



**Statement  
of  
Accounts and Annual Report  
1998/1999**



**THE ARSENAL FOOTBALL CLUB PLC**  
**PLAYING RECORD SUMMARY - SEASON 1998/1999**

**FIRST TEAM**

**F.A. CARLING PREMIER LEAGUE**

	<b>P</b>	<b>W</b>	<b>D</b>	<b>L</b>	<b>F</b>	<b>A</b>	<b>Pts.</b>
<b>HOME</b>	19	14	5	0	34	5	47
<b>AWAY</b>	19	8	7	4	25	12	31
	<b>38</b>	<b>22</b>	<b>12</b>	<b>4</b>	<b>59</b>	<b>17</b>	<b>78</b>

**Final Position: 2nd**

**F.A. CHALLENGE CUP**

Round 3	v Preston North End	(A)	Won	4-2
Round 4	v Wolverhampton Wanderers	(A)	Won	2-1
Round 5	v Sheffield United	(H)	Won	2-1
Round 6	v Derby County	(H)	Won	1-0
Semi-Final	v Manchester United (at Villa Park)		Drew	0-0 (A.E.T.)
Semi-Final (Replay)	v Manchester United (at Villa Park)		Lost	1-2 (A.E.T.)

**WORTHINGTON CUP**

Round 3	v Derby County	(A)	Won	2-1
Round 4	v Chelsea	(H)	Lost	0-5

**EUROPEAN CHAMPIONS LEAGUE**

	v RC Lens	(A)	Drew	1-1
	v Panathinaikos	(H)	Won	2-1
	v Dynamo Kyiv	(H)	Drew	1-1
	v Dynamo Kyiv	(A)	Lost	1-3
	v RC Lens	(H)	Lost	0-1
	v Panathinaikos	(A)	Won	3-1

**RESERVE TEAM**

**FOOTBALL COMBINATION**

	<b>P</b>	<b>W</b>	<b>D</b>	<b>L</b>	<b>F</b>	<b>A</b>	<b>Pts.</b>
<b>HOME</b>	13	9	2	2	32	11	29
<b>AWAY</b>	15	4	4	7	15	21	16
	<b>28</b>	<b>13</b>	<b>6</b>	<b>9</b>	<b>47</b>	<b>32</b>	<b>45</b>

**Final Position: 9th**

**YOUTH TEAM**

**UNDER 19 PREMIER YOUTH LEAGUE**

	<b>P</b>	<b>W</b>	<b>D</b>	<b>L</b>	<b>F</b>	<b>A</b>	<b>Pts.</b>
<b>HOME</b>	11	9	1	1	27	10	28
<b>AWAY</b>	11	3	1	7	9	17	10
	<b>22</b>	<b>12</b>	<b>2</b>	<b>8</b>	<b>36</b>	<b>27</b>	<b>38</b>

**Final Position: 2nd**

**UNDER 19 PREMIER YOUTH LEAGUE PLAY-OFFS**

Round 1	v Manchester City	(H)	Won	4-0
Round 2	v Sunderland	(H)	Won	2-1
Round 3	v Everton	(A)	Lost	1-2

**UNDER 17 PREMIER YOUTH LEAGUE**

	<b>P</b>	<b>W</b>	<b>D</b>	<b>L</b>	<b>F</b>	<b>A</b>	<b>Pts.</b>
<b>HOME</b>	10	7	1	2	21	8	22
<b>AWAY</b>	12	8	3	1	33	16	27
	<b>22</b>	<b>15</b>	<b>4</b>	<b>3</b>	<b>54</b>	<b>24</b>	<b>49</b>

**Final Position: 1st**

**UNDER 17 PREMIER YOUTH LEAGUE PLAY-OFFS**

Round 1	v Derby County	(H)	Won	2-0
Round 2	v Sheffield Wednesday	(H)	Won	5-0
Round 3	v Blackburn Rovers	(H)	Lost	5-6 (on penalties)

**F.A. YOUTH CUP**

Round 3	v Grimsby	(A)	Won	5-1
Round 4	v Preston North End	(A)	Won	4-1
Round 5	v Crystal Palace	(H)	Drew	0-0
Round 5 (Replay)	v Crystal Palace	(A)	Won	1-0 (A.E.T.)
Round 6	v West Ham United	(H)	Drew	0-0
Round 6 (Replay)	v West Ham United	(A)	Lost	0-4

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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

## **SOLICITORS**

Lawrence Jones

Sea Containers House

20 Upper Ground

Blackfriars Bridge

London SE1 9L

## **REGISTRARS**

C I Registrars Limited

Victoria Street

Luton

Beds. LU1 2PZ

## **BANKERS**

Barclays Bank plc.

