	29	1	4	14	10	41	-40	26		

Review of the 2000/2001 Season

RESERVES

The reserves' season was totally overshadowed by the tragic death of reserve team manager and Arsenal legend George Armstrong in November 2000.

Shortly after 'Geordie' passed away, Eddie Niedzwiecki took over the reins of the reserve team.

The season was one of mixed fortunes. Playing the majority of 'home' matches at Boreham Wood Football Club, with the last two matches being played at Highbury, they finished 7th out of the 13 teams in The FA Premier Reserve League South.

Notable performances of the season included a 4-0 home win over Tottenham Hotspur and a 6-2 home win over Wimbledon. Away from home, the most convincing victories were a 6-1 victory at Charlton Athletic and a 5-1 win over Wimbledon. The reserves finished the season with a record of ten wins, three draws and 11 defeats from their 24 matches.

Special note must go to forward Jo Osei-Kuffour who finished as second top scorer in the league with 11 goals.

FINAL PREMIERSHIP RESERVE LEAGUE SOUTH TABLE 2000/2001

	HOME						AWAY						GD	Pts
	Pld	W	D	L	F	A	W	D	L	F	A			
Derby County	24	11	0	1	31	6	4	4	4	19	17	+27	49	
Coventry City	24	8	2	2	22	11	5	1	6	23	20	+14	42	
Watford	24	8	1	3	28	15	4	3	5	20	22	+11	40	
Tottenham Hotspur	24	6	4	2	19	6	5	1	6	13	30	-4	38	
Chelsea	24	6	2	4	20	19	5	2	5	13	21	-7	37	
Ipswich Town	24	6	1	5	21	20	4	5	3	18	21	-2	36	
Arsenal	24	5	2	5	25	24	5	1	6	24	16	+9	33	
Charlton Athletic	24	3	3	6	18	30	5	3	4	17	14	-9	30	
Southampton	24	4	3	5	27	20	4	1	7	13	21	-1	28	
Leicester City	24	2	4	6	17	18	5	3	4	20	26	-7	28	
Nottingham Forest	24	3	5	4	24	26	4	2	6	19	25	-8	28	
Wimbledon	24	5	3	4	17	14	2	3	7	17	30	-10	27	
West Ham United	24	2	2	8	15	22	3	3	6	15	21	-13	20	

Review of the 2000/2001 Season

YOUTH TEAMS

The Arsenal youth teams continued the Club's excellent recent reputation by retaining The FA Youth Cup, beating Blackburn Rovers 6-3 over two legs. The highlight of the cup final triumph was the 5-0 first leg victory at Highbury.

FA ACADEMY U19 GROUP C LEAGUE TABLE

	P	W	D	L	F	A	GD	Pts
Arsenal	28	21	4	3	75	24	+51	67
Watford	28	19	3	6	53	22	+31	60
Aston Villa	28	16	5	7	54	37	+17	53
Millwall	28	14	7	7	51	37	+14	49
Birmingham City	28	14	5	9	42	37	+5	47
Coventry City	28	13	7	8	69	40	+29	46
Ipswich Town	28	9	6	13	40	52	-12	33
Norwich City	28	6	7	15	30	54	-24	25
Charlton Ath	28	5	7	16	36	69	-33	22
Peterborough Utd	28	4	2	22	18	75	-57	14

As well as winning The FA Youth Cup, which is contested at the under 18 level, the youth teams also performed well in their respective leagues. The Under 19 team won the FA Premier Academy League South (Group C) and the Under 17s finished runners-up in the FA Premier Academy League South (Group D).

FA ACADEMY U17 GROUP D LEAGUE TABLE

	Pld	W	D	L	F	A	GD	Pts
West Ham Utd	23	16	3	4	63	29	+34	51
Arsenal	24	15	2	7	54	22	+32	47
Wimbledon	22	12	1	9	28	19	+9	37
Southampton	23	10	4	9	52	43	+9	34
Fulham	23	10	4	9	49	48	+1	34
Crystal Palace	23	9	6	8	40	46	-6	33
Reading	22	6	1	15	20	51	-31	19
Bristol City	24	4	5	15	33	61	-28	17

Review of the 2000/2001 Season

ARSENAL LADIES FOOTBALL CLUB

The Arsenal Ladies have proved in recent years that they are the leading force in English ladies football, the 2000/2001 season was no exception.

Last season the Arsenal Ladies completed the ultimate achievement by winning the domestic 'Treble'. By winning The Women's National Premier League, The Women's FA Cup and The Women's League Cup, last season's team recorded a feat only achieved once before in the ladies game – by Arsenal in 1993.

Arsenal forward Angela Banks finished the season as the league's top scorer with 30 goals and a total of 44 goals in all competitions.

