

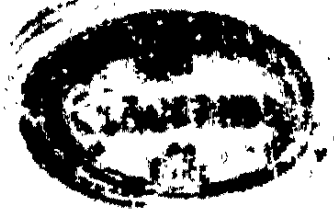
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ARSENAL FOOTBALL CLUB LIMITED

STATEMENT OF ACCOUNTS
AND
ANNUAL REPORT

1985-1986



ARSENAL FOOTBALL CLUB LIMITED

Directors:

P. D. HILL-WOOD, Esq., (*Chairman*)
D. DEIN, Esq., (*Vice-Chairman*)
Sir ROBERT BELLINGER, C.B.E., D.Sc.
S. C. McINTYRE, Esq., M.B.E., F.C.I.S.
A. WOOD, Esq.
R. G. GIBBS, Esq.
C. E. B. L. CARR, Esq.
R. C. L. CARR, Esq.
K. J. PRIAR, Esq. (*Managing*)

Secretary:

K. J. PRIAR

Manager:

G. GRAHAM

Auditors:

HOPE AGAR SMALLFIELD & Co.
Chartered Accountants
Epworth House, 25/25 City Road, London EC1Y 1AR

Registered Office:

ARSENAL STADIUM
Arsenal Road, Highbury, London N5 1BU

CHAIRMAN'S STATEMENT

The Directors have pleasure in submitting their 76th Annual Report to the Members together with the Audited Accounts for the year ended 31st May 1986.

The Season under review we knew at the outset would be a testing time, after the riots at Birmingham and Luton, the Bradford fire disaster and the tragic happenings in Brussels at the European Cup Final, resulting in the European ban on all English Clubs.

Inevitably, attendances suffered and our own League gates fell to an average of 23,824, the lowest for some years. It has been a frustrating Season, with mixed results. The first team finished 7th in the League, exactly the same as in the previous Season. The Combination side played extremely well and missed winning the Championship by the narrowest of margins.

The South East Counties League team had a very successful Season, reaching the Semi-Final of the FA Youth Cup, the Final of the South East Counties League Cup and Southern Junior Floodlit Cup. But sadly this was not to be their year. They lost on penalties to Manchester City in the Semi-Final of the FA Youth Cup and were narrowly defeated in the other competitions but managed to finish 4th in their League. The younger players are showing tremendous promise and I am sure they will fulfil the great hopes we have in them for the future.

Despite the drop in attendances, I am pleased to report a profit for the year of £44,086 after an adjustment for an excess of transfer fees received of £160,000. Taking into account the considerable sums spent on the upkeep of the Stadium, this is reasonably satisfactory, but we will continue to strive for improvement.

In March, our Manager, Don Howe and Chief Coach, John Cartwright, were released from their contracts and Steve Burtonshaw, our Chief Scout, did an excellent job in assuming responsibility for team matters for the remainder of the Season. We have been fortunate to secure the services of our ex-player and former Millwall FC manager, George Graham, who will be joined by Theo Foley as chief coach. George has served his apprenticeship in the lower divisions and has gained invaluable experience which will serve him well in the task he has undertaken. We feel sure that we have made a wise choice and in welcoming them both, wish them every success.

In July we learned with great sadness of the death of our President and great friend Sir Stanley Rous C.B.E. Sir Stanley was a remarkable man who at the age of 91 still attended matches regularly not only at Highbury but throughout the world. He was the game's leading administrator for almost half a century, a man who set standards for others to follow, wise and forever thoughtful of his fellow man. He will be missed not only by those at the club, but by football in general.

There has been much activity at the Stadium during the close Season. As a result of the upgrading of our 'Fire Certificate', we were advised to install a completely new fire hose reel and smoke detection system. This we have now done at a cost of £140,000.00. We have also installed closed-circuit television and are comforted by the fact that Highbury continues to be one of, if not the safest Stadium in the country. This brings our expenditure on safety aspects to well in excess of £1 million in recent years. A new underwood heating system was installed in May at an approximate cost of £100,000.00 which is now fully operational. Unlike its predecessor, it is based on warm water pumped through some 18 miles of plastic pipes buried beneath the surface. It is a well proven system already in use in many Stadia throughout the world and should ensure that matches are no longer lost because of frozen surfaces.