Holloway & Kingsland Business Centre

PO Box 3628

London E8 2JX

## **AUDITORS**

HLB Kidsons

Spectrum House

20-26 Cursitor Street

London EC4A 1HY

## **REGISTERED OFFICE**

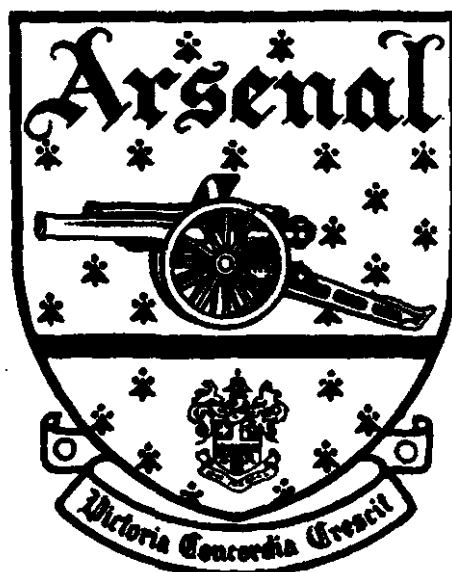
Arsenal Stadium

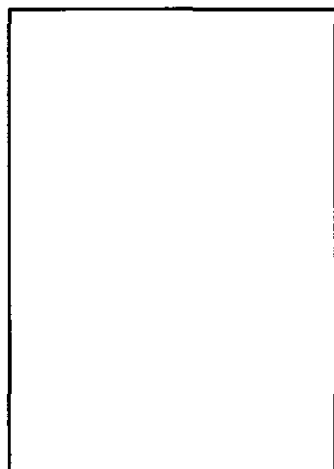
Avenell Road

Highbury

London N5 1BU

COMPANY REG. NO. 109244 ENGLAND





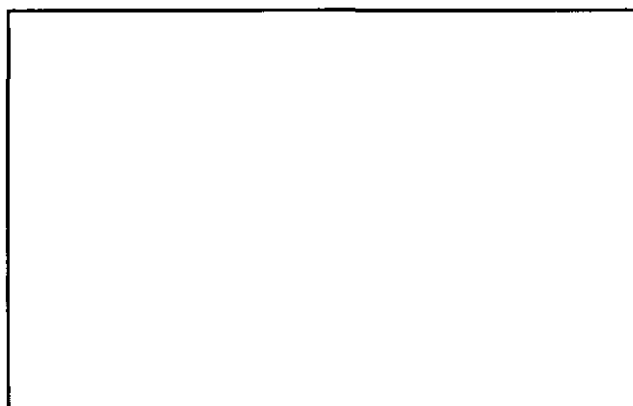
*To emulate the team performances of 1997/98 was never going to be easy, and finishing within one point of the new FA Premier League Champions, Manchester United, was still an achievement of which Arsène Wenger, his coaches and the players can all be justly proud. The frustration of finishing in second position was softened by the fact that in doing so, we have again won automatic entry into the UEFA Champions League.*

*The UEFA Champions League matches, played last season for the first time at Wembley, were enormously popular, producing an average attendance of over 73,000. The requirements of UEFA are such that had we played those games at Highbury, a significant number of existing season ticket holders would have had to be moved to other parts of the stadium, whilst many more supporters would not have gained entry at all.*

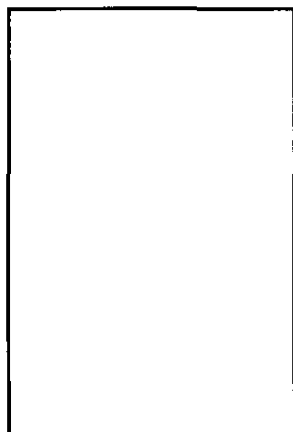
*The change of venue confirmed our view that there are literally tens of thousands of supporters who wish to follow the Club on a regular basis, but because of our current capacity at Highbury, find it extremely difficult to do so. Every match was a complete 'sell-out'. Consequently, we have now reached an agreement for this season's UEFA Champions League matches to be played at Wembley once more.*