NATIONAL PREMIER LEAGUE FINAL TABLE (LADIES)								
	Pld	W	D	L	F	A	GD	Pts
Arsenal	18	17	1	0	88	9	+79	52
Doncaster Belles	18	15	0	3	58	13	+45	45
Charlton Ath	18	10	5	3	43	11	+32	35
Everton	18	11	2	5	42	24	+18	35
Tranmere Rovers	18	9	1	8	42	39	+3	28
Barry Town	18	7	2	9	22	39	-17	23
Sunderland	18	5	1	12	29	50	-21	16
Southampton	18	3	6	9	27	52	-25	15
Millwall	18	3	2	13	17	55	-38	11
Liverpool	18	0	0	18	13	89	-76	0

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Group for the year ended 31st May 2001.

PRINCIPAL ACTIVITIES

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

During the year, two new wholly owned subsidiary companies were formed whose principal activities relate to the property acquisition and development aspects of the company's proposals to relocate to a new stadium.

PROFITS AND DIVIDENDS

The results for the year are set out on page 27 and are reviewed in the Chairman's Report.

The directors do not recommend the payment of a dividend.

DIRECTORS AND DIRECTORS' SHAREHOLDINGS

The directors of the company at 31st May 2001, 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	
	At 31 May 2001	At 31 May 2000
C E B L Carr (<i>resigned 12th July 2001</i>)	1,120	4,842
R C L Carr	2,722	4,842
D B Dein	9,072	9,072
K G Edelman	25	—
D D Fiszman	15,684	15,429
K J Friar OBE	199	199
Sir Roger Gibbs	200	200
P D Hill-Wood	348	348

K G Edelman holds his shares as nominee for Star Alliance Ltd., a company owned by D D Fiszman.

In accordance with the provisions of Article 90 of the Articles of Association D B Dein, D D Fiszman and K J Friar OBE retire by rotation and, being eligible, offer themselves for re-election.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made donations for charitable purposes amounting to £25,037 (2000 – £51,798).

Directors' Report

CREDITOR PAYMENT POLICY

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

The rate, expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amount owing to trade and other creditors at the year end was 23 days (2000 – 27 days).

DIRECTORS' RESPONSIBILITIES

The directors are required under company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the company and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make reasonable and prudent judgements and estimates;
- state whether accounting standards have been followed and give details of any departures;
- prepare the financial statements on a going concern basis unless in the directors' view the Group will be unable to continue in business.

The directors are also responsible for:

- keeping proper accounting records;
- safeguarding the Group's assets;
- taking reasonable steps for the prevention and detection of fraud.

AUDITORS

HLB Kidsons are retiring as auditors and Arthur Andersen have agreed to offer themselves for election as auditors of the group.

By order of the board

D Miles

Secretary



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

12th July 2001

FINANCIAL STATEMENTS

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 Football Club.

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 a going concern basis.

DIRECTORS

The Board currently consists of three executive directors and four non-executive directors. Mr A Robertson, as a representative of Granada Media Group Limited, attends board meetings as an observer. 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.

INTERNAL FINANCIAL CONTROL

The Board is responsible for ensuring that the Group maintains a system of internal financial controls, including suitable monitoring procedures. The objective of the system is to safeguard Group assets, ensure that proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

Internal financial control monitoring procedures undertaken by the Board include the review of monthly financial reports and monitoring of performance and the prior approval of all significant expenditure.

AUDIT COMMITTEE

The Audit Committee consists of two non-executive directors, D D Fiszman (Chairman) and P D Hill-Wood, together with the Granada Media representative. 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 once a year with the Group's auditors.

REMUNERATION COMMITTEE

The Remuneration Report is set out on page 25.

REMUNERATION REPORT

THE 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 Media representative. 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.

POLICY ON REMUNERATION OF EXECUTIVE DIRECTORS

The policy of the Group is to ensure that the remuneration packages are competitive within the industry and reflect both Group and personal performance during the year.

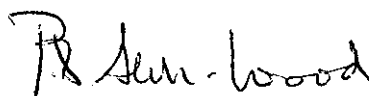
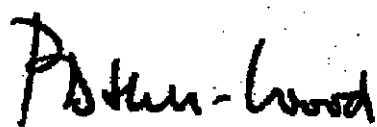
The present opinion of the Committee is that the Group's executives are best remunerated by a salary, discretionary bonus and pension contributions the aggregate of which is intended to reflect market conditions and the performance of the Group and of the individual.

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 5 to the financial statements.