In 1984, we instructed our architects and civil engineers to carry out an initial assessment of the feasibility of providing Executive Boxes on the South Terrace and as a result, a planning application was made during 1985 which was subsequently refused. The Club decided to appeal against this decision and we were naturally delighted when in May of this year, our appeal was allowed. We now have permission to install 52 Executive Boxes above the South Terrace and although we have not set a date for this development to commence, we are in a position to proceed when the Board feel that the timing is right. Our Community Programme involving the extensive use of our JVC Indoor Training Centre has proved to be an enormous success, with all of the available events such as aerobics, indoor bowls, tennis, weight training and of course, football, being well utilized.

It was pleasing to learn that the behavioural pattern of our supporters continues to improve and our thanks must go to our local Police for their help in carrying out what is often a very difficult task. I would also like to place on record the sincere thanks of the Directors to every member of our Staff, both on and off the field, for their efforts throughout the Season.

PETER HILL-WOOD
Chairman, Arsenal Football Club

REPORT OF THE DIRECTORS

The Directors present their Report and the Audited Accounts of Arsenal Football Club Limited for the year ended 31st May 1986.

PRINCIPAL ACTIVITY

The principal activity of the Company is that of a Professional Football Club.

RESULTS AND REVIEW OF THE BUSINESS

The results for the year are set out on page 5 and these are reviewed in the Chairman's Statement. The Directors do not recommend the payment of a dividend.

LAND AND BUILDINGS

The Directors are of the opinion that the market value of the Company's Land and Buildings is considerably greater than book value but in view of the specialised nature of most of this asset, it is not practicable to fix a realistic present day value.

DIRECTORS

The Directors who held office during the year, together with their shareholdings, were as follows:

	<u>31st May 1986</u>	<u>31st May 1985</u>
	<u>Beneficial Interests</u>	
P.D. Hill-Wood	1,016	1,016
D. Dein	1,287	1,167
Sir Robert Bollinger, G.B.E., D.Sc	89	89
S.C. McIntyre, M.B.E., F.C.I.S.	80	80
A. Wood	81	81
R.G. Gibbs	42	42
C.B.B.L. Carr	128	128
R.C.L. Carr	274	274
K.J. Friar	105	105
	<u>Non-Beneficial Interests</u>	
P.D. Hill-Wood	355	355
D. Dein	-	120
C.B.B.L. Carr	878	865

In accordance with the provisions of Article 90 of the Articles of Association P.D. Hill-Wood, D. Dein and A. Wood retire by rotation, and, being eligible, offer themselves for re-election.

AUDITORS

Hop & Agar Smallfield & Co are willing to continue in office as Auditors to the Company and, in accordance with Section 384(1) of the Companies Act 1985, a resolution will be submitted to the forthcoming Annual General Meeting proposing their appointment for the ensuing year.

By Order of the Board

K. J. FRIAR

Secretary

4th August 1986

ARSENAL FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MAY 1986

	Note	1986	1985
		£	£
TURNOVER	2	2,750,167	2,677,722
Costs and Overheads less Other Income	3	<u>2,866,081</u>	<u>2,447,919</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TRANSFER FEES		(115,914)	229,803
Transfer Fees Receivable/(Payable)		<u>160,000</u>	<u>(715,000)</u>
PROFIT/(LOSS) BEFORE TAXATION		44,086	(485,197)
Taxation	5	<u>-</u>	<u>-</u>
PROFIT/(LOSS) AFTER TAXATION	13	<u>44,086</u>	<u>(485,197)</u>

