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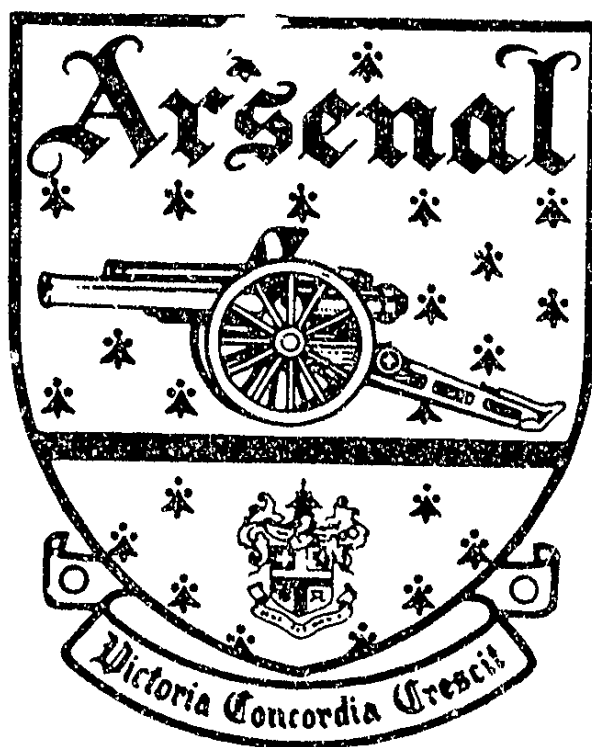
ARSENAL FOOTBALL CLUB LIMITED

STATEMENT OF ACCOUNTS

AND

ANNUAL REPORT

1986-1987



COMPANIES REGISTRATION
- 9 MAR 1988
M OFFICE 48

COMPANIES REGISTRATION
17 FEB 1988
M OFFICE 59

ARSENAL FOOTBALL CLUB LIMITED

NOTICE IS HEREBY GIVEN that the Seventy Seventh Annual General Meeting of the shareholders of Arsenal Football Club Limited will be held at the Regent Crest Hotel, Carburton Street, London W1P 8EE on Thursday 27th August, 1987 at 12 noon precisely 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, 1987.
2. To re-elect Directors.
3. To re-appoint the auditors and to authorise the Directors to fix their remuneration.
4. To transact any other ordinary business of the meeting.

Dated this

4th day of August, 1987

By Order of the Board,

K. J. FRIAR,

Secretary.

Registered Office:

Arsenal Stadium,
Avenell Road,
Highbury,
London N5 1BU.

Note.—A member of the Company who is entitled to attend and vote may appoint another person (whether a member or not) as his proxy to attend and vote instead of him.

A form of proxy is enclosed with this annual report for the use of members who are unable to attend the meeting and should be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

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.

ARSENAL FOOTBALL CLUB LIMITED

Directors:

P. D. HILL-WOOD, Esq., (*Chairman*)

D. DEIN, Esq., (*Vice-Chairman*)

Sir ROBERT BELLINGER, G.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. FRIAR, Esq. (*Managing*)

Secretary:

K. J. FRIAR

Manager:

G. GRAHAM

Auditors:

HOPE AGAR

Chartered Accountants

Epworth House, 25/35 City Road, London EC1Y 1AR

Registered Office:

ARSENAL STADIUM

Avenell Road, Highbury, London N5 1BU

CHAIRMAN'S STATEMENT

The Directors have pleasure in submitting their 77th Annual Report to the Members together with the audited accounts for the year ended 31 May 1987.

George Graham's first term as our Manager was indeed as successful as we had hoped, and it was particularly gratifying that the season should finish with Arsenal winning, in its Centenary year, the Littlewoods Cup. The excitement, suspense and drama of the semi-finals versus Tottenham and of course the final at Wembley versus Liverpool will imprint for many years to come some quite remarkable memories.

Finishing fourth in the 1st Division was slightly disappointing after such a long run at the top but the disappointment was softened by the knowledge that during the season a new record was achieved in that we went for 22 matches without defeat. The longest in the history of the Club.