P D Hill-Wood

Chairman of the Remuneration Committee

12th July 2001

Financial Statements

AUDITORS' REPORT

AUDITORS' REPORT TO THE MEMBERS OF THE ARSENAL FOOTBALL CLUB PLC

We have audited the financial statements of Arsenal Football Club plc for the year ended 31st May 2001 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out in note 1 to the financial statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the Annual Report, including the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

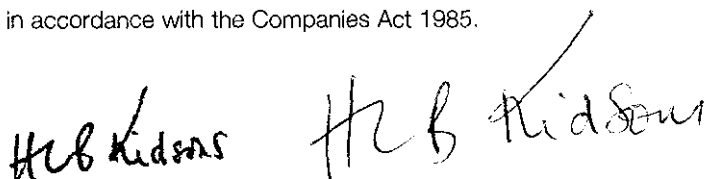
BASIS OF OPINION

We conducted our audit in accordance with 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 company'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 affairs of the Group and the company as at 31st May 2001 and of the profit of the Group for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

Two handwritten signatures in black ink. The first signature on the left is 'HLB Kidsons' and the second signature on the right is 'HLB Kidsons' with a long, sweeping flourish extending upwards and to the right.

HLB Kidsons. Registered Auditors, Chartered Accountants, London.

12th July 2001

Financial Statements

CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 31ST MAY 2001

	NOTE	2001 £000's	2000 £000's
Turnover of the Group including its share of joint ventures		62,944	61,260
Share of turnover of joint ventures		<u>(33)</u>	<u>-</u>
Group turnover	2	62,911	61,260
Costs and overheads	3	<u>(64,267)</u>	<u>(52,320)</u>
Operating (loss)/profit before player registration costs		(1,356)	8,940
Share of operating loss of joint venture		(834)	-
Profit on sale of player registrations		25,121	22,216
Amortisation of player registrations		(15,145)	(10,172)
Interest receivable		1,853	243
Interest payable		(238)	(12)
Exceptional profit on disposal of intangible fixed assets	4	<u>20,000</u>	<u>-</u>
Profit on ordinary activities before taxation		29,401	21,215
Taxation	7	<u>(5,145)</u>	<u>(7,105)</u>
Profit after taxation retained for the financial year	18	<u>24,256</u>	<u>14,110</u>
Earnings per share	23	<u>£419.07</u>	<u>£251.96</u>

All trading resulted from continuing operations.

The Group has no recognised gains and losses other than profit for the financial year.

Financial Statements

CONSOLIDATED BALANCE SHEET

31ST MAY 2001

	NOTE	2001		2000	
		£000's	£000's	£000's	£000's
Fixed assets					
Tangible assets	9		42,024		36,491
Intangible assets	10		45,111		38,832
			<u>87,135</u>		<u>75,323</u>
Current assets					
Stocks	11	14,625		582	
Debtors	12	25,407		9,586	
Debtors: amounts recoverable in more than one year	12	–		12,000	
Cash at bank and in hand		42,502		7,261	
		<u>82,534</u>		<u>29,429</u>	
Creditors: amounts falling due within one year	13	<u>(52,612)</u>		<u>(33,995)</u>	
Net current assets/(liabilities)			<u>29,922</u>		<u>(4,566)</u>
Total assets less current (liabilities)			117,057		70,757
Creditors: amounts falling due after more than one year	14		(22,185)		(25,749)
Provisions for liabilities and charges	15		<u>(3,073)</u>		<u>(3,930)</u>
Net assets			<u><u>91,799</u></u>		<u><u>41,078</u></u>
Equity capital and reserves					
Called up equity share capital	16		59		56
Share premium account	17		26,699		237
Profit and loss account	18		<u>65,041</u>		<u>40,785</u>
Equity shareholders' funds			<u><u>91,799</u></u>		<u><u>41,078</u></u>

The financial statements on pages 27 to 40 were approved by the board of directors on 12th July 2001

On behalf of the board

Directors: P D Hill-Wood, D B Dein

P D Hill-Wood *D B Dein* *David Dein*
P D Hill-Wood

Financial Statements

COMPANY BALANCE SHEET

31ST MAY 2001

	NOTE	2001		2000	
		£000's	£000's	£000's	£000's
Fixed assets					
Investments	8		20,000		—
Tangible assets	9		39,224		36,491
Intangible assets	10		45,111		38,832
			<u>104,335</u>		<u>75,323</u>
Current assets					
Stocks	11	638		582	
Debtors	12	34,707		9,586	
Debtors: amounts recoverable in more than one year	12	—		12,000	
Cash at bank and in hand		<u>42,502</u>		<u>7,261</u>	
		<u>77,847</u>		<u>29,429</u>	
Creditors: amounts falling due within one year	13	<u>(39,360)</u>		<u>(33,995)</u>	
Net current assets/(liabilities)			<u>38,487</u>		<u>(4,566)</u>
Total assets less current (liabilities)			142,822		70,757
Creditors: amounts falling due after more than one year	14		(22,185)		(25,749)
Provisions for liabilities and charges	15		<u>(2,239)</u>		<u>(3,930)</u>
Net assets			<u>118,398</u>		<u>41,078</u>
Equity capital and reserves					
Called up equity share capital	16		59		56
Share premium account	17		26,699		237
Profit and loss account	18		71,640		40,785
Joint venture reserve			<u>20,000</u>		<u>—</u>
Equity shareholders' funds			<u>118,398</u>		<u>41,078</u>