ARSENAL FOOTBALL CLUB LIMITED

BALANCE SHEET 31st MAY, 1986

	Note	1986	1985
		£	£
FIXED ASSETS			
Tangible Assets	6	1,544,689	1,463,070
CURRENT ASSETS			
Stocks	7	44,285	34,810
Debtors	8	316,988	293,696
Short Term Investments		131,940	133,062
Cash at Bank and in Hand		2,058	2,168
		<u>495,271</u>	<u>463,736</u>
CURRENT LIABILITIES -			
CREDITORS DUE WITHIN ONE YEAR			
Bank Overdraft	9	414,254	518,979
Creditors	10	1,166,452	1,042,602
		<u>1,580,706</u>	<u>1,561,638</u>
NET CURRENT LIABILITIES		<u>(1,085,435)</u>	<u>(1,097,902)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£459,254</u>	<u>£365,168</u>
CAPITAL AND RESERVES			
Called-up Share Capital	11	7,010	7,010
Share Premium Account		286,191	286,191
Building Reserve	12	546,000	496,000
Profit and Loss Account	13	(379,947)	(424,033)
SHAREHOLDERS' FUNDS		<u>£459,254</u>	<u>£365,168</u>

P D HILL-WOOD

D DEIN

Directors

4th August 1986

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS 31st MAY, 1986

1. ACCOUNTING POLICIES

Convention

These accounts have been prepared under the historical cost convention

Turnover

Turnover represents income from football and related activities

Depreciation

Depreciation on all fixed assets other than freehold properties is calculated to write off cost during their expected normal lives by equal annual instalments at rates ranging from 10 per cent to 20 per cent. No depreciation has been provided in the year under review on freehold properties.

Stocks

Stocks are valued at the lower of cost and net realisable value

2. TURNOVER

Turnover comprises the following

	1986	1985
Gate Receipts	2,133,448	2,087,329
Ground Advertisements and Other Activities	616,719	590,393
	<u>£2,750,167</u>	<u>£2,677,722</u>

3. COSTS AND OVERHEADS LESS OTHER INCOME

Employment Costs (Note 4)	1,710,818	1,582,263
Depreciation	48,272	43,806
Other Operating Charges	1,088,713	799,256
Interest Receivable	(19,429)	(12,657)
Interest Payable on Bank Overdraft	37,707	35,251
	<u>£2,866,081</u>	<u>£2,447,919</u>
Auditors' Remuneration included in Other Operating Charges	<u>£3,000</u>	<u>£3,000</u>

4. DIRECTORS AND EMPLOYEES

Employment costs incurred were

Wages and Salaries	1,559,168	1,481,086
Social Security Costs	114,882	67,222
Other Pension Costs	36,768	33,953
	<u>£1,710,818</u>	<u>£1,582,263</u>

Employment costs include the following in respect of Directors
Management Remuneration

	<u>£50,000</u>	<u>£50,000</u>
The number of employees whose emoluments receivable were in excess of £30,000 for the year were		
£30,001 - £35,000		1
£35,001 - £40,000	1	1
£40,001 - £45,000		1
£45,001 - £50,000	3	2
£50,001 - £55,000	3	4
£55,001 - £60,000	1	1
£60,001 - £65,000	1	
£65,001 - £70,000		2
£70,001 - £75,000		1
£75,001 - £80,000	2	1
£80,001 - £85,000	1	1
£85,001 - £90,000		1
£90,001 - £95,000	1	
	<u>1</u>	<u>1</u>

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS 31st MAY, 1986 *continued*

4. DIRECTORS AND EMPLOYEES (contd.)

The average number employed by the company within each category of persons was	1986	1985
Playing Staff	41	40
Team Management and Training Staff	9	7
Administrative Staff	15	15
Ground Staff	14	15
	<u>79</u>	<u>77</u>

5. TAXATION

Corporation Tax	£	£
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6. TANGIBLE FIXED ASSETS

