

Statement of Accounts

and Annual Report

1997-1998



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COMPANIES HOUSE 09/10/98

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The Arsenal Football Club Plc

# PLAYING RECORD SUMMARY - SEASON 1997/1998

## FIRST TEAM

### F.A. PREMIER LEAGUE

	P	W	D	L	F	A	Pts.
HOME	19	15	2	2	42	10	47
AWAY	19	8	7	4	25	23	31
	<b>38</b>	<b>23</b>	<b>9</b>	<b>6</b>	<b>67</b>	<b>33</b>	<b>78</b>

Final Position: 1st

### F.A. CHALLENGE CUP

Round 3	v Port Vale	(H)	Drew	0-0
Round 3 (Replay)	v Port Vale	(A)	Drew	1-1
			(won 4-3 A.E.T. on penalties)	
Round 4	v Middlesbrough	(A)	Won	2-1
Round 5	v Crystal Palace	(H)	Drew	0-0
Round 5 (Replay)	v Crystal Palace	(A)	Won	2-1
Round 6	v West Ham United	(H)	Drew	1-1
Round 6 (Replay)	v West Ham United	(A)	Drew	1-1
			(won 4-3 A.E.T. on penalties)	
Semi-Final	v Wolves (at Villa Park)		Won	1-0
Final	v Newcastle Utd (at Wembley)		Won	2-0

### COCA COLA CUP

Round 3	v Birmingham City	(H)	Drew	1-1
			(won 4-1 A.E.T.)	
Round 4	v Coventry City	(H)	Drew	0-0
			(won 1-0 A.E.T.)	
Round 5	v West Ham United	(A)	Won	2-1
Semi-Final 1st Leg	v Chelsea	(H)	Won	2-1
Semi-Final 2nd Leg	v Chelsea	(A)	Lost	1-3

### UEFA CUP

Round 1 1st Leg	v Paok	(A)	Lost	0-1
Round 1 2nd Leg	v Paok	(H)	Drew	1-1

## RESERVE TEAM

### FOOTBALL COMBINATION

	P	W	D	L	F	A	Pts.
HOME	17	11	4	2	38	11	37
AWAY	17	9	5	3	33	15	32
	<b>34</b>	<b>20</b>	<b>9</b>	<b>5</b>	<b>71</b>	<b>26</b>	<b>69</b>

Final Position: 3rd

## YOUTH TEAM

### F.A. PREMIER YOUTH LEAGUE

	P	W	D	L	F	A	Pts.
HOME	10	5	2	3	25	12	17
AWAY	11	8	2	1	30	9	26
	<b>21</b>	<b>13</b>	<b>4</b>	<b>4</b>	<b>55</b>	<b>21</b>	<b>43</b>

Final Position: 1st

### F.A. PREMIER YOUTH LEAGUE PLAY-OFFS

Round 1	v Barnsley	(H)	Won	5-2
Round 2	v West Ham United	(H)	Won	3-0
Semi-Final	v Sunderland	(H)	Won	3-2
Final 1st Leg	v Tottenham Hotspur	(A)	Won	2-0
Final 2nd Leg	v Tottenham Hotspur	(H)	Lost	0-1

### SOUTH EAST COUNTIES LEAGUE

	P	W	D	L	F	A	Pts.
HOME	15	9	1	5	38	27	28
AWAY	15	3	4	8	13	28	13
	<b>30</b>	<b>12</b>	<b>5</b>	<b>13</b>	<b>51</b>	<b>55</b>	<b>41</b>

Final Position: 7th

### F.A. YOUTH CUP

Round 2	v Exeter City	(A)	Drew	1-1
Round 2 (Replay)	v Exeter City	(H)	Won	1-0
Round 3	v Notts County	(A)	Won	6-1
Round 4	v Bristol City	(H)	Won	3-1
Round 5	v Leeds United	(H)	Lost	0-1

### SOUTH EAST COUNTIES LEAGUE CUP

Round 1	v Cambridge United	(A)	Drew	0-0
			(won 5-4 A.E.T. on penalties)	
Round 2	v Luton Town	(H)	Drew	0-0
			(lost 0-2 A.E.T.)	