The financial statements on pages 27 to 40 were approved by the board of directors on 12th July 2001

On behalf of the board

Directors: P D Hill-Wood, D B Dein

P. Hill-Wood *D. B. Dein*

D. B. Dein
P. D. Hill-Wood

Financial Statements

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST MAY 2001

	2001 £000's	2000 £000's
Net cash (outflow)/inflow from operating activities	(4,979)	10,124
Player registrations	(973)	(7,508)
Returns on investment and servicing of finance	1,243	231
Taxation	(3,438)	(4,708)
Capital expenditure	16,923	(4,342)
Financing	26,465	-
Increase/(decrease) in cash	<u>35,241</u>	<u>(6,203)</u>

NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities	2001 £000's	2000 £000's
Operating (loss)/profit	(1,356)	8,940
Profit on disposal of tangible fixed assets	(6)	(167)
Depreciation	1,645	1,396
(Increase) in stock	(14,043)	(199)
(Increase) in debtors	(7,030)	(4,429)
Increase in creditors	15,811	4,583
Net cash inflow from operating activities	<u>(4,979)</u>	<u>10,124</u>

(b) Reconciliation of net cash flow to movement in net debt	£000's
Increase in cash for the period	<u>35,241</u>
Change in net funds/debt	35,241
Net debt at 1 st June 2000	<u>(7,177)</u>
Net funds at 31 st May 2001	<u>28,064</u>

Financial Statements

(c) Analysis of changes in net funds/(debt)	At 1st June	Cash	At 31st May
	2000	Flows	2001
	£000's	£000's	£000's
Cash in hand, at bank	7,261	35,241	42,502
Debt due after more than one year - debenture subscriptions	(14,438)	-	(14,438)
	<u>(7,177)</u>	<u>35,241</u>	<u>28,064</u>
(d) Gross cash flows		2001	2000
		£000's	£000's
Player registrations:			
Payments for purchase of players		(34,103)	(19,440)
Receipts from sale of players		<u>33,130</u>	<u>11,932</u>
		<u>(973)</u>	<u>(7,508)</u>
Returns on investment and servicing of finance:			
Interest received		1,381	243
Interest paid		<u>(138)</u>	<u>(12)</u>
		<u>1,243</u>	<u>231</u>
Capital expenditure:			
Payments to acquire tangible fixed assets		(3,083)	(5,051)
Receipts from sale of tangible fixed assets		6	709
Receipts from sale of intangible assets		40,000	-
Investment in joint venture		<u>(20,000)</u>	<u>-</u>
		<u>16,923</u>	<u>(4,342)</u>
Financing:			
Share capital issued		27,000	-
Issue costs		<u>(535)</u>	<u>-</u>
		<u>26,465</u>	<u>-</u>

NOTES ON THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with the applicable accounting standards, except as stated below.

BASIS OF PREPARATION OF GROUP FINANCIAL STATEMENTS

The Group financial statements consolidate the assets, liabilities and results of the Company and its trading subsidiary undertakings made up to 31st May 2001.

As permitted by Section 229 Companies Act 1985 the company has not consolidated the results of two of its subsidiary companies - Filepack Nominees Ltd and Sportville Associates Ltd - on the grounds that their results and assets are immaterial. The company's total investment in these subsidiaries amounts to £53.

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 profit for the financial year was £30.9m (2000: profit £14.1m)

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 carrying value of the Group's share of the net assets of the joint venture is included in the balance sheet 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 the carrying amount of assets reported in the joint venture's balance sheet.

TURNOVER

Turnover represents income from gate receipts, broadcasting and other activities.

DEPRECIATION

Depreciation is calculated to reduce the cost of plant, equipment, motor vehicles and freehold property to the anticipated residual value of the assets concerned in equal annual instalments over their estimated useful lives at rates ranging from 2 to 25 per cent.

Leasehold properties are depreciated over the period of the leases in equal annual instalments.

STOCKS

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

PLAYER REGISTRATIONS

The costs of purchased players' registrations are capitalised and then amortised over the period of the respective players' contracts.

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

Where the transfer contract specifies that additional fees are due, contingent on a player achieving a specified number of appearances for his new club or some other contingent event set out in the transfer contract, these additional amounts are accounted for in the year they fall due.

Notes on the Financial Statements

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.

SIGNING ON FEES

The terms of contract of certain of the company's playing staff provide for the payment of signing on fees payable over the duration of the contract term. Signing on fees are charged to the profit and loss account at their due dates and are included within wages and salaries.

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 2001/02 season.

LEASES

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

GRANTS

Grants received, relating to capital expenditure, are matched with the related expenditure and the amount of the grant is deducted from the cost of the related asset. The directors believe that this is a fairer presentation of the facts than the accounting treatment required by Statement of Accounting Practice Number 4 (Revised). Grants relating to revenue expenditure are credited directly to the profit and loss account.