*As I said in my statement last year, we are actively looking at a range of options, including redevelopment of Highbury and relocation, which we continue to pursue vigorously. Our aim is to provide a stadium capable of accommodating as many as possible in a manner befitting the best fans in the land.*

*The exigencies of planning law still have to be overcome, but hopefully, by this time next year, we will be in a position to be more positive about our future.*



*The new training ground, currently under construction in Hertfordshire, will be complete in the autumn and will be among the finest facilities in Europe. This represents a major investment for the Club and befits the stature of our squad and the excellent young players that will use it on a daily basis in the future. This capital commitment is being funded out of operational cash flow.*



*Separately, we are in negotiation to acquire a smaller facility in north London, and, subject to obtaining planning consent, this will be used as a "football academy". The production of young players remains of utmost importance, and I would take this opportunity of thanking Mr Richard Carr, our director with responsibility for youth football, and Liam Brady, our Head of Youth Development, and his team, all of whom work tirelessly on our behalf.*

*Special congratulations must go to our Club Captain, Tony Adams, who was awarded the MBE in June of this year. Tony has been, and indeed remains, one of the finest players ever produced by the Club, and this well deserved honour reflects the esteem in which he is held and is a testament to his achievements both as a person and as a player.*



*In the close season, Steve Bould was transferred to Sunderland Football Club. Steve joined Arsenal from Stoke City in June 1988, and made a grand total of 370 first team appearances. During his 11 years at Arsenal, he was capped twice by England; won League Championship medals in 1989, 1991 and 1998; F.A. Cup winner's medals in 1993 and 1998; a European Cup Winners' Cup winner's medal in 1994; and a League Cup winner's medal in 1993.*

*Steve gave great service to Arsenal and the Club would like to take this opportunity to thank him for his outstanding contribution and wish him all the success for the future.*

*The Ladies' Team continue to go from strength to strength. We now have six teams under the management of Vic Akers, ably assisted by Clare Wheatley, who is responsible for the organisation aspect of the entire operation. The first team did the 'Double' once more by winning both the F.A. Cup and The League Cup. The other five teams each won their respective Leagues, and all involved are to be congratulated on their marvellous achievements.*



*Turning to our sponsors, in April we announced that Sega (Europe) were to become our new sponsor for the next three years. We are delighted to be involved with another major international organisation, in what is probably the largest sponsorship deal in British football, and we are confident that this will be beneficial to both parties.*

*This will replace our successful eighteen year partnership with JVC. Over those many years, we developed a tremendous relationship with them, but the time has come for both companies to end that association. The sponsorship enabled their brand to be recognised in the UK and throughout the world, thus achieving its objective, and we would like to thank everyone for their support and co-operation throughout that long and successful period.*

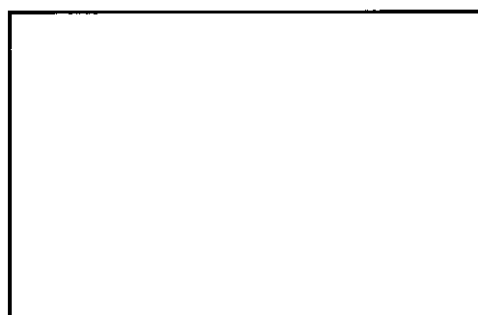
*The season under review saw far more activity in the transfer market than the previous year, with players such as David Grondin, Nelson Vivas, Fredrik Ljungberg, Fabian Caballero, Jermaine Pennant, Kaba Diawara and Kanu joining us, whilst others were to depart.*



*Richard Hughes, Isaiah Rankin, Jamie Day and William Huck all left during the year, and we would like to thank them for their contribution and wish them well with their new clubs.*

*During the close season, we have also signed Oleg Luzhny from Dynamo Kyiv, Stefan Malz from TSV 1860 Munich and Silvinho from Corinthians, Brazil. These players will provide our squad with extra depth in order to face the demands of next season and continue with the policy of adding quality players whenever possible.*

*Also during the close season, we discontinued the official Arsenal Clubcall service to establish our own official fans' phone line - GunnersLine. In association with the award winning Capital Gold Sport's team, headed by Jonathan Pearce, GunnersLine offers supporters the most informed, accurate and entertaining round the clock coverage. Fans now can hear the latest official news, views and exclusive interviews by calling the GunnersLine. This is Arsenal's continued commitment to the supporters to ensure they are kept fully in the picture. GunnersLine also provides a live match commentary service and up to date ticket information.*





The Notice of this meeting includes as an item of special business some changes to the Articles of Association. The Football Association Rules require that certain provisions are included in the Club's Articles of Association and the Football Association has made changes to those provisions. The changes to the existing Articles 98(c) and 127 are minor. The existing Article 98(e) refers to being suspended "from taking part in football management" and the proposed amended Article spells this out a bit more. In the case of the existing Article 127, the passage relating to dealing with any surplus has been shortened, and, we are taking the opportunity to change the reference to "the County of London" to "the Greater London Authority". The proposed Article 81A is new and confirms that the Football Association Rules are included in our Articles. Further, any amendment to the Articles of Association need to be first approved by the Football Association.