### SOUTHERN JUNIOR FLOODLIT CUP

Round 1	v Fulham	(A)	Won	7-0
Round 2	v Coventry City	(H)	Won	1-0
Round 3	v West Ham United	(H)	Won	3-0
Semi-Final	v Aston Villa	(H)	Won	3-2
Final 1st Leg	v Queens Park Rangers	(H)	Won	2-0
Final 2nd Leg	v Queens Park Rangers	(A)	Drew	0-0

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# **Directors, Officers & Advisers**



## **PRESIDENT**

Sir Robert Bellinger GBE DSc

## **DIRECTORS**

P D Hill-Wood (Chairman)

D B Dein (Vice Chairman)

Sir Roger Gibbs

C E B L Carr

R C L Carr

D D Fisman

K J Friar (Managing)

## **MANAGER**

A Wenger

## **SECRETARY**

D Miles

## **FINANCIAL CONTROLLER**

P M Game FCA

## **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 9L

## **AUDITORS**

Kidsons Impey

Spectrum House

20-26 Cursitor Street

London EC4A 1HY

## **REGISTRARS**

C I Registrars Limited

Victoria Street

Luton

Beds. LU1 2PZ

## **REGISTERED OFFICE**

Arsenal Stadium

Avenell Road

Highbury

London N5 1BU

COMPANY REG. NO. 109244 ENGLAND





*1997/98 was an outstanding year for the Club, and in winning the FA Premiership for the first time and the FA Cup for the seventh time it will surely be one to feature in our Club's proud history. Arsène Wenger, Pat Rice, Boro Primorac, the players, and indeed everyone at Highbury deserve enormous credit for this fantastic performance in achieving "The Double" for the second time in the Clubs' history.*

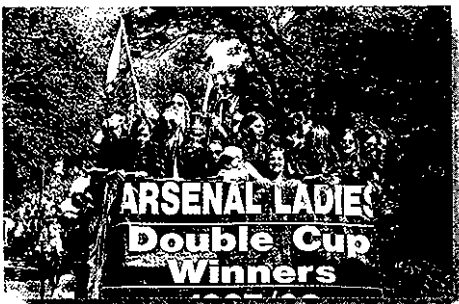
*In his first full year as Manager, Arsène Wenger, who was voted Carling Manager of the Year, achieved great success and maintained confidence throughout the entire fabric of the Club. Our overseas players have, without exception, settled well into their new environment, made many friends on their way and undoubtedly they, together with all of their team mates, have played a major part in bringing more silverware to Highbury.*

*Special mention should also be made here of Dennis Bergkamp who was voted third best player in the world by FIFA. In addition, Dennis was crowned the PFA Player of the Year and won the Football Writers' Player of the Year as well as scoring BBC Match of the Day's Goal of the Season.*

*Also, to have had so many of our players of various nationalities playing in the World Cup Tournament in France was particularly pleasing. Tony Adams, David Seaman and Martin Keown represented England whilst Dennis Bergkamp and Marc Overmars played for Holland.*



*Our congratulations of course go to both Emmanuel Petit and Patrick Vieira for their outstanding efforts in helping France win the World Cup for the first time. That long list was increased with the presence of our Club Doctors, John Crane and Tim Sonnex, and First Team Pysio, Gary Lewin, who were all again with England, enjoying an association that stretches back for many years and one of which we are justly proud.*



*The senior side were not alone in their success last season. Our Youth Team were overall winners of the FA Premier Youth League and the Southern Junior Floodlit Cup whilst our Ladies achieved their own "Double" in winning both the Womens FA Challenge Cup and the Womens League Cup. An outstanding performance once again.*



*This season just ended has seen less activity in the transfer market. To those who have left the Club, Paul Shaw, Ian Selley, Glenn Helder, Ian Wright and David Platt, we thank them for their contribution and wish them every success in the future. Ian Wright in particular has enjoyed great success with the Club and has ended his time with us as the Club's overall highest scorer.*

*We welcome Christopher Wreh to Highbury, a player who has already proved his worth in the first team squad.*

*Throughout the season, attendances were at a maximum, producing an average gate of 38,053, the highest at Highbury since the introduction of our all seater stadium in 1993/1994, as a result of the Lord Justice Taylor Report.*

*Many thousands of disappointed supporters have been unable to get into Highbury due to the reduction of our capacity, which is of great concern to us all.*

*During the year we made an offer to acquire Wembley Stadium but without success. We must now concentrate our efforts in other directions.*

