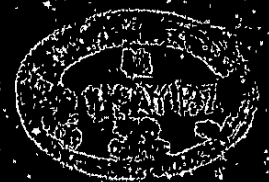


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ARSENAL FOOTBALL CLUB LTD.

STATEMENT OF ACCOUNTS AND ANNUAL REPORT

1977/78



ARSENAL FOOTBALL CLUB LIMITED

NOTICE IS HEREBY GIVEN that the SIXTY-EIGHTH ANNUAL GENERAL MEETING of the shareholders of Arsenal Football Club Limited will be held at the registered office of the Company, Arsenal Stadium, Highbury, London N5 1BU, on Monday, 9th October, 1978, 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, 1978.
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 15th day of September, 1978

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:

D. J. C. H. HILL-WOOD, Esq., M.C. (*Chairman*)

Sir ROBERT BELLINGER, G.B.E., D.Sc.

S. C. McINTYRE, Esq., M.B.E., F.C.I.S.

P. D. HILL-WOOD, Esq.

The Reverend NOËL F. BONE, T.D.

A. WOOD, Esq.

W. R. WALL, Esq.

Secretary:

K. J. FRIAR

Manager:

W. J. T. NEILL

Auditors:

Messrs. HOPE, AGAR & CO.

Chartered Accountants

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

Registered Office:

ARSENAL STADIUM

Avenell Road, Highbury, London N5 1BU

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their SIXTY-EIGHTH ANNUAL REPORT to the Members together with the audited Accounts for the year ended 31st May, 1978.

We are delighted that once again the team improved on the previous season's record. Although we were naturally disappointed that we did not actually "bring home" a Championship or Cup, the titles eluded us by the narrowest of margins. Finalists at Wembley in the F.A. Cup, a defeat by Liverpool in the Semi-Final of the Football League Cup, and a final placing in the League table of 5th, with subsequent entry into the U.E.F.A. Cup is certainly a performance that we should not be ashamed of. However you may rest assured that we shall strive for even better results this coming season, particularly as it celebrates our 60th consecutive season in the 1st Division of the Football League. The results of our other teams can be found at the back of this report.

Turning to the Accounts, it can be seen that our gate receipts showed an increase of £533,624 a large proportion of which relates to our success in reaching the Final of the F.A. Cup and the Semi-Final of the League Cup. The expenditure on Players, Management and Staff was considerably higher this year but as has been explained on previous occasions, our Players' contracts etc., are directly related to success.

The profit from programmes, handbooks and ground advertising continues to provide a substantial contribution to the profits, the majority of this year's increase being from our ground advertising.

Our overall football income, therefore, showed an increase of £586,902 compared with the previous year's figure. Total expenditure for the year increased by £209,362.

As we pointed out last year, the Safety of Sports Ground Act 1975 would undoubtedly involve the Club in very considerable expenditure and in fact the charge in this year has amounted to £186,430. It can be seen, therefore, that the continued requirements of this Act have indeed been costly and we regret that even further charges will be incurred during this current season. However, on a slightly more optimistic note, we are happy to report that as a result of this work being undertaken, the capacity of the stadium has been maintained without reduction.

The net result, therefore, is an excess of Income over Expenditure of £187,449. After provision for Corporation Tax the retained profit amounts to £112,403. Your Directors do not recommend the payment of a dividend.

Under the provisions of Article 90 of the Articles of Association Sir Robert Bellinger retires by rotation and, being eligible, offers himself for re-election.

Under the provisions of Article 90 of the Articles of Association Mr. S. C. McIntyre retires by rotation and, being eligible, offers himself for re-election.

The Auditors, Messrs. Hope, Agar & Co., have expressed their willingness to continue in office.

Signed on behalf of the Board.

D. J. C. H. HILL-WOOD,

Chairman.

LONDON, N.5.

15th September, 1978.