In considering the financial results, I am once again pleased to report a further rise in turnover to £48.6m (1998 £40.4m) an increase of 20%. Profit before tax fell to £2.1m (1998 £7.1m), largely as a result of activity in the transfer market.

This year we have, for the first time, included the cost of player registrations in our Balance Sheet as Intangible Assets. This has been necessary in order to comply with a new accounting standard, FRS10. It should be noted that the amortised value of £27.5m reflects only the balance of the cost of player registrations for those players transferred to the club for a fee. In accordance with the requirements of the standard, the total does not include any valuation for "home grown" players nor does it reflect the current value of the playing squad.

The adoption of the accounting standard is mandatory and last year's figures have been re-stated on a similar basis. However had we continued to report under the previous policy, the transfer fee cost in the accounts would have been £14.4m, resulting in a pre-tax loss of £7.1m.

The Finance Bill 1999 introduced measures which mean that the tax relief previously obtained for transfer costs prior to 31st May 1998 remain unchanged. The effect of this is that the company has received tax relief for transfer costs which, as restated under FRS10, have not been fully charged to the profit and loss account. This "advance" tax relief has been accounted for by establishing a deferred tax provision which will be released to the profit and loss account to match the amortisation of the related transfer costs.

The spiralling cost of players' wages continues to give concern, as do more modest rises in other operating expenses. It is generally accepted that the demands on playing squads in terms of matches played requires those squads to be enlarged with quality players which of course results in increased player costs.

Those costs can only be met through increased revenues from gate income, retail sales and broadcasting and commercial activities. We shall also endeavour to continue to fund various capital projects from our own resources. Once again we have been able to limit ticket price rises for the forthcoming season to modest levels. We shall have to wait until the outcome of the High Court case brought by the Office of Fair Trading into television rights before we know if those revenues are to be affected. An outcome is expected shortly.

At the end of the season and as part of our sponsorship agreement with Nike, we undertook a tour to the Far East, where matches were played in Kuala Lumpur and Bangkok. Each of these games attracted an attendance well in excess of 60,000. The welcome given to the team was quite exceptional and clearly demonstrated the world wide appeal of the Club and did much to maintain its reputation abroad.

The success of the Club, both on and off the field, relies upon a large number of people, and our thanks are due to all our staff, both full and part time, and to our dedicated army of stewards and other match day personnel.

Finally, a special thank you to you our shareholders, to all of our fans and to our sponsors, Nike, Sega and Citroen. We greatly value your continued support.

# The Directors report

31st May 1999



The directors present their annual report and the audited financial statements of the company for the year ended 31st May 1999.

## 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 8 and are reviewed in the Chairman's Report.

The directors do not recommend the payment of a dividend.

## Directors and directors' shareholdings

The directors of the company at 31st May 1999, 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 1999	At 31st May 1998
P.D. Hill-Wood	348	348
D.B. Dein	11,912	11,912
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. Fisman	15,429	15,429

Of the above interests in shares, Mr. D.B. Dein and Mr. D.D. Fisman 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. P.D.Hill-Wood and C.E.B.L. Carr retire by rotation and, being eligible, offer themselves for re-election.

## Charitable contributions

During the year, the company made donations for charitable purposes amounting to £40,415 (1998 - £17,740).

## 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 13 days (1998: 20 days).





## 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.

A company-wide programme, designed to address the impact of the year 2000 on our business, has been commissioned by the Board and is well advanced. In addition a significant risk analysis has been performed to determine the impact of the issue on all our activities. The Board receive regular reports on progress.

Action plans have been developed and are being progressed to deal with those systems which have been identified as not currently being fully 2000 compliant. These action plans will be completed well in advance of the 31st December 1999 and the associated costs will be met from the company's normal capital expenditure budget.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no year 2000 problems will remain, because at least some level of failure may still occur. However the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

## 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

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

By order of the board  
D Miles, Secretary

A handwritten signature in black ink, appearing to be 'D Miles', written over the typed name.