PENSIONS

The company makes contributions on behalf of employees and directors to a number of independently controlled defined benefit 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. The assets of all schemes are held in funds independent of the company.

The company has been advised that the Football League Pension and Life Assurance Scheme has a significant deficit on its minimum funding requirements. A provision of £1.4 million has been established in the accounts to cover the contribution expected to be required from Arsenal towards making good this deficit. 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 Football League Pension and Life Assurance Scheme. The amount attributable to employees who have already attained retirement age has been charged to the profit and loss account.

DEFERRED TAX

Full provision has been made for the deferred taxation which arises in relation to the adoption of Financial Reporting Standard Number 10 for player registrations. The Finance Act 1999 introduced transitional relief for football clubs such that the tax relief previously given for player transfer expenditure remains intact. The provision established accounts for the tax relief received in relation to players purchased prior to 1st June 1998 and the provision is being released to the profit and loss account as the player registrations are amortised.

No provision has been made for deferred tax where other timing differences exist between profits for accounting and taxation purposes on the basis that the potential liability is not likely to crystallise in the foreseeable future. Details of the amount of deferred tax not provided are shown in note 15 of the financial statements.

Notes on the Financial Statements

2 TURNOVER

	2001 £000's	2000 £000's
Turnover comprises the following:		
Gate receipts	20,494	20,334
Broadcasting and other commercial activities	37,337	35,935
Retail income	5,080	4,991
	<u>62,911</u>	<u>61,260</u>

3 COSTS AND OVERHEADS

Employment costs	40,651	33,970
Depreciation	1,645	1,396
Other operating charges	21,971	16,954
	<u>64,267</u>	<u>52,320</u>
Other operating charges include:-		
Auditors' remuneration - audit	45	34
- non-audit services	42	11
Operating lease payments - plant and machinery	128	35
- other	38	165
Profit on disposal of tangible fixed assets	(6)	(167)
Football Trust grants	-	(120)
	<u>-</u>	<u>(120)</u>

4 EXCEPTIONAL PROFIT ON DISPOSAL OF INTANGIBLE FIXED ASSETS

During the year, the Group transferred its interest in its website and granted certain media rights to Arsenal Broadband Limited for £40 million. Fifty per cent of the profit arising on this transaction has been eliminated on consolidation as being unrealised by virtue of Arsenal Broadband Limited's continued ownership of the assets concerned and the Group's continuing interest in Arsenal Broadband Limited. This transaction does not give rise to a corporation tax liability as the assets remain within the Arsenal Football Club plc capital gains group.

5 DIRECTORS' EMOLUMENTS

	2001					2000	
	Salary/bonus	Fees	Benefits	Sub total	Pension	Total	Total
	£	£	£	£	£	£	£
P D Hill-Wood	40,000	-	-	40,000	-	40,000	40,000
D B Dein	275,000	-	-	275,000	-	275,000	250,000
Sir Roger Gibbs	-	5,000	-	5,000	-	5,000	5,000
C E B L Carr	-	5,000	-	5,000	-	5,000	5,000
R C L Carr	-	5,000	-	5,000	-	5,000	5,000
K J Friar OBE	216,000	-	12,255	228,255	172,413	400,668	655,357
D D Fiszman	-	5,000	-	5,000	-	5,000	5,000
K G Edelman	383,362	-	3,073	386,435	22,950	409,385	-
	914,362	20,000	15,328	949,690	195,363	1,145,053	965,357

Of the pension contribution for K J Friar OBE, £172,413 (2000: £400,000) forms part of the deficit of the Football League Pension and Life Assurance Scheme, which is referred to in note 1 - Pensions, and reflects the insufficiency of contributions required by the Scheme in previous years.

Notes on the Financial Statements

6 EMPLOYEES

The average number of persons employed during the year was:

	2001	2000
Playing staff	63	57
Training staff	25	26
Administrative staff	109	89
Ground staff	21	16
	<u>218</u>	<u>188</u>

Staff costs:	£000's	£000's
Wages and salaries	31,631	29,692
Social security costs	3,663	3,443
Employee benefit trust	4,502	-
Other pension costs	461	435
Contribution to Football League pension scheme deficit	394	400
	<u>40,651</u>	<u>33,970</u>

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £000's	2000 £000's
United Kingdom corporation tax based on the result for the year at 30% (2000: 30%)	6,900	8,310
Deferred taxation	(1,691)	(1,300)
(Over) / under-provision in respect of earlier years	(64)	95
	<u>5,145</u>	<u>7,105</u>

8 INVESTMENTS

Investment in joint venture

	Group 2001 £000's	Company 2001 £000's
Additions	20,000	20,000
Share of loss of joint venture	(834)	-
Adjustment to eliminate unrealised profit on sale of intangible assets	(20,000)	-
Provision against share of losses of joint venture	(834)	20,000

The joint venture represents an interest in Arsenal Broadband Limited, a company incorporated in England and Wales 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 Limited and controls fifty per cent of the voting rights. Arsenal Broadband Limited has prepared audited accounts for the year ended 31st May 2001 and the Group's share of the assets included in the balance sheet of Arsenal Broadband Limited at that date is as follows:-

	£000's
Intangible fixed assets	19,334
Current assets	7
Liabilities due within one year	(175)
	<u>19,166</u>

Investments in subsidiary undertakings

The Company has the following subsidiary companies all of which are incorporated in England and Wales.