ARSENAL FOOTBALL CLUB LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MAY, 1978

| | Note | 31st May, 1978 £ | 31st May, 1977 £ |
|--|------|---------------------|---------------------|
| FOOTBALL INCOME | | | |
| Gate Receipts—Net | | 1,327,986 | 794,362 |
| Broadcasting and Television Fees | | 15,610 | 13,701 |
| Profits from Programmes, Handbooks and Ground Advertisements | | 107,443 | 77,497 |
| Profits from Gunners Shop | | 17,696 | 14,273 |
| | | <u>1,468,735</u> | <u>899,833</u> |
| TURNOVER | 1 | | |
| EXPENDITURE | | | |
| Transfer Fees—Net | | 59,005 | 220,936 |
| Players, Management and Staff | | 689,746 | 520,104 |
| Police, Referees and Gatemmen | | 49,321 | 47,529 |
| Ground Maintenance and Expenses | | 385,134 | 194,397 |
| General Expenses | | 88,918 | 74,099 |
| Depreciation | 1 | 17,069 | 22,766 |
| Audit Fee | | 1,000 | 1,000 |
| | | <u>1,290,193</u> | <u>1,080,831</u> |
| FOOTBALL PROFIT (LOSS) | | 178,542 | (180,998) |
| OTHER INCOME | 2 | 8,907 | 26,109 |
| PROFIT (LOSS) | | 187,449 | (154,889) |
| TAXATION | 3 | 75,046 | (30,533) |
| ADDITION (REDUCTION) TO UNAPPRO- PRIATED PROFITS | | <u>£112,403</u> | <u>£(124,356)</u> |

ARSENAL FOOTBALL CLUB LIMITED

Balance Sheet as at 31st May, 1978

| | Note | 31st May, 1978 | 31st May, 1977 |
|---------------------------------------|------|-----------------|-----------------|
| | | £ | £ |
| FIXED ASSETS | 8 | 481,536 | 506,778 |
| CURRENT ASSETS | | | |
| Stock | 1 | 29,649 | 22,222 |
| Debtors and Prepayments | | 214,946 | 90,636 |
| Cash at Bank and in Hand | 10 | 342,785 | 72,950 |
| | | <u>647,380</u> | <u>185,808</u> |
| CURRENT LIABILITIES | | | |
| Season Tickets 1978/79 | | 97,084 | 55,320 |
| Creditors and Accrued Charges | | 341,701 | 298,765 |
| Unclaimed Dividends | | 1,002 | 1,002 |
| Corporation Tax | | 61,400 | 1,515 |
| | | <u>501,187</u> | <u>356,602</u> |
| NET CURRENT LIABILITIES | | 13,807 | 170,794 |
| | | <u>467,729</u> | <u>335,984</u> |
| DEFERRED TAXATION | 3 | 15,000 | — |
| TOTAL NET ASSETS | | <u>£452,729</u> | <u>£335,984</u> |
| FINANCED BY:— | | | |
| SHARE CAPITAL | 11 | 5,849 | 5,849 |
| RESERVES | 12 | 446,880 | 330,135 |
| | | <u>£452,729</u> | <u>£335,984</u> |

D. J. C. H. HILL-WOOD

S. C. McINTYRE

K. J. FRIAR, Secretary.

} Directors

We hereby certify that this is a true copy of the Balance Sheet as presented to the Members at the Annual General Meeting held on 9th October 1978.

Signed.....*D. J. C. H. Hill-Wood*.....

Director

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Signed.....*K. J. Friar*.....

Secretary

S. C. McIntyre

ARSENAL FOOTBALL CLUB LIMITED

NOTES FORMING PART OF THE ACCOUNTS
31st MAY, 1978

1. ACCOUNTING POLICIES

TURNOVER is computed as total net receipts from football activities.
DEPRECIATION on all Fixed Assets other than Freehold Properties is calculated to write off cost during their expected normal lives by annual instalments at rates ranging from 10 per cent. to 25 per cent.
No Depreciation has been provided in the year under review on Freehold Properties.
STOCKS are valued at the lower of cost and net realisable value.

2. OTHER INCOME

| | 1978 | | 1977 | |
|--------------------------------------|--------|---------------|--------|----------------|
| | £ | £ | £ | £ |
| Other Income comprised: | | | | |
| Rents Receivable (Net) ... | | (8,711) | | 1,712 |
| Interest Receivable—Bank ... | 15,867 | | 18,235 | |
| Other... ... | 1,751 | | 2,626 | |
| | | 17,618 | | 20,861 |
| Sale of Interest in Property ... | | — | | 1,500 |
| Profit on Sale of Motor Vehicles ... | | — | | 2,036 |
| | | <u>£8,907</u> | | <u>£26,109</u> |

3. TAXATION

| | | | | |
|--|-----|-----|-----|----------------|
| Corporation Tax on the profits of the year less losses brought forward | ... | ... | ... | 60,000 |
| Under-reserve previous years | ... | ... | ... | 46 |
| Transfer to Deferred Taxation | ... | ... | ... | 15,000 |
| | | | | <u>£75,046</u> |

4. DIVIDEND

The directors do not recommend the payment of a dividend (1977—Nil).