## Registered office:

Arsenal Stadium, Avenell Road,  
Highbury, London N5 1BU  
13th July 1999

## Profit & Loss Account

for the year ended 31st May 1999



	Note	1999 £000's	1998 (as restated) £000's
Turnover	2	48,623	40,391
Costs and overheads less other income	3	(41,316)	(33,224)
<b>Operating profit before player registration costs</b>		7,307	7,167
Profit on sale of player registrations		2,061	6,569
Amortisation of player registrations		(7,300)	(6,650)
<b>Profit on ordinary activities before taxation</b>		2,068	7,086
Taxation	7	(760)	(2,565)
<b>Profit after taxation retained for the financial year</b>	16	1,308	4,521

All trading resulted from continuing operations.

## Statement of Total Recognised Gains and Losses

for the year ended 31st May 1999

	Note	1999 £000's	1998 (as restated) £000's
Profit for the year		1,308	4,521
Prior year adjustment	4	12,826	-
<b>Total recognised gains and losses</b>		14,134	4,521

# Balance Sheet

31st May 1999



		1999		1998 (as restated)	
	Note	£000's	£000's	£000's	£000's
<b>Fixed assets</b>					
Tangible assets	8		33,378		28,292
Intangible assets	9		<u>27,469</u>		<u>18,326</u>
			60,847		46,618
<b>Current assets</b>					
Stocks	10	383		362	
Debtors	11	1,633		3,750	
Cash at bank and in hand		<u>13,464</u>		<u>25,365</u>	
		15,480		29,477	
<b>Creditors:</b> amounts falling due within one year	12	<u>(27,491)</u>		<u>(21,447)</u>	
<b>Net current (liabilities)/assets</b>			<u>(12,011)</u>		<u>8,030</u>
<b>Total assets less current (liabilities)/assets</b>			48,836		54,648
<b>Creditors:</b> amounts falling due after more than one year	13		(18,038)		(23,488)
<b>Provisions for liabilities and charges</b>	14		<u>(3,830)</u>		<u>(5,500)</u>
<b>Net assets</b>			<u>26,968</u>		<u>25,660</u>
<b>Equity capital and reserves</b>					
Called up equity share capital	15		56		56
Share premium account	16		237		237
Profit and loss account	16		<u>26,675</u>		<u>25,367</u>
<b>Equity shareholders' funds</b>			<u>26,968</u>		<u>25,660</u>

The financial statements on pages 8 to 18 were approved by the board of directors on 13th July 1999

On behalf of the board

P.D. Hill-Wood

)

)

) Directors

)

)

D.B. Dein

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

# Cash Flow Statement

## for the year ended 31st May 1999



	1999 £000's	1998 £000's
<b>Net cash inflow from operating activities</b>	57	26,170
Player registrations	(5,289)	(2,810)
Returns on investment and servicing of finance	1,146	861
Taxation	(1,606)	1,096
Capital expenditure	<u>(6,209)</u>	<u>(1,444)</u>
<b>(Decrease)/increase in cash</b>	<u><u>(11,901)</u></u>	<u><u>23,873</u></u>

## Notes to the Cash Flow Statement

	1999 £000's	1998 £000's
<b>(a) Reconciliation of operating profit to net cash inflow from operating activities</b>		
<b>Profit on ordinary activities before transfer fees</b>	7,307	7,167
Interest receivable	(1,153)	(964)
Interest payable	<u>7</u>	<u>103</u>
<b>Operating profit</b>	6,161	6,306
Depreciation	1,298	1,228
(Increase)/decrease in stock	(21)	238
Decrease/(increase) in debtors	1,556	(992)
(Decrease)/increase in creditors	<u>(8,937)</u>	<u>19,390</u>
<b>Net cash inflow from operating activities</b>	<u><u>57</u></u>	<u><u>26,170</u></u>
<b>(b) Reconciliation of net cash flow to movement in net funds/(debt)</b>		£000's
Decrease in cash for the period		<u>(11,901)</u>
Change in net funds/debt		(11,901)
Net debt at 1st June 1998		<u>10,927</u>
Net debt at 31st May 1999		<u><u>(974)</u></u>