Honours came fast and furious for the younger players. Tony Adams won his 1st full International Cap as indeed did Niall Quinn. Gus Caesar, Martin Hayes and David Rocastle were all honoured at Under 21 level which is a great tribute to our scouting system masterminded by our Chief Scout Steve Burtenshaw and our Youth Development Officer Terry Murphy. The whole of the playing staff responded to the challenge, and the experience gained, especially for the younger lads, will I know prove invaluable in the future.

The upturn in our performances on the field is reflected in a substantial increase in average attendances which rose from 23,824 to 29,022. The long run in the FA Cup, and our consistently high position in the League and of course ultimate success in the Littlewoods Cup ensured a sustained interest, and it was encouraging not only for Club finances but for the players to have the opportunity to play before such large audiences.

Since the end of the season we have acquired the services of Nigel Winterburn from Wimbledon and Alan Smith from Leicester City to whom we offer a sincere welcome. Sadly Viv Anderson left at the end of his contract and joined Manchester United. Players have a freedom of choice upon expiry of contracts, and despite making a very substantial offer to the player, he opted for a new challenge. The fee is to be determined by the Appeals Tribunal and is likely to be far less than our own valuation and certainly will not in our opinion reflect his true worth.

George Graham's top priority is to strengthen the Squad even further, and hopefully his efforts will shortly be evident, for if we are to seriously challenge for honours, then it is essential that we have a strong Squad. Stewart Houston joined the Club in July from Plymouth Argyle. Stewart was formally a player with Manchester United and Sheffield United before embarking on a coaching career with Colchester and Plymouth Argyle and takes over Second Team responsibilities from Terry Burton who has now left our staff. Pat Rice will continue to manage our youth side. The back room staff play a vital role in the continued success of the Club and I am sure that Stewart Houston will add to their vast experience.

The Board were delighted when George Graham signed a new long term contract in July. His first year has been very successful and this new commitment establishes a firm base from which we intend to build an even more successful future.

The close season is always a busy period and a great amount of Stadium renovation work has already been completed. In the coming weeks the restaurants serving the East and West Stand are to be completely refurbished and re-equipped to a very high standard, and this we hope will meet the undoubted demands. Maintaining a Stadium as large as Highbury is a massive task, and we continue to invest large sums. During the close season the North Stand roof has been repainted as indeed have many other parts of the ground and this and other work will continue throughout the coming months.

CHAIRMAN'S STATEMENT (Cont.)

In the Spring we announced the renewal of our sponsorship agreement with JVC (UK) Ltd. The relationship between the two Companies is something of which we are very proud and this is now the longest continuous sponsorship in British football — 9 years in total.

Team success produced a considerable increase in Gate Receipt income. Costs and overheads were adequately contained, and despite a deficit on the transfer fee account of £118,000, I am happy to report an operating profit after taxation of £934,485. This encouraging profit to a large degree redresses the substantial losses made in recent seasons. Already season ticket sales for the current season are in advance of those for 1986/7 and given reasonable success I am optimistic of the future.

Last year I remarked upon the improving behavioural pattern of our supporters and I am pleased that this continues. Our record compares favourably with most others in the country but with the help of the Police to whom we owe a debt of gratitude, we shall continue to strive for even further improvements.

It is the wish of the Government and the Football League that Clubs introduce a membership scheme embracing 50% of the Stadium capacity — after an adjustment for the visitors — which in our case results in a figure of approximately 20,000 people. Due to the physical layout of the Stadium we are unable to comply fully, but it is our intention that we work towards an acceptable figure, clearly taking account at all times, the experience and recommendations of the Police. The successful introduction of our 'Family Enclosure' and of course the 'Junior Gunners' assists very much in reaching these target figures.

In paying tribute to the loyalty of our supporters without whom this business would not exist I would also like to place on record the sincere thanks of the Board to every member of our staff, both on and off the field for their efforts throughout the season.

PETER HILL-WOOD

Chairman of 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 1987.

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 6 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.