	Proportion of Shares owned	Principal Activity
Ashburton Properties Limited	100%	Property holding
Ashburton Trading Limited	100%	Property development
Filepack Nominees Limited	100%	Dormant
Sportville Associates Limited	51%	Dormant

Notes on the Financial Statements

9 TANGIBLE FIXED ASSETS

	Freehold properties £000's	Leasehold properties £000's	Plant and equipment £000's	Motor Vehicles £000's	Total £000's
Group					
Cost					
At 1 st June 2000	38,053	731	7,179	156	46,119
Additions	5,685	1,209	229	55	7,178
Disposals	—	—	—	(36)	(36)
At 31 st May 2001	<u>43,738</u>	<u>1,940</u>	<u>7,408</u>	<u>175</u>	<u>53,261</u>
Depreciation					
At 1 June 2000	3,988	486	5,099	55	9,628
Charge for year	932	17	662	34	1,645
Disposals	—	—	—	(36)	(36)
At 31 st May 2001	<u>4,920</u>	<u>503</u>	<u>5,761</u>	<u>53</u>	<u>11,237</u>
Net book amount					
At 31 st May 2001	<u>38,818</u>	<u>1,437</u>	<u>1,647</u>	<u>122</u>	<u>42,024</u>
At 31 st May 2000	<u>34,065</u>	<u>245</u>	<u>2,080</u>	<u>101</u>	<u>36,491</u>
Company					
Cost					
At 1 st June 2000	38,053	731	7,179	156	46,119
Additions	2,885	1,209	229	55	4,378
Disposals	—	—	—	(36)	(36)
At 31 st May 2001	<u>40,938</u>	<u>1,940</u>	<u>7,408</u>	<u>175</u>	<u>50,461</u>
Depreciation					
At 1 st June 2000	3,988	486	5,099	55	9,628
Charge for year	932	17	662	34	1,645
Disposals	—	—	—	(36)	(36)
At 31 st May 2001	<u>4,920</u>	<u>503</u>	<u>5,761</u>	<u>53</u>	<u>11,237</u>
Net book amount					
At 31 st May 2001	<u>36,018</u>	<u>1,437</u>	<u>1,647</u>	<u>122</u>	<u>39,224</u>
At 31 st May 2000	<u>34,065</u>	<u>245</u>	<u>2,080</u>	<u>101</u>	<u>36,491</u>

At 31st May 2001 the Group had contracted capital commitments of £0.6 million (2000 - £0.9 million).

10 INTANGIBLE FIXED ASSETS

	£000's
Cost of player registrations	
At 1 st June 2000	67,280
Additions	26,108
Disposals	(10,973)
At 31 st May 2001	<u>82,415</u>
Amortisation of player registrations	
At 1 st June 2000	28,448
Charge for the year	15,145
Disposals	(6,289)
At 31 st May 2001	<u>37,304</u>
Net book amount	
At 31 st May 2001	<u>45,111</u>
At 31 st May 2000	<u>38,832</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 company's youth system.

Notes on the Financial Statements

11 STOCKS

	Group		Company	
	2001	2000	2001	2000
	£000's	£000's	£000's	£000's
Development properties	13,987	-	-	-
Retail merchandise	638	582	638	582
	<u>14,625</u>	<u>582</u>	<u>638</u>	<u>582</u>

12 DEBTORS

Amounts recoverable within one year:

Trade debtors	2,637	601	2,637	601
Other debtors	15,923	4,290	15,923	4,290
Amounts due from subsidiary undertakings	-	-	9,300	-
Amounts due from joint venture	247	-	247	-
Prepayments and accrued income	6,600	4,339	6,600	4,339
Corporation tax recoverable	-	356	-	356
	<u>25,407</u>	<u>9,586</u>	<u>34,707</u>	<u>9,586</u>

Amounts recoverable in more than one year:

Other debtors	-	12,000	-	12,000
	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>

Other debtors include £12,675,000 in respect of player transfers (2000 - £16,000,000) and of this amount £12,000,000 is secured by bank guarantees. The amount due on player transfers has been classified as a current debtor in accordance with the terms of the relevant transfer agreements, however, Real Madrid FC have not paid in accordance with the terms of the agreement with them and if they continue not to conform this will cause £8 million of the debt to be recovered in more than one year.