## **Notes to the Cash Flow Statement cont.**

(c) <b>Analysis of changes in net funds/(debt)</b>	<b>At 1st June 1998</b>	<b>Cash flows</b>	<b>At 31st May 1999</b>
	£000's	£000's	£000's
Cash in hand, at bank	25,365	(11,901)	13,464
Debt due after more than one year - debenture subscriptions	<u>(14,438)</u>	<u>-</u>	<u>(14,438)</u>
	<u>10,927</u>	<u>(11,901)</u>	<u>(974)</u>
		<b>1999</b>	<b>1998</b>
		£000's	£000's
(d) <b>Gross cash flows</b>			
<b>Player registrations:</b>			
Payments for purchase of players		(8,142)	(12,224)
Receipts from sale of players		<u>2,853</u>	<u>9,414</u>
		<u>(5,289)</u>	<u>(2,810)</u>
<b>Returns on investment and servicing of finance:</b>			
Interest received		1,153	964
Interest paid		<u>(7)</u>	<u>(103)</u>
		<u>1,146</u>	<u>861</u>
<b>Capital expenditure:</b>			
Payments to acquire tangible fixed assets		<u>(6,209)</u>	<u>(1,444)</u>

# **Notes to the Financial Statements**



## **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	100
Sportville Associates Ltd	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.

### **Player registrations**

The company has changed its accounting policy for players in order to comply fully with the requirements of Financial Reporting Standard Number 10.

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

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

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



### **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 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 1999/2000 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**

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

No provision has been made for deferred tax where other timing differences exist between profits for accounting and taxation purposes on the basis that the potential liability is not likely to crystallise in the foreseeable future. Details of the amount of deferred tax not provided are shown in note 14 of the financial statements.



2	Turnover	1999 £000's	1998 £000's
	Turnover comprises the following:		
	Gate receipts	16,164	14,439
	Broadcasting and other commercial activities	26,066	20,904
	Retail income	<u>6,393</u>	<u>5,048</u>
		<u>48,623</u>	<u>40,391</u>
3	Costs and overheads less other income		
	Employment costs	26,478	21,883
	Depreciation	1,298	1,228
	Other operating charges	14,686	10,974
	Interest receivable	(1,153)	(964)
	Interest payable	<u>7</u>	<u>103</u>
		<u>41,316</u>	<u>33,224</u>
	Other operating charges include:-		
	Auditors' remuneration		
	-audit	29	23
	-non-audit services	19	35
	Operating lease payments		
	-plant and machinery	78	36
	-other	183	185

## 4 Player registrations

The prior year adjustment of £12.826 million arises from the change in accounting policy for player registrations as referred to in note 1 above. The adjustment comprises as follows:

	£000's
Capitalisation of cost of player registrations previously charged to the profit and loss account	37,715
Accumulated amortisation of player registrations	(19,389)
Provision for deferred taxation in respect of registration costs capitalised for which tax relief has previously been received in full	<u>(5,500)</u>
	<u>12,826</u>

The effect of the change in accounting policy is to increase the current year's profit before taxation by £9.142 million. The effect on the results for the year ended 31st May 1998 is to increase the profit before taxation by £1.154 million and comparative figures have been restated



# Notes to the Financial Statements cont.



<b>5 Directors' emoluments</b>	<b>1999</b>	<b>1998</b>
	£000's	£000's
Management remuneration including pension contributions	<u>877</u>	<u>795</u>
Remuneration, excluding pension contributions, of the highest paid director	<u>500</u>	<u>525</u>
Directors pensions:-	Number	Number
Number of directors qualifying for benefits under defined contribution schemes	<u>1</u>	<u>1</u>
	£000's	£000's
Total contributions paid in the year	<u>30</u>	<u>19</u>
Contributions in respect of highest paid director	<u>-</u>	<u>-</u>
<b>6 Employees</b>	<b>1999</b>	<b>1998</b>
The average number of persons employed by the company during the year was:	Number	Number
Playing staff	58	63
Training staff	27	22
Administrative staff	85	83
Ground staff	<u>10</u>	<u>10</u>
	<u>180</u>	<u>178</u>
Staff costs:	£000's	£000's
Wages and salaries	23,630	19,332
Social security costs	2,342	1,844
Other pension costs	<u>506</u>	<u>706</u>
	<u>26,478</u>	<u>21,882</u>
<b>7 Tax on profit on ordinary activities</b>	<b>1999</b>	<b>1998</b>
	£000's	<b>(as restated)</b> £000's
United Kingdom corporation tax based on the result for the year at 30% (1998: 31%)	2,430	1,865
Deferred taxation	<u>(1,670)</u>	<u>700</u>
	<u>760</u>	<u>2,565</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 1998	28,101	739	6,315	137	35,292
Additions	6,037	-	347	-	6,384
Disposals	-	(8)	-	-	(8)
At 31st May 1999	<u>34,138</u>	<u>731</u>	<u>6,662</u>	<u>137</u>	<u>41,668</u>
<b>Depreciation</b>					
At 1st June 1998	2,672	459	3,795	74	7,000
Charge for year	600	18	661	19	1,298
Disposals	-	(8)	-	-	(8)
At 31st May 1999	<u>3,272</u>	<u>469</u>	<u>4,456</u>	<u>93</u>	<u>8,290</u>
<b>Net book amount</b>					
At 31st May 1999	<u>30,866</u>	<u>262</u>	<u>2,206</u>	<u>44</u>	<u>33,378</u>
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 1999 the company had contracted capital commitments of £4.9 million (1998 - £Nil).