*Arsenal Stadium is central to the Club's thoughts about the future and we have now spent over £30 million on ground improvements in recent years. Even so, the current 38,500 spectator capacity does not remotely meet demand and to do so we would need a stadium with a capacity of at least 50,000. We are looking at a range of options, including increasing the capacity at Highbury or, albeit with reluctance, possibly relocating to a new site.*

*The football world is changing rapidly and if we are to maintain our position as one of Europe's premier clubs, then we will need to provide increased and better quality facilities to meet rising standards.*

*A major part of the Club's success on the pitch is the continuing development of young players through our football academy and youth team programmes. Liam Brady and his staff have that responsibility. We are all optimistic that in the years to come they will continue to produce some very promising players.*

*In June, we announced that we had entered into a youth development partnership arrangement with the French Club, St Etienne.*

*This will enable us to have an insight into an established and successful programme in a country and with a club of strong footballing traditions and one that consistently produces top class players. This is a new departure for us and we are confident that the investment will more than justify itself in the future. David Grondin, who is a France Under 18 International, and who signed professional terms with us in June, is a product of the St Etienne youth scheme, and hopefully he will be the first of many.*





*In my statement last year I expressed our frustration at missing out so narrowly on the remaining place in the European Champions League, having finished third in the FA Premier League. Now that we have qualified as Premier League Champions, we eagerly look forward to competing in this most prestigious competition.*

*Following site visits during the close season by UEFA, it has become clear that due to the physical limitations of our stadium, we are not able to meet the very strict criteria laid down as a condition of entry. As a result and in an attempt to cause the least disruption to our supporters, we asked the Football Association for permission to play our home leg matches at Wembley to which the F.A. agreed.*

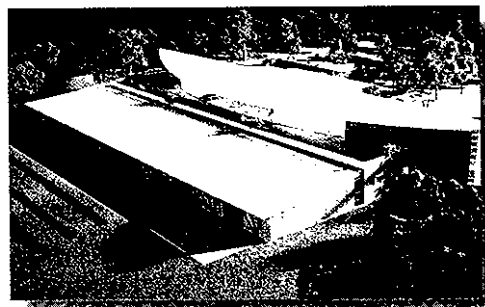
*The alternative would have been to play those matches at Highbury, relocating many thousands of season ticket holders to other parts of the Stadium and reducing the overall capacity to approximately 34,000.*

*We would like to thank all the parties involved for making this possible including UEFA, the Football Association and Wembley.*



*As we announced in July of last year, we entered into a new seven year agreement with the World's No. 1 sports brand, Nike, who will not only continue as the Club's main kit and apparel supplier, but will also sponsor Arsenal's wide-ranging youth development programme and the promotion of the Club World-wide. The deal has been designed to invest in both the present and the future expansion of the game.*

*In February, we were granted planning consent by the Hertsmere Borough Council to construct a 'State of the Art' training ground. Work has now commenced, and it is anticipated that this new facility will be available for the beginning of season 1999/2000.*



*Turning to the annual accounts, profit before taxation for the year ended 31st May rose to £5.91 million compared to a loss of £1.57 million in the previous year.*

*Turnover increased to £40.4 million this year (1997 - £27.2 million) a rise of 48.5%. This sharp improvement has resulted from our success on the field, producing higher income in all sectors of our business - gate receipts, sponsorship, broadcasting and retail sales, as well as increased interest earning on our cash balances.*

*Overall operating costs have also risen, by 32% this year compared to last, not least being the playing and coaching staff costs.*

*As was highlighted previously, the Bosman ruling continues to have a marked effect on players' wages, which in total have risen by 50% this year.*

*In October, our Managing Director, Ken Friar, who is due to retire in August of next year, decided to split his dual responsibilities as Managing Director and Company Secretary. The Board was pleased to appoint David Miles as Company Secretary with immediate effect. David joined the Club in 1971 and, like his predecessor, has worked his way through each of our administrative departments.*

*The Board decided to introduce for the first time a Remuneration Committee, comprised of the non-Executive Directors and chaired by Sir Roger Gibbs. This Committee is responsible for the determination of the remuneration policy applicable to the directors and senior management.*

*Our success on the field could not have been achieved without the "team behind the team", and on behalf of the Board, I would like to pay tribute to the entire staff for the part they have played in our success.*

*Particular tribute should be paid to our main sponsors, JVC and NIKE who were as ever, most supportive, as indeed were our many fans, all of whom have helped to make this a very special year.*

*We now look forward to the challenge of the coming season.*







# The Directors report

31st May 1998

The directors present their annual report and the audited financial statements of the company for the year ended 31st May 1998.