	Freehold Properties	Plant, Fixtures, Fittings and Equipment	Emergency and Flood Lighting	Motor Vehicles	Total
Value at 1965	5,750				5,750
Cost at 1st June 1985	1,437,444	257,048	41,405	75,220	1,811,117
Additions	14,949	63,195		61,148	139,292
Disposals		(46,471)		(19,450)	(65,921)
At 31st May 1986	<u>1,458,143</u>	<u>273,772</u>	<u>41,405</u>	<u>116,918</u>	<u>1,890,238</u>
Depreciation at 1st June 1985	127,393	147,375	41,255	37,674	353,797
Charge for the year		31,831		16,441	48,272
Disposals		(46,471)		(10,049)	(56,520)
At 31st May 1986	<u>127,393</u>	<u>132,735</u>	<u>41,355</u>	<u>44,066</u>	<u>345,549</u>
Net Book Value 31st May 1986	<u>£1,330,750</u>	<u>£141,037</u>	<u>£50</u>	<u>£72,852</u>	<u>£1,544,689</u>
Net Book Value 31st May 1985	<u>£1,315,801</u>	<u>£109,673</u>	<u>£50</u>	<u>£17,546</u>	<u>£1,443,070</u>

At 31st May 1986 the Company had the following capital commitments:

	1986	1985
Authorised and Contracted for	<u>£43,500</u>	<u>£</u>

7. STOCKS

Stocks represent items held for resale

8. DEBTORS

Trade Debtors	12,532	74,262
Other Debtors	240,142	176,173
Prepayments	64,314	43,261
	<u>£316,988</u>	<u>£293,696</u>
Amounts due after more than one year included in Other Debtors	<u>£21,523</u>	<u>£33,543</u>

9. BANK OVERDRAFT

The bank overdraft is secured by a debenture covering certain of the Company's freehold properties

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS 31st MAY, 1986 - *continued*

10. CREDITORS DUE WITHIN ONE YEAR

	1986	1985
Trade Creditors	77,275	36,540
Season Tickets	337,373	389,738
Other Creditors	499,545	342,415
Other Taxation and Social Security	113,219	107,062
Accruals	139,040	166,907
	<u>£1,166,452</u>	<u>£1,042,662</u>

11. SHARE CAPITAL

Authorised		
Ordinary Shares of £1 each	<u>£7,000</u>	<u>£7,000</u>
Alotted, Issued and Fully Paid		
Ordinary Shares of £1 each	<u>£7,000</u>	<u>£7,000</u>
Amounts paid on Shares Forfeited	<u>£10</u>	<u>£10</u>

12. BUILDING RESERVE

At 1st June 1985	496,000
Donations	50,000
	<u>£546,000</u>
At 31st May 1986	

13. PROFIT AND LOSS ACCOUNT

At 1st June 1985	(424,033)
Profit for the year	44,086
	<u>£(379,947)</u>
At 31st May 1986	

ARSENAL FOOTBALL CLUB LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st MAY, 1986

	1986		1985	
	£	£	£	£
SOURCE/(OUTFLOW) OF FUNDS				
Profit/(Loss) before Taxation		44,086		(485,197)
Adjustment for item not involving the movement of funds				
Depreciation		48,272		43,806
		<u>92,358</u>		<u>(441,391)</u>
FUNDS FROM OTHER SOURCES				
Donations		50,000		100,000
		<u>142,358</u>		<u>(341,391)</u>
APPLICATION OF FUNDS				
Purchase of Fixed Assets (Net)		(129,891)		(389,692)
		<u>£12,467</u>		<u>£(731,083)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL				
MOVEMENT IN WORKING CAPITAL				
INCREASE/(DECREASE) ARISING FROM:				
Stocks	9,475		(3,008)	
Debtors	23,292		(181,871)	
Cash and Short Term Investments less Overdraft	103,490		(322,322)	
(Increase) in Creditors	(123,790)		(223,882)	
		<u>£12,467</u>		<u>£(731,083)</u>

ARSENAL FOOTBALL CLUB LIMITED

REPORT OF THE AUDITORS
To the Members of Arsenal Football Club Limited

We have audited the accounts on pages 5 to 10 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the Company's affairs at 31st May 1986 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

HOPE AGAR SMALLFIELD & Co.