## 9 Intangible fixed assets

£000's

### Cost of player registrations

At 1st June 1998 as restated	37,715
Additions	16,839
Disposals	(7,162)
At 31st May 1999	<u>47,392</u>

### Amortisation of player registrations

At 1st June 1998 as restated	19,389
Charge for the year	7,300
Disposals	(6,766)
At 31st May 1999	<u>19,923</u>

### Net book amount

At 31st May 1999	<u>27,469</u>
At 31st May 1998 as restated	<u>18,326</u>

The figures for cost of player registrations are historic cost figures for purchased players only. Accordingly the net book amount of player registrations will not reflect, nor is it intended to, the current market value of these players nor does it take any account of players developed through the company's youth system.

## 10 Stocks

1999  
£000's

1998  
£000's

Goods for resale	<u>383</u>	<u>362</u>
------------------	------------	------------

## 11 Debtors

Trade debtors	305	676
Other debtors	642	2,397
Prepayments and accrued income	330	155
Corporation tax recoverable	356	522
	<u>1,633</u>	<u>3,750</u>

Other debtors include £476,000 in respect of player transfers (1998 - £871,138).

# Notes to the Financial Statements cont.



	1999 £000's	1998 £000
12 <b>Creditors:</b> amounts falling due within one year		
Trade creditors	450	371
Corporation tax	2,523	1,865
Other tax and social security	1,731	2,080
Other creditors	9,069	607
Accruals and deferred income	<u>13,718</u>	<u>16,524</u>
	<u>27,491</u>	<u>21,447</u>

Other creditors, above and as disclosed in note 13, include £9,088,890 (1998 - £390,962) in respect of player transfers.

13 <b>Creditors:</b> amounts falling due after more than one year		
Debenture subscriptions	14,438	14,438
Other creditors	100	150
Deferred income	<u>3,500</u>	<u>8,900</u>
	<u>18,038</u>	<u>23,488</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 143 years. The debentures are interest free.

14 <b>Deferred taxation</b>		
<b>Deferred tax provision</b>		
Player registrations at 1st June 1998 as restated	5,500	4,800
(Released)/charge to profit and loss account	<u>(1,670)</u>	<u>700</u>
Player registrations at 31st May 1999	<u>3,830</u>	<u>5,500</u>

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

## Unprovided deferred taxation

Corporation tax deferred by accelerated capital allowances	1,174	1,205
Other timing differences	<u>(167)</u>	<u>(140)</u>
	<u>1,007</u>	<u>1,065</u>

## 15 Called up equity share capital

### Authorised

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

Ordinary shares of £1 each	<u>56</u>	<u>56</u>
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## 16 Share premium and other reserves

	Share premium £000's	Profit and loss account £000's
Balance at 31st May 1998 as previously reported	237	12,541
Prior year adjustment (note 4)	<u>-</u>	<u>12,826</u>
Balance at 31st May 1998 as restated	237	25,367
Profit for the year	<u>-</u>	<u>1,308</u>
Balance at 31st May 1999	<u>237</u>	<u>26,675</u>



## 17 Reconciliation of equity shareholders' funds

	1999 £000's	1998 £000's
Opening equity shareholders' funds as previously reported	12,834	8,767
Prior year adjustment (note 4)	<u>12,826</u>	<u>12,372</u>
Opening equity shareholders' funds as restated	25,660	21,139
Profit for the year	<u>1,308</u>	<u>4,521</u>
Closing equity shareholders' funds	<u>26,968</u>	<u>25,660</u>