## Principal activities

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

## Profits and dividends

The results for the year are set out on page 10 and are reviewed in the Chairman's Statement.

The directors do not recommend the payment of a dividend.

## Directors and directors' shareholdings

The directors of the company at 31st May 1998, 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 31st May 1998	At 31st May 1997
P.D. Hill-Wood	348	348
D.B. Dein	11,912	13,331
Sir Roger Gibbs	200	200
C.E.B.L. Carr	4,842	4,842
R.C.L. Carr	14,735	14,735
K.J. Friar	200	200
D.D. Fiszman	15,429	15,339

Of the above interests in shares, Mr. D.B. Dein and Mr. D.D. Fiszman have an interest in the same 2,840 shares. In addition, of the above interests in shares, Mr. C.E.B.L. Carr and Mr. R.C.L. Carr have an interest in the same 4,842 shares.

In accordance with the provisions of Article 90 of the Articles of Association Messrs. D.B. Dein and D.D. Fiszman 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 £17,740 (1997 - £19,176).

## 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 20 days (1997: 43 days).



## Players

In accordance with previous practice and the accounting policy adopted for transfer fees as set out in the notes to the financial statements, no value is included in the balance sheet in respect of players. The directors acknowledge that this treatment is conservative, in view of the significant potential transfer value of the playing staff. In addition, the directors acknowledge that the accounting treatment of transfers will have to be reviewed next year in light of the requirements of Financial Reporting Standard Number 10 which will be applicable to that year.

## Year 2000 compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends to an extent not only on our own computer systems, but also to some degree on those of the other organisations with which we are involved. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is in the phase of assessing the risks to our business resulting from the date change to the year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

## Directors' responsibilities

We 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 company, and of the profit or loss of the company for that period.

In preparing these financial statements we 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; and
- prepare the financial statements on a going concern basis unless in our view the company will be unable to continue in business.

We are also responsible for:

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

## Auditors

Kidsons Impey have agreed to offer themselves for re-election as auditors of the company.

By order of the board  
D Miles, Secretary

## **Registered office:**

Arsenal Stadium, Avenell Road,  
Highbury, London N5 1BU  
16th July 1998

# The Auditors Report

to the members of The Arsenal Football Club plc



We have audited the financial statements on pages 10 to 20 which have been prepared under the accounting policies set out on pages 14 and 15.

Respective responsibilities of directors and auditors

As described on page 8 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

## 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 the company's affairs as at 31st May 1998 and of its profit for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

Kidsons Impey  
Registered Auditors  
Chartered Accountants

London  
16th July 1998

# Profit & Loss Account

for the year ended 31st May 1998



	Note	1998 £000's	1997 £000's
<b>Turnover</b>	2	40,391	27,158
Costs and overheads less other income	3	(33,224)	(25,258)
<b>Profit on ordinary activities before transfer fees</b>		7,167	1,900
Transfer Fees	4	(1,235)	(3,475)
<b>Profit/(loss) on ordinary activities before taxation</b>		5,932	(1,575)
Taxation	7	(1,865)	307
<b>Profit/(loss) after taxation retained for the financial year</b>	15	4,067	(1,268)

All trading resulted from continuing operations.

The company has no recognised gains and losses other than those reported in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

# Balance Sheet

31st May 1998



	Note	1998		1997	
		£000's	£000's	£000's	£000's
<b>Fixed assets</b>					
Tangible assets	8		28,292		28,576
<b>Current assets</b>					
Stocks	9	362		599	
Debtors	10	3,750		6,608	
Cash at bank and in hand		<u>25,365</u>		<u>1,492</u>	
		29,477		8,699	
<b>Creditors:</b> amounts falling due within one year	11	<u>(21,447)</u>		<u>(13,306)</u>	
<b>Net current assets/(liabilities)</b>			<u>8,030</u>		<u>(4,607)</u>
<b>Total assets less current liabilities</b>			36,322		23,969
<b>Creditors:</b> amounts falling due after more than one year	12		<u>(23,488)</u>		<u>(15,202)</u>
<b>Net assets</b>			<u>12,834</u>		<u>8,767</u>
<b>Equity capital and reserves</b>					
Called up equity share capital	14		56		56
Share premium account	15		237		237
Building reserve	15		-		928
Profit and loss account	15		<u>12,541</u>		<u>7,546</u>
<b>Equity shareholders' funds</b>			<u>12,834</u>		<u>8,767</u>