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	839	740	839	740
Corporation tax	9,262	6,220	9,262	6,220
Other tax and social security	2,885	2,441	2,885	2,441
Other creditors	5,113	7,483	5,113	7,483
Accruals and deferred income	34,513	17,111	21,261	17,111
	<u>52,612</u>	<u>33,995</u>	<u>39,360</u>	<u>33,995</u>

Other creditors, above and as disclosed in note 14, include £8,429,411 (2000 - £16,423,591) in respect of player transfers.

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Debenture subscriptions	14,438	14,438	14,438	14,438
Other creditors	3,841	9,460	3,841	9,460
Deferred income	3,906	1,851	3,906	1,851
	<u>22,185</u>	<u>25,749</u>	<u>22,185</u>	<u>25,749</u>

The debenture subscriptions have been applied in the redevelopment of the Highbury Stadium. Under the issue terms the debentures are repayable at par after 141 years. The debentures are interest free.

Notes on the Financial Statements

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	2001	2000	2001	2000
	£000's	£000's	£000's	£000's
Share of losses of joint venture (see note 8)	834	—	—	—
Pensions provision	1,400	1,400	1,400	1,400
Deferred taxation	839	2,530	839	2,530
	<u>3,073</u>	<u>3,930</u>	<u>2,239</u>	<u>3,930</u>

The pensions provision relates to the expected contribution required from the company toward making good the Minimum Funding Requirements deficit which exists in the Football League Pension and Life Assurance Scheme.

Deferred tax provision

Player registrations at 1 st June 2000	2,530	3,830
(Released) to profit and loss account	<u>(1,691)</u>	<u>(1,300)</u>
Player registrations at 31 st May 2001	<u>839</u>	<u>2,530</u>

The provision has been made at a tax rate of 30 per cent and is intended to represent the deferral for accounts purposes of the tax relief previously received in respect of the player registration costs which have now been capitalised.

Unprovided deferred taxation

Corporation tax deferred by accelerated capital allowances	1,239	1,338
Other timing differences	<u>(638)</u>	<u>(287)</u>
	<u>601</u>	<u>1,051</u>

16 CALLED UP EQUITY SHARE CAPITAL

Authorised

Ordinary shares of £1 each	<u>62</u>	<u>56</u>
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Allotted, issued and fully paid

Ordinary shares of £1 each	<u>59</u>	<u>56</u>
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On 10th October 2000 the company passed a Special Resolution increasing the authorised share capital to 62,217 Ordinary shares of £1 each. On 11th October 2000, 2,947 Ordinary Shares were issued for a cash consideration of £27,000,001 inclusive of £26,997,054 share premium.

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 or earlier should Granada elect to waive the conditions.

17 SHARE PREMIUM AND OTHER RESERVES

	Group and Company Share premium	Company Joint Venture reserve
	£000's	£000's
Balance at 31 st May 2000	237	—
Premium on share issues	26,997	—
Issue costs	<u>(535)</u>	<u>—</u>
Arising on sale of assets to joint venture	<u>—</u>	<u>20,000</u>
	<u>26,699</u>	<u>20,000</u>

Fifty per cent of the company's profit on transfer of its interest in its website and certain media rights to Arsenal Broadband Limited has been credited directly to reserves in recognition of the company's retained interest in the assets concerned through its part ownership of Arsenal Broadband Limited.

Notes on the Financial Statements

18 PROFIT AND LOSS ACCOUNT

	Group Profit and Loss Account £000's	Company Profit and Loss Account £000's
Balance at 31 st May 2000	40,785	40,785
Profit for the year	24,256	30,855
	<hr/>	<hr/>
Balance at 31 st May 2001	65,041	71,640
	<hr/>	<hr/>

19 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	2001 £000's	2000 £000's
Opening equity shareholders' funds	41,078	26,968
Issue of share capital net of costs	26,465	-
Profit for the year	24,256	14,110
	<hr/>	<hr/>
Closing equity shareholders' funds	91,799	41,078
	<hr/>	<hr/>

20 LEASING COMMITMENTS

Commitments due under operating leases for the period to 31 May 2002 are in respect of:-

	2001		2000	
	Land and Buildings £000's	Other £000's	Land and Buildings £000's	Other £000's
Leases expiring in:-				
Two to five years	-	96	-	35
Over five years	40	28	40	-
	<hr/>	<hr/>	<hr/>	<hr/>
	40	124	40	35
	<hr/>	<hr/>	<hr/>	<hr/>

21 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 company's accounting policy for transfer fees any additional fees, which may be payable under these agreements, will be accounted for in the year that the number of appearances is achieved or the specified future events occur. Accordingly no provision has been made in these financial statements in respect of potential liabilities in this respect.

In addition certain players' contracts provide for the payment of additional signing on fees in the event of the players concerned achieving a specified number of first term selections. No provision has been made in this respect and the additional payments will be charged against profits when the specified number of selections has been achieved.

It is not practical to quantify the company's future liabilities in relation to appearance payments or other matters as the future performance of the players concerned cannot be forecast with any certainty.