Chartered Accountants

1 PWORTH HOUSE,
25-35 CITY ROAD,
LONDON EC1Y 1AR

4th August, 1986

ARSENAL FOOTBALL CLUB LIMITED

PLAYING RECORD 1985-86

FIRST TEAM

HOME
AWAY

CANON LEAGUE DIVISION ONE

P	W	D	L	F	A	Pts
21	11	5	3	29	15	44
21	7	4	10	20	32	25
42	20	9	13	49	47	69

Final Position: 7th

F. A. CHALLENGE CUP

Round 3	v GRIMSBY TOWN	(A)	WON	4	3
Round 4	v ROTHERHAM UNITED	(H)	WON	4	1
Round 5	v LUTON TOWN	(A)	DREW	2	2
Round 5 (Replay)	v LUTON TOWN	(H)	DREW	0	0 aet
Round 5 (Replay)	v LUTON TOWN	(A)	LOST	0	3

MILK CUP

Round 2	v HEREFORD UNITED	(A)	DREW	0	0
Round 2 (1st Leg)	v HEREFORD UNITED	(H)	WON	2	1 aet
Round 2 (2nd Leg)	v MANCHESTER CITY	(A)	WON	2	1
Round 3	v SOUTHAMPTON	(H)	DREW	0	0
Round 4	v SOUTHAMPTON	(A)	WON	2	1
Round 4 (Replay)	v ASTON VILLA	(A)	DREW	1	1
Round 5	v ASTON VILLA	(H)	LOST	1	2
Round 5 (Replay)					

SECOND TEAM

HOME
AWAY

FOOTBALL COMBINATION

P	W	D	L	F	A	Pts
21	15	4	1	77	18	34
21	11	6	4	47	23	28
42	26	10	5	124	41	64*

* 2 points were awarded re: unplayed Wyndon Town home match

Final Position: 2nd

THIRD TEAM

HOME
AWAY

SOUTH EAST COUNTIES LEAGUE

P	W	D	L	F	A	Pts
15	12	1	2	31	13	25
15	6	4	5	26	16	16
30	18	5	7	57	29	41

Final Position: 4th

SOUTH EAST COUNTIES LEAGUE CUP

Round 1	v CAMBRIDGE UNITED	(A)	WON	3	1
Round 2	v ORIENT	(A)	WON	5	0
Semi-Final	v WATFORD	(H)	WON	3	1
Final (1st Leg)	v TOTTENHAM HOTSPUR	(A)	DREW	1	1
Final (2nd Leg)	v TOTTENHAM HOTSPUR	(H)	LOST	0	1

P. A. YOUTH CUP

Round 2	v PLYMOUTH ARGYLE	(A)	WON	5	0
Round 3	v LUTON TOWN	(A)	DREW	0	0
Round 3 (Replay)	v LUTON TOWN	(H)	WON	2	0
Round 4	v WIMBLEDON	(H)	WON	1	0
Round 5	v MILL WALL	(A)	DREW	1	1
Round 5 (Replay)	v MILL WALL	(H)	WON	4	1
Semi-Final (1st Leg)	v MANCHESTER CITY	(H)	WON	1	0
Semi-Final (2nd Leg)	v MANCHESTER CITY	(A)	LOST	1	2*

* Aggregate score 2-2, lost 4-5 on penalties

SOUTHERN JUNIOR FLOODLIT CUP

Round 1	v A.C. BOURNEMOUTH	(H)	WON	1	1
Round 2	v CHELSEA	(H)	WON	1	0
Round 3	v WEST HAM UNITED	(A)	WON	3	2 aet
Semi-Final	v TOTTENHAM HOTSPUR	(A)	WON	2	0
Final (1st Leg)	v IPSWICH TOWN	(A)	LOST	0	1
Final (2nd Leg)	v IPSWICH TOWN	(H)	LOST	2	3