The financial statements on pages 10 to 20 were approved by the board of directors on 16th July 1998

On behalf of the board

P.D. Hill-Wood

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Directors

D.B. Dein

*P.D. Hill-Wood*  
*David Hill-Wood*

# Cash Flow Statement

for the year ended 31st May 1998



	1998 £000's	1997 £000's
Net cash inflow from operating activities	26,170	5,003
Transfer fees	(2,810)	(4,319)
Returns on investment and servicing of finance	861	(77)
Taxation	1,096	151
Capital expenditure	<u>(1,444)</u>	<u>(1,967)</u>
Increase/(decrease) in cash	<u>23,873</u>	<u>(1,209)</u>

## Notes to the Cash Flow Statement

(a)	Reconciliation of operating profit to net cash inflow from operating activities	1998 £000's	1997 £000's
	Profit on ordinary activities before transfer fees	7,167	1,900
	Interest receivable	(964)	(34)
	Interest payable	<u>103</u>	<u>111</u>
	Operating profit	6,306	1,977
	Depreciation	1,228	1,191
	Decrease/(increase) in stock	238	(27)
	(Increase) in debtors	(992)	(574)
	Increase in creditors	<u>19,390</u>	<u>2,436</u>
	Net cash inflow from operating activities	<u>26,170</u>	<u>5,003</u>
(b)	Reconciliation of net cash flow to movement in net funds/debt		£000's
	Increase in cash for the period		<u>23,873</u>
	Change in net funds/debt		23,873
	Net debt at 1st June 1997		<u>(12,946)</u>
	Net funds at 31st May 1998		<u>10,927</u>

# Notes to the Cash Flow Statement cont.

(c) Analysis of changes in net funds/debt	At 1st June	Cash	At 31st May
	1997 £000's	flows £000's	1998 £000's
Cash in hand, at bank	1,492	23,873	25,365
Debt due after more than one year - debenture subscriptions	<u>(14,438)</u>	<u>-</u>	<u>(14,438)</u>
	<u>(12,946)</u>	<u>23,873</u>	<u>10,927</u>
(d) Gross cash flows		1998 £000's	1997 £000's
Transfers:			
Payments for purchase of players		(12,224)	(9,576)
Receipts from sale of players		<u>9,414</u>	<u>5,257</u>
		<u>(2,810)</u>	<u>(4,319)</u>
Returns on investment and servicing of finance:			
Interest received		964	34
Interest paid		<u>(103)</u>	<u>(111)</u>
		<u>861</u>	<u>(77)</u>
Capital expenditure:			
Payments to acquire tangible fixed assets		<u>(1,444)</u>	<u>(1,967)</u>



# **Notes to the Financial Statement**

## **1 Principal accounting policies**

### **Basis of accounting**

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

As permitted by S.229 Companies Act 1985 the company has not consolidated the results of its subsidiary companies on the grounds that their results and assets are immaterial.

The company's subsidiaries are:-

### **Percentage shareholding Ordinary share capital**

Filepack Nominees Ltd  
Sportville Associates Ltd

100  
51

The company's total investment in its subsidiaries amounts to £53.

### **Turnover**

Turnover represents income from football and related activities.

### **Depreciation**

Depreciation is calculated to write off the cost of plant, equipment, motor vehicles and certain freehold improvements included in freehold property in equal annual instalments over their estimated useful lives at rates ranging from 7 to 25 per cent.

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

Statement of Standard Accounting Practice Number 12 requires that provision be made for depreciation of fixed assets having a finite useful life. However, it is company policy to maintain freehold property in such condition that its value is not diminished by the passage of time and the related maintenance expenditure is charged to the profit and loss account in the year it is incurred. Therefore any element of depreciation is considered to be immaterial and no provision is made.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

### **Transfer fees**

Transfer fees are charged or credited to the profit and loss account in the year in which they are contracted.

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 fees are charged or credited to the profit and loss account in the year they fall due.





## 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 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 licence fees for executive boxes which are credited to the profit and loss account over the period of the licence, income from sponsorship agreements which is credited to the profit and loss account over the period of the agreement and season ticket renewals for the 1998/99 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 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).

## Pensions

The company makes contributions on behalf of employees and directors to a number of independently controlled defined contribution 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 from the company.

## Deferred tax

No provision has been made for deferred tax 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 13 of the financial statements.