Notes on the Financial Statements

22 RELATED PARTY TRANSACTIONS

In addition to the sale of intangible assets the Group had the following transactions with Arsenal Broadband Limited in the year:-

	Income/ (charge)
	£000's
Provision of office services	267
Merchandising and advertising sales	(50)

23 EARNINGS PER SHARE

Earnings per share are based on attributable retained profit and are calculated based on the weighted average number of ordinary shares of the company in issue - 57,881 shares (2000 - 56,000 shares).

24 FINANCIAL INSTRUMENTS AND RISK PROFILE

The Group's financial instruments comprise mainly of bank balances, cash and liquid resources, and various items, such as trade debtors, trade creditors etc, 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 is interest rate risk and the Board reviews and agrees policy for managing this risk.

INTEREST RATE RISK

The Group's Treasury Management Policy is designed to minimise risk, through placing surplus funds with a range of banks and financial institutions having a long term credit rating of single "A" or better, and to maximise the return on the funds so invested.

The fair values of the Group's financial instruments are considered to be equal to their book values.

25 POST BALANCE SHEET EVENTS

Since the end of the financial year the company has contracted for the purchase and sale of various players.

The net cost of these transfers, taking into account the applicable levies but excluding Value Added Tax, is approximately £18.8 million.

These transfers will be accounted for in the year ended 31st May 2002.

FIVE YEAR SUMMARY

FINANCIAL RECORD

	1997 (as restated) £000's	1998 (as restated) £000's	1999 £000's	2000 £000's	2001 £000's
PROFIT AND LOSS ACCOUNT					
Turnover	27,158	40,391	48,623	61,260	62,911
Profit / (Loss) before					
Player Registration Costs	1,900	7,167	7,307	9,171	(575)
Net Player Registration Costs	(679)	(81)	(5,239)	12,044	9,976
Exceptional Profit	-	-	-	-	20,000
Profit before Taxation	1,221	7,086	2,068	21,215	29,401
Profit after Taxation	1,184	4,521	1,308	14,110	24,256
Earnings per Share	£21.14	£80.73	£23.36	£251.96	£419.07

BALANCE SHEET

Tangible Fixed Assets	28,576	28,292	33,378	36,491	42,024
Intangible Fixed Assets	17,172	18,326	27,469	38,832	45,111
Net Current Assets / (Liabilities)	(4,607)	8,030	(12,011)	(4,566)	29,922
Creditors due after 1 year	(20,002)	(28,988)	(21,868)	(29,679)	(25,258)
Net Assets	21,139	25,660	26,968	41,078	91,799
Share Capital	56	56	56	56	59
Reserves	21,083	25,604	26,912	41,022	91,740
Shareholders' Funds	21,139	25,660	26,968	41,078	91,799
Net Assets per Share	£377.48	£458.21	£481.57	£733.53	£1,557.31

PLAYING RECORD

	1997	1998	1999	2000	2001
F.A.Premier League	3rd	Champions	2nd	2nd	2nd
F.A.Challenge Cup	4th Rnd	Winners	Semi-Final	4th Rnd	Finalists
Europe	1st Rnd (UEFA Cup)	1st Rnd (UEFA Cup)	1st Rnd (UEFA Champions League)	1st Rnd (UEFA Champions League) Finalist (UEFA Cup)	Quarter Finals (UEFA Champions League)

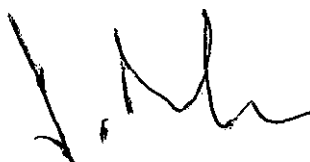
NOTICE OF ANNUAL GENERAL MEETING

THE ARSENAL FOOTBALL CLUB PLC

NOTICE IS HEREBY GIVEN that the Ninety First Annual General Meeting of the shareholders of The Arsenal Football Club plc will be held at the Arsenal Stadium, Avenell Road, Highbury, London N5 1BU on Friday 7th September 2001, at 12 noon (or as soon thereafter as the Extraordinary General Meeting of the shareholders of the Company convened for the same place and date shall have been concluded or adjourned) 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 31st May 2001.
2. To re-elect D B Dein, a Director, who retires by rotation in accordance with article 90 of the articles of association.
3. To re-elect D D Fiszman, a Director, who retires by rotation in accordance with article 90 of the articles of association.
4. To re-elect K J Friar OBE, a Director, who retires by rotation in accordance with article 90 of the articles of association.
5. To elect Arthur Andersen as Auditors for the ensuing year and authorise the Directors to fix their remuneration.
6. 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

THE ARSENAL FOOTBALL CLUB 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 Fiszman 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 Friday 7th September 2001 and at any adjournment thereof.

Dated this _____ day of _____ 2001

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*
Resolution No.6	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.

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SECOND FOLD

BUSINESS REPLY SERVICE
Licence No BS LON 11449

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Arsenal Football Club PLC
Arsenal Stadium
Highbury
LONDON
N5 1BU

FIRST FOLD

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