## 18 Leasing commitments

Commitments due under operating leases for the period to 31st May 2000 are in respect of:-

	1999		1998	
	Land and buildings £000's	Other £000's	Land and buildings £000's	Other £000's
Leases expiring in:-				
One year	75	5	150	-
Two to five years	-	84	-	23
Over five years	<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>
	<u>115</u>	<u>89</u>	<u>190</u>	<u>23</u>

## 19 Contingencies

- a) Under the conditions of certain transfer agreements in respect of players purchased, further transfer fees will be payable to the vendors in the event of the players concerned making a certain number of First Team appearances or in the event of certain other future events specified in the transfer agreements. In accordance with the company's accounting policy for transfer fees any additional fees, which may be payable under these agreements, will be accounted for in the year that the number of appearances is achieved or the specified future events occur. Accordingly no provision has been made in these financial statements in respect of potential liabilities in this respect.

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

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

- b) Signing on fees, which form part of the ongoing remuneration package of players, are not regarded as contingent liabilities. However, in respect of one player the company has a potential liability to future costs, to a maximum of £350,000, linked to the length of the player's employment. These costs have not been provided for as the liability will not be realised until the employment milestones are achieved.

## 20 Related party transactions

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

## 21 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 £1.85 million.

These transfers will be accounted for in the year ended 31st May 2000.

# The Auditors Report

to the members of The Arsenal Football Club plc



We have audited the financial statements on pages 8 to 18 which have been prepared under the accounting policies set out on pages 12 and 13.

## Respective responsibilities of directors and auditors

As described on page 7 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 1999 and of its profit for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.

HLB Kidsons  
Registered Auditors  
Chartered Accountants

London  
13th July 1999

# Five Year Summary



## Financial Record

	1995 (as restated) £'000	1996 (as restated) £'000	1997 (as restated) £'000	1998 (as restated) £'000	1999 £'000
<b>Profit and Loss Account</b>					
Turnover	23,936	20,975	27,158	40,391	48,623
Operating Profit before Player Registration Costs	6,845	2,544	1,900	7,167	7,307
Net Player Registration Costs	(1,984)	(1,365)	(679)	(81)	(5,239)
Profit / (Loss) before taxation	4,861	1,179	1,221	7,086	2,068
Profit / (Loss) after taxation	3,923	1,020	1,184	4,521	1,308
Earnings per Share	£70.05	£18.21	£21.14	£80.73	£23.36

## Balance Sheet

Tangible Fixed Assets	28,379	28,299	28,576	28,292	33,378
Intangible Fixed Assets	9,586	14,376	17,172	18,326	27,469
Net current Assets / (Liabilities)	958	(2,126)	(4,607)	8,030	(12,011)
Creditors due after 1 year	(20,000)	(20,594)	(20,002)	(28,988)	(21,868)
	18,923	19,955	21,139	25,660	26,968
Share Capital	56	56	56	56	56
Reserves	18,867	19,899	21,083	25,604	26,912
	18,923	19,955	21,139	25,660	26,968
Net Assets per Share	£337.91	£356.34	£377.48	£458.21	£481.57

## Playing Record

	1995	1996	1997	1998	1999
F.A. Premier League	12th	5th	3rd	<b>Champions</b>	2nd
F.A.Cup	3rd Rnd	3rd Rnd	4th Rnd	<b>Winners</b>	Semi-Final
Football League Cup	5th Rnd	Semi-Final	4th Rnd	Semi-Final	4th Rnd
Europe	Finalists (Cup Winners Cup)	-	1st Rnd (UEFA Cup)	1st Rnd (UEFA CUP)	1st Rnd (UEFA Champions League)

# **Notice of Annual General Meeting**



## **THE ARSENAL FOOTBALL CLUB PLC**

NOTICE IS HEREBY GIVEN that the Eighty Ninth 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 Thursday 2nd September 1999, 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 1999.
2. To re-elect P.D. Hill-Wood, a Director, who retires by rotation in accordance with article 90 of the articles of association.
3. To re-elect C.E.B.L. Carr, 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.

And the following special business, viz:-

To consider and, if thought fit, pass the following Resolution as a Special Resolution, viz:-

That the Articles of Association of the Company be varied as follows:-

- (a) By the deletion of Article 98(e) and inserting in its place the following sub-article:

*"The office of a Director shall be vacated if such person is