## 2 Turnover

Turnover comprises the following:

	1998 £000's	1997 £000's
Gate receipts	14,439	10,632
Broadcasting and other commercial activities	20,904	12,047
Retail income	<u>5,048</u>	<u>4,479</u>
	<u>40,391</u>	<u>27,158</u>

# Notes to the Financial Statement cont.



## 3 Costs and overheads less other income

	1998 £000's	1997 £000's
Employment costs	21,883	15,279
Depreciation	1,228	1,191
Other operating charges	10,974	8,711
Interest receivable	(964)	(34)
Interest payable	103	111
	<u>33,224</u>	<u>25,258</u>
Other operating charges include:-		
Auditors' remuneration		
-audit	23	21
-non-audit services	35	37
Operating lease payments		
-plant and machinery	36	20
-other	185	143

Employment costs are stated after charging exceptional costs of £Nil (1997 - £660,000), consisting of payments made to employees whose contracts of employment were terminated during the year.

## 4 Transfer fees

Transfer fees payable	7,895	10,545
Transfer fees receivable	(6,660)	(7,070)
	<u>1,235</u>	<u>3,475</u>

## 5 Directors' emoluments

Management remuneration including pension contributions

795	254
-----	-----

Remuneration, excluding pension contributions, of the highest paid director

525	135
-----	-----

Directors pensions:-

Number of directors qualifying for benefits under defined contribution schemes

Number	Number
1	1

£000's

£000's

Total contributions paid in the year

19	13
----	----

Contributions in respect of highest paid director

-	13
---	----

# Notes to the Financial Statement cont.



## 6 Employees

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

	1998 Number	1997 Number
Playing staff	63	48
Training staff	22	19
Administrative staff	83	69
Ground staff	10	9
	<u>178</u>	<u>145</u>

Staff costs:	£000's	£000's
Wages and salaries	19,332	13,383
Social security costs	1,844	1,181
Other pension costs	706	715
	<u>21,882</u>	<u>15,279</u>

## 7 Tax on profit/(loss) on ordinary activities

United Kingdom corporation tax based on the result for the year at 31% (1997: 33%)

	1,865	(325)
Adjustment in respect of prior years	-	18
	<u>1,865</u>	<u>(307)</u>

## 8 Tangible fixed assets

	Freehold properties £000's	Short leasehold properties £000's	Plant and equipment £000's	Motor vehicles £000's	Total £000's
<b>Cost</b>					
At 1st June 1997	27,281	739	6,191	137	34,348
Additions	820	-	124	-	944
At 31st May 1998	<u>28,101</u>	<u>739</u>	<u>6,315</u>	<u>137</u>	<u>35,292</u>
<b>Depreciation</b>					
At 1st June 1997	2,091	442	3,181	58	5,772
Charge for year	581	17	614	16	1,228
At 31st May 1998	<u>2,672</u>	<u>459</u>	<u>3,795</u>	<u>74</u>	<u>7,000</u>
<b>Net book amount</b>					
At 31st May 1998	<u>25,429</u>	<u>280</u>	<u>2,520</u>	<u>63</u>	<u>28,292</u>
At 31st May 1997	<u>25,190</u>	<u>297</u>	<u>3,010</u>	<u>79</u>	<u>28,576</u>

At 31st May 1998 the company had capital commitments of £Nil (1997 - £Nil).

# Notes to the Financial Statement cont.



9	Stocks	1998 £000's	1997 £000's
	Goods for resale	<u>1,362</u>	<u>599</u>

10	Debtors		
	Trade debtors	676	466
	Other debtors	2,397	4,286
	Prepayments and accrued income	155	238
	Corporation tax recoverable	<u>522</u>	<u>1,618</u>
		<u>3,750</u>	<u>6,608</u>

Other debtors include £871,138 in respect of player transfers (1997 - £3,625,000). Other debtors also include £Nil (1997 - £88,000) receivable in more than one year in respect of executive box licences being paid on an instalment basis.

11	Creditors: amounts falling due within one year		
	Trade creditors	371	409
	Corporation tax	1,865	-
	Other tax and social security	2,080	1,613
	Other creditors	607	5,345
	Accruals and deferred income	<u>16,524</u>	<u>5,939</u>
		<u>21,447</u>	<u>13,306</u>

Other creditors include £390,962 (1997 - £4,718,959) in respect of player transfers.