5. REMUNERATION OF EMPLOYEES

The number of employees whose emoluments receivable were in excess of £10,000 for the year was:—

| | 1978 | 1977 |
|-----------------|------|------|
| £10,001—£12,500 | 5 | 3 |
| £12,501—£15,000 | 2 | 2 |
| £15,001—£17,500 | 2 | 2 |
| £17,501—£20,000 | 7 | — |
| £25,001—£27,500 | 1 | — |

6. DIRECTORS

The following Directors have served during the year and their beneficial and family interests in the shares of the Company were as stated against their respective names:

| | At 31.5.78 | At 1.6.77 |
|-------------------------------------|------------|-----------|
| D. J. C. H. Hill-Wood, M.C. | 510 | 510 |
| Sir Robert Bellinger, G.B.E., D.Sc. | 89 | 89 |
| S. C. McIntyre, M.B.E., F.C.I.S. | 80 | 80 |
| P. D. Hill-Wood | 569 | 569 |
| Rev. N. F. Bone, T.D. | 298 | 298 |
| A. Wood | 81 | 81 |
| W. R. Wall | 25 | — |

ARSENAL FOOTBALL CLUB LIMITED

NOTES FORMING PART OF THE ACCOUNTS—continued
31st MAY, 1978

7. DIRECTORS' EMOLUMENTS

In accordance with Article 86 of the Company's Articles of Association the Directors received no remuneration during the year (1977—Nil).

8. FIXED ASSETS

| | Freehold Properties £ | Plant, Fixtures, Fittings & Equipment £ | Emergency & Flood Lighting £ | Motor Vehicles £ | Total £ |
|---------------------------------------|-----------------------------|---|---------------------------------------|------------------------|-----------------|
| Value at 1965 | 12,150 | — | — | — | 12,150 |
| Cost at 1st June, 1977 | 583,512 | 102,669 | 41,405 | 14,486 | 742,072 |
| Additions | — | 1,885 | — | 775 | 2,660 |
| Disposals | (10,833) | — | — | — | (10,833) |
| | <u>584,829</u> | <u>104,554</u> | <u>41,405</u> | <u>15,261</u> | <u>746,049</u> |
| Depreciation to 1st June, 1977 | 127,393 | 82,121 | 32,154 | 5,776 | 247,444 |
| Charge for year | — | 8,523 | 5,940 | 2,606 | 17,069 |
| | <u>127,393</u> | <u>90,644</u> | <u>38,094</u> | <u>8,382</u> | <u>264,513</u> |
| Net Book Value 31st May, 1978 | <u>£457,436</u> | <u>£13,910</u> | <u>£3,311</u> | <u>£6,879</u> | <u>£481,536</u> |
| Net Book Value 31st May, 1977 | <u>£468,269</u> | <u>£20,548</u> | <u>£9,251</u> | <u>£8,710</u> | <u>£506,778</u> |

9. 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.

10. Barclays Bank Ltd. hold a Debenture giving a charge on all Company Properties, as security against any overdraft.

11. SHARE CAPITAL

| | 1978 | 1977 |
|---|---------------|---------------|
| AUTHORISED: | | |
| 7,000 Ordinary Shares of £1 each | <u>£7,000</u> | <u>£7,000</u> |
| ISSUED AND FULLY PAID | | |
| 5,839 Ordinary Shares of £1 each | <u>£5,839</u> | <u>£5,839</u> |
| Amounts paid on shares forfeited | <u>£10</u> | <u>£10</u> |

12. RESERVES

| | Profit and Loss Account £ | Capital Reserve £ | Total £ |
|--|------------------------------------|-------------------------|-----------------|
| Balance 1st June, 1977 | 318,557 | 11,578 | 330,135 |
| Add: Profit for year after Taxation | 112,403 | — | 112,403 |
| Surplus on sale of property | — | 4,342 | 4,342 |
| | <u>£430,960</u> | <u>£15,920</u> | <u>£446,880</u> |