DIRECTORS

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

	<u>31st May 1987</u>	<u>31st May 1986</u>
	<u>Beneficial Interests</u>	
P.D. Hill-Wood	1,016	1,016
D. Dein	1,326	1,287
Sir Robert Bellinger, 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.E.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	879	—
C.E.B.L. Carr	433	878

In accordance with the provisions of Article 90 of the Articles of Association Sir Robert Bellinger, G.B.E., D.Sc., R.G. Gibbs and C.E.B.L. Carr retire by rotation, and, being eligible, offer themselves for re-election.

AUDITORS

Hope Agar, formerly Hope 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 1987

ARSENAL FOOTBALL CLUB LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MAY 1987

	<i>Note</i>	1987	1986
		£	£
TURNOVER	2	4,166,418	2,750,167
Costs and Overheads less Other Income	3	<u>3,096,933</u>	<u>2,866,081</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES			
BEFORE TRANSFER FEES		1,069,485	(115,914)
Transfer Fees (Payable)/Receivable		<u>(118,000)</u>	<u>160,000</u>
PROFIT BEFORE TAXATION		951,485	44,086
Taxation	5	<u>17,000</u>	<u>—</u>
PROFIT AFTER TAXATION	12	<u><u>£934,485</u></u>	<u><u>£44,086</u></u>

ARSENAL FOOTBALL CLUB LIMITED

BALANCE SHEET 31st MAY, 1987

	Note	1987	1986
		£	£
FIXED ASSETS			
Tangible Assets	6	1,303,303	1,544,689
CURRENT ASSETS			
Stocks	7	50,481	44,285
Debtors	8	662,901	316,988
Short Term Investments		131,940	131,940
Cash at Bank and in Hand		675,828	2,058
		<u>1,521,150</u>	<u>495,271</u>
CURRENT LIABILITIES —			
CREDITORS DUE WITHIN ONE YEAR			
Bank Overdraft		—	414,254
Creditors	9	1,380,714	1,166,452
		<u>1,380,714</u>	<u>1,580,706</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>140,436</u>	<u>(1,085,435)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES ...		<u>£1,443,739</u>	<u>£459,254</u>
CAPITAL AND RESERVES			
Called-up Share Capital	10	7,000	7,000
Share Premium Account		286,201	286,201
Building Reserve	11	596,000	546,000
Profit and Loss Account	12	554,538	(379,947)
SHAREHOLDERS' FUNDS		<u>£1,443,739</u>	<u>£459,254</u>

P.D. HILL-WOOD

D. DEIN

} Directors

P.D. Hill-Wood
[Signature]

4th August 1987

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS 31st MAY, 1987

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:

	1987	1986
Gate Receipts	3,058,356	2,133,448
Ground Advertisements and Other Activities	1,020,562	616,719
Prize Money	87,500	—
	<u>£4,166,418</u>	<u>£2,750,167</u>

3. COSTS AND OVERHEADS LESS OTHER INCOME

Employment Costs (Note 4)	1,998,862	1,710,818
Depreciation	40,825	48,272
Other Operating Charges	1,079,465	1,088,713
Interest Receivable	(40,211)	(19,429)
Interest Payable on Bank Overdraft	17,992	37,707
	<u>£3,096,933</u>	<u>£2,866,081</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	1,800,190	1,559,168
Social Security Costs	161,131	114,882
Other Pension Costs	37,541	36,768
	<u>£1,998,862</u>	<u>£1,710,818</u>

Employment costs include the following in respect of Directors:

Management Remuneration	<u>£51,666</u>	<u>£50,000</u>
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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	6	1
£40,001 — £45,000	2	—
£45,001 — £50,000	1	3
£50,001 — £55,000	—	3
£55,001 — £60,000	1	1
£60,001 — £65,000	—	1
£65,001 — £70,000	1	—
£75,001 — £80,000	—	2
£80,001 — £85,000	1	1
£85,001 — £90,000	1	—
£90,001 — £95,000	1	1
£95,001 — £100,000	1	—
£100,001 — £105,000	<u>1</u>	<u>—</u>

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS 31st MAY, 1987 – continued

4. DIRECTORS AND EMPLOYEES (contd.)

The average number employed by the Company within each category of persons was:	1987	1986
Playing Staff	41	41
Team Management and Training Staff	10	9
Administrative Staff	16	15
Ground Staff	15	14
	<u>82</u>	<u>79</u>

5. TAXATION

Corporation Tax at 29%	<u>£17,000</u>	<u>£ –</u>
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The tax charge has been arrived at after taking into account losses brought forward from previous years.

6. TANGIBLE FIXED ASSETS

	<i>Freehold Properties</i>	<i>Plant, Fixtures, Fittings and Equipment</i>	<i>Emergency and Flood Lighting</i>	<i>Motor Vehicles</i>	<i>Total</i>
Value at 1965	5,750	–	–	–	5,750
Cost at 1st June 1986 ...	1,452,393	273,772	41,405	116,918	1,884,488
Additions	150,000	58,013	–	–	208,013
Disposals	(194,263)	–	–	(16,528)	(210,791)
Grants Received	(160,141)	(47,008)	–	–	(207,149)
At 31st May 1987	<u>1,253,739</u>	<u>284,777</u>	<u>41,405</u>	<u>100,390</u>	<u>1,680,311</u>
Depreciation at 1st June 1986	127,393	132,735	41,355	44,066	345,549
Charge for the year	–	24,111	–	16,717	40,825
Disposals	–	–	–	(9,366)	(9,366)
A. 31st May 1987	<u>127,393</u>	<u>156,846</u>	<u>41,355</u>	<u>51,414</u>	<u>377,008</u>
Net Book Value 31st May 1987	<u>£1,126,346</u>	<u>£127,931</u>	<u>£50</u>	<u>£48,976</u>	<u>£1,303,303</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>

7. STOCKS

Stocks represent items held for resale.

ARSENAL FOOTBALL CLUB LIMITED

NOTES TO THE ACCOUNTS 31st MAY, 1987 — *continued*

8. DEBTORS											1987	1986
Trade Debtors	...	...	...	...	...	...	...	...	...	...	73,930	12,532
Other Debtors	...	...	...	...	...	...	...	...	...	...	528,459	240,142
Prepayments	...	...	...	...	...	...	...	...	...	...	60,512	64,314
											<u>£662,901</u>	<u>£316,988</u>
Amounts due after more than one year included in Other Debtors											<u>£ —</u>	<u>£21,523</u>
9. CREDITORS DUE WITHIN ONE YEAR												
Trade Creditors	...	...	...	...	...	...	...	...	...	...	102,793	77,275
Corporation Tax	...	...	...	...	...	...	...	...	...	...	17,000	—
Other Creditors	...	...	...	...	...	...	...	...	...	...	832,724	499,545
Other Taxation and Social Security	...	...	...	...	...	...	...	...	...	...	73,477	113,219
Accruals	...	...	...	...	...	...	...	...	...	...	214,059	139,040
Income Received in Advance	...	...	...	...	...	...	...	...	...	...	140,661	337,373
											<u>£1,380,714</u>	<u>£1,166,452</u>
10. SHARE CAPITAL												
Authorised												
Ordinary Shares of £1 each	...	...	...	...	...	...	...	...	...	...	<u>£7,000</u>	<u>£7,000</u>
Allotted, 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>
11. BUILDING RESERVE												
At 1st June 1986	...	...	...	...	...	...	...	...	...	...	546,000	
Donations	...	...	...	...	...	...	...	...	...	...	50,000	
At 31st May 1987	...	...	...	...	...	...	...	...	...	...	<u>£596,000</u>	
12. PROFIT AND LOSS ACCOUNT												
At 1st June 1986	...	...	...	...	...	...	...	...	...	...	(379,947)	
Profit for the year	...	...	...	...	...	...	...	...	...	...	934,485	
At 31st May 1987	...	...	...	...	...	...	...	...	...	...	<u>£554,538</u>	

ARSENAL FOOTBALL CLUB LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st MAY, 1987