12	Creditors: amounts falling due after more than one year		
	Debenture subscriptions	14,438	14,438
	Other creditors	150	250
	Deferred income	<u>8,900</u>	<u>514</u>
		<u>23,488</u>	<u>15,202</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 150 years. The debentures are interest free.

13	Deferred taxation		
	Unprovided deferred taxation		
	Corporation tax deferred by accelerated capital allowances	1,205	1,215
	Other timing differences	<u>(140)</u>	<u>(3)</u>
		<u>1,065</u>	<u>1,212</u>



14	Called up equity share capital	1998	1997
		£000's	£000's
	<b>Authorised</b>		
	Ordinary shares of £1 each	<u>56</u>	<u>56</u>
	<b>Allotted, issued and fully paid</b>		
	Ordinary shares of £1 each	<u>56</u>	<u>56</u>

15	Share premium and other reserves	Share premium account £000's	Building reserve £000's	Profit and loss account £000's	Total £000's
	Balance at 31st May 1997	237	928	7,546	8,711
	Profit for the year	-	-	4,067	4,067
	Reclassification	-	(928)	928	-
	Balance at 31st May 1998	<u>237</u>	<u>-</u>	<u>12,541</u>	<u>12,778</u>

The building reserve formerly disclosed as a separate item is now included within profit and loss account.

16	Reconciliation of equity shareholders' funds	1998 £000's	1997 £000's
	Opening equity shareholders' funds	8,767	10,035
	Retained profit/(loss) for the financial year	<u>4,067</u>	<u>(1,268)</u>
	Closing equity shareholders' funds	<u>12,834</u>	<u>8,767</u>

## 17 Leasing commitments

Commitments due under operating leases for the period to 31st May 1999 are in respect of:-

	1998		1997	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
Leases expiring in:-				
One year	150	-	-	-
Two to five years	-	23	95	4
Over five years	<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>
	<u>190</u>	<u>23</u>	<u>135</u>	<u>4</u>



### **18 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 charged to the profit and loss account 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.

### **19 Related party transactions**

There were no material transactions with related parties as defined by Financial Reporting Standard Number 8 "Related Party Transactions".

### **20 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 £0.8 million.

These transfers will be accounted for in the year ended 31st May 1999.

# Five Year Summary



## Financial Record

	1994 £'000	1995 £'000	1996 £'000	1997 £'000	1998 £'000
<b>Profit and Loss Account</b>					
Turnover	21,472	23,936	20,975	27,158	40,391
Operating Profit before Transfer Fees	6,520	6,845	2,544	1,900	7,167
Transfer Fees Payable	(890)	(4,904)	(6,155)	(3,475)	(1,235)
Profit / (Loss) before taxation	5,630	1,941	(3,611)	(1,575)	5,932
Profit / (Loss) after taxation	4,034	1,909	(2,286)	(1,268)	4,067
Earnings per Share	£72.04	£34.10	-	-	£72.63

## Balance Sheet

Fixed Assets	28,478	28,379	28,299	28,576	28,292
Net current Assets / (Liabilities)	(256)	958	(2,126)	(4,607)	8,030
Creditors due after 1 year	(17,893)	(17,028)	(16,138)	(15,202)	(23,488)
	10,329	12,309	10,035	8,767	12,834
Share Capital	56	56	56	56	56
Reserves	10,273	12,253	9,979	8,711	12,778
	10,329	12,309	10,035	8,767	12,834
Net Assets per Share	£184.45	£219.80	£179.20	£156.55	£229.18

## Playing Record

	1994	1995	1996	1997	1998
F.A. Premier League	4th	12th	5th	3rd	Champions
F.A.Cup	4th Rnd	3rd Rnd	3rd Rnd	4th Rnd	Winners
Football League Cup	4th Rnd	5th Rnd	Semi-Final	4th Rnd	Semi-Final
Europe	Winners (Cup Winners Cup)	Finalists (Cup Winners Cup)	-	1st Rnd (UEFA Cup)	1st Rnd (UEFA CUP)
Winners					

# **Notice of Annual General Meeting**



## **THE ARSENAL FOOTBALL CLUB PLC**

NOTICE IS HEREBY GIVEN that the Eighty Eighth 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 Wednesday 2nd September 1998, at 12 noon precisely when the following ordinary business will be transacted, viz.:

1. To receive the Director's Report and Statement of Accounts and the Auditors' Report thereon for the year ended 31st May 1998.
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. Fizman, a Director, who retires by rotation in accordance with article 90 of the articles of association.
4. To re-appoint the Auditors and to authorise the Directors to fix their remuneration.
5. To transact any other ordinary business of the meeting.