ARSENAL FOOTBALL CLUB LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31st MAY, 1978

| | £ | 1978 | £ | 1977 | £ |
|--|-------|-----------------|--------|-------------------|---|
| SOURCE OF FUNDS | | | | | |
| Profit (<i>Loss</i>) before Tax | | 187,449 | | (154,889) | |
| Adjustment for items not involving movement of funds | | | | | |
| Depreciation (net) | | 17,069 | | 19,230 | |
| | | <u>204,518</u> | | <u>(135,659)</u> | |
| FUNDS FROM OTHER SOURCES | | | | | |
| Disposal of Fixed Assets | | 15,175 | | 12,833 | |
| | | <u>219,693</u> | | <u>(122,804)</u> | |
| APPLICATION OF FUNDS | | | | | |
| Tax Paid | 161 | | 4,500 | | |
| Purchase of Fixed Assets | 2,660 | | 15,466 | | |
| | | <u>2,821</u> | | <u>19,966</u> | |
| INCREASE (DECREASE) IN WORKING CAPITAL ... | | <u>£216,872</u> | | <u>£(142,770)</u> | |
| MOVEMENT IN WORKING CAPITAL | | | | | |
| Increase (<i>Decrease</i>) arising from: | | | | | |
| Stock | | 7,427 | | 9,774 | |
| Debtors | | 124,310 | | 18,029 | |
| Liquid Funds Cash Balances | | 169,835 | | (94,810) | |
| Creditors | | (42,936) | | (160,622) | |
| Advance payment for Season Tickets | | (41,764) | | 84,859 | |
| | | <u>£216,872</u> | | <u>£(142,770)</u> | |

REPORT OF THE AUDITORS

To the Members of Arsenal Football Club Limited

In our opinion the accounts set out on pages 4 to 8 which have been prepared under the historical cost convention, comply with the Companies Acts 1948 and 1967 and give so far as members of the Company a true and fair view of the state of affairs of the Company at 31st May, 1978, and of its profit and source and application of funds for the year then ended.

HOPE, AGAR & CO.,
Chartered Accountants.

EPWORTH HOUSE,
25/35 CITY ROAD,
LONDON EC1Y 1AR.
15th September, 1978.

ARSENAL FOOTBALL CLUB LIMITED

PLAYING RECORD 1977-78

FIRST TEAM

Football League

52 Points 42 Matches Position 5th

F.A. Cup

| | | |
|------------|------------------------------|---------|
| Round 3 | v. Sheffield United | (A) 5-0 |
| Round 4 | v. Wolverhampton | (H) 2-1 |
| Round 5 | v. Walsall | (H) 4-1 |
| Round 6 | v. Wrexham | (A) 3-2 |
| Semi-final | v. Orient at Stamford Bridge | 3-0 |
| Final | v. Ipswich Town at Wembley | 0-1 |

Football League Cup

| | | |
|--------------------|----------------------|---------|
| Round 2 | v. Manchester United | (H) 3-2 |
| Round 3 | v. Southampton | (H) 2-0 |
| Round 4 | v. Hull City | (H) 5-1 |
| Round 5 | v. Manchester City | (A) 0-0 |
| Round 5 (Replay) | v. Manchester City | (H) 1-0 |
| Semi-final 1st leg | v. Liverpool | (A) 1-2 |
| Semi-final 2nd leg | v. Liverpool | (H) 0-0 |

SECOND TEAM

Football Combination

44 Points 42 Matches Position 10th

THIRD TEAM

South East Counties League

25 Points 30 Matches Position 12th

F.A. Youth Cup

| | | |
|------------------|-------------------------|---------|
| Round 2 | v. West Ham United | (A) 0-0 |
| Round 2 (Replay) | v. West Ham United | (H) 1-0 |
| Round 3 | v. West Bromwich Albion | (A) 0-2 |

South East Counties League Cup

| | | |
|---------|-----------|---------|
| Round 1 | v. Orient | (A) 0-7 |
|---------|-----------|---------|

Southern Junior Floodlit Cup

| | | |
|---------|-------------------|---------|
| Round 1 | v. Crystal Palace | (A) 2-1 |
| Round 2 | v. Portsmouth | (H) 6-2 |
| Round 3 | v. Ipswich Town | (A) 1-3 |