	1987		1986	
	£	£	£	£
SOURCE OF FUNDS				
Profit before Taxation		951,485		44,086
Adjustment for item not involving the movement of funds:				
Depreciation		40,825		48,272
		<u>992,310</u>		<u>92,358</u>
FUNDS FROM OTHER SOURCES				
Donations	50,000		50,000	
Disposal of Fixed Assets (Net)	200,561		—	
		<u>250,561</u>		<u>50,000</u>
		1,242,871		142,358
APPLICATION OF FUNDS				
Purchase of Fixed Assets (Net)		—		(129,891)
INCREASE IN WORKING CAPITAL		<u>£1,242,871</u>		<u>£12,467</u>
MOVEMENT IN WORKING CAPITAL				
INCREASE/(DECREASE) ARISING FROM:				
Stocks	6,196		9,475	
Debtors	345,913		23,292	
Cash and Short Term Investments less Overdraft	1,088,024		103,490	
(Increase) in Creditors	(197,262)		(123,790)	
		<u>£1,242,871</u>		<u>£12,467</u>

ARSENAL FOOTBALL CLUB LIMITED

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

We have audited the accounts on pages 6 to 11 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 1987 and of its results and source and application of funds for the year then ended and comply with the Companies Act 1985.

HOPE AGAR

Chartered Accountants.

EPWORTH HOUSE,
25/35 CITY ROAD,
LONDON EC1Y 1AR.

4th August, 1987

ARSENAL FOOTBALL CLUB LIMITED

PLAYING RECORD 1986-87

FIRST TEAM

TODAY LEAGUE DIVISION ONE

	P	W	D	L	F	A	Pts.
HOME	21	12	5	4	31	12	41
AWAY	21	8	5	8	27	23	29
	42	20	10	12	58	35	70

Final Position: 4th

F. A. CHALLENGE CUP

Round 3	v READING	(A)	WON	3-1
Round 4	v PLYMOUTH	(H)	WON	6-1
Round 5	v BARNSELY	(H)	WON	2-0
Round 6	v WATFORD	(H)	LOST	1-3

LITTLEWOODS CHALLENGE CUP

Round 2	(1st Leg)	v HUDDERSFIELD TOWN	(H)	WON	2-0
Round 2	(2nd Leg)	v HUDDERSFIELD TOWN	(A)	DREW	1-1
Round 3		v MANCHESTER CITY	(H)	WON	3-1
Round 4		v CHARLTON ATHLETIC	(H)	WON	2-0
Round 5		v NOTTINGHAM FOREST	(H)	WON	2-0
Semi-Final	(1st Leg)	v TOTTENHAM HOTSPUR	(H)	LOST	0-1
Semi-Final	(2nd Leg)	v TOTTENHAM HOTSPUR	(A)	WON	2-1 aet
Semi-Final	(Replay)	v TOTTENHAM HOTSPUR	(A)	WON	2-1
FINAL		v LIVERPOOL	(Wembley)	WON	2-1

SECOND TEAM

FOOTBALL COMBINATION

	P	W	D	L	F	A	Pts.
HOME	19	12	3	4	41	16	27
AWAY	19	11	4	4	36	26	26
	38	23	7	8	77	42	53

Final Position: 3rd

THIRD TEAM

SOUTH EAST COUNTIES LEAGUE

	P	W	D	L	F	A	Pts.
HOME	15	10	3	2	45	19	23
AWAY	15	6	4	5	28	22	16
	30	16	7	7	73	41	39

Final Position: 4th

SOUTH EAST COUNTIES LEAGUE CUP

Round 1	v WATFORD	(H)	WON	3-1
Round 2	v TOTTENHAM HOTSPUR	(H)	WON	4-0
1/4 Final	v WEST HAM UNITED	(A)	WON	3-2
Semi-Final	v IPSWICH TOWN	(H)	LOST	1-3

F. A. YOUTH CUP

Round 2	v SOUTHAMPTON	(H)	LOST	0-3
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SOUTHERN JUNIOR FLOODLIT CUP

Round 1	v ASTON VILLA	(A)	DREW	3-3
Round 1	(Replay) v ASTON VILLA	(H)	DREW	1-1 aet
Round 1	(2nd Replay) v ASTON VILLA	(H)	WON	5-2
Round 2	v COLCHESTER UNITED	(A)	WON	3-2
Round 3	v WEST HAM UNITED	(H)	WON	1-0
Semi-Final	v CHELSEA	(A)	LOST	0-1