Dated this 16th Day of July 1998

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.

Admission to the meeting will be upon production of an admission card only and any person attending as a proxy (whether a member or not) must produce the admission card.





# 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 C.E.B.L. Carr Esq., whom failing R.C.L. Carr Esq., whom failing K.J. Friar Esq., whom failing D.D. Fisman Esq., as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Wednesday 2nd September 1998 and at any adjournment thereof.

**Dated this** \_\_\_\_\_ **day of** \_\_\_\_\_ **1998**

**Signature** \_\_\_\_\_

**Name (in block capitals)** \_\_\_\_\_

**Address** \_\_\_\_\_

This Proxy is to be used ***in favour of / against\**** Resolutions

\*Delete as appropriate

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

This card 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.



SECOND FOLD

BUSINESS REPLY SERVICE  
Licence No BS LON 11449

2



**Arsenal Football Club PLC**  
**Arsenal Stadium**  
**Highbury**  
**LONDON**  
**N5 1BR**

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**THE ARSENAL FOOTBALL CLUB PLC**  
**FIXTURES - SEASON 1998/1999**

<b>DATE</b>	<b>FIXTURE</b>	
<b>Mon 17th Aug</b>	<b>NOTTINGHAM FOREST</b>	<b>(H)</b>
Sat 22nd Aug	Liverpool	(A)
<b>Sat 29th Aug</b>	<b>CHARLTON ATHLETIC</b>	<b>(H)</b>
Wed 9th Sep	Chelsea	(A)
Sat 12th Sep	Leicester City	(A)
<b>Sun 20th Sep</b>	<b>MANCHESTER UNITED</b>	<b>(H)</b>
Sat 26th Sep	Sheffield Wednesday	(A)
<b>Sun 4th Oct</b>	<b>NEWCASTLE UNITED</b>	<b>(H)</b>
<b>Sat 17th Oct</b>	<b>SOUTHAMPTON</b>	<b>(H)</b>
Sun 25th Oct	Blackburn Rovers	(A)
Sat 31st Oct	Coventry City	(A)
<b>Sat 7th Nov</b>	<b>EVERTON</b>	<b>(H)</b>
<b>Sat 14th Nov</b>	<b>TOTTENHAM HOTSPUR</b>	<b>(H)</b>
Sat 21st Nov	Wimbledon	(A)
<b>Sun 29th Nov</b>	<b>MIDDLESBROUGH</b>	<b>(H)</b>
Sat 5th Dec	Derby County	(A)
Sat 12th Dec	Aston Villa	(A)
<b>Sun 20th Dec</b>	<b>LEEDS UNITED</b>	<b>(H)</b>
<b>Sat 26th Dec</b>	<b>WEST HAM UNITED</b>	<b>(H)</b>
Mon 28th Dec	Charlton Athletic	(A)
<b>Sat 9th Jan</b>	<b>LIVERPOOL</b>	<b>(H)</b>
Sat 16th Jan	Nottingham Forest	(A)
<b>Sat 30th Jan</b>	<b>CHELSEA</b>	<b>(H)</b>
Sat 6th Feb	West Ham United	(A)
Sat 13th Feb	Manchester United	(A)
<b>Sat 20th Feb</b>	<b>LEICESTER CITY</b>	<b>(H)</b>
Sat 27th Feb	Newcastle United	(A)
<b>Sat 6th March</b>	<b>SHEFFIELD WEDNESDAY</b>	<b>(H)</b>
Sat 13th March	Everton	(A)
<b>Sat 20th March</b>	<b>COVENTRY CITY</b>	<b>(H)</b>
Sat 3rd April	Southampton	(A)
<b>Tue 6th April</b>	<b>BLACKBURN ROVERS</b>	<b>(H)</b>
Sat 10th April	Tottenham Hotspur	(A)
<b>Sat 17th April</b>	<b>WIMBLEDON</b>	<b>(H)</b>
Sat 24th April	Middlesbrough	(A)
<b>Sat 1st May</b>	<b>DERBY COUNTY</b>	<b>(H)</b>
Sat 8th May	Leeds United	(A)
<b>Sun 16th May</b>	<b>ASTON VILLA</b>	<b>(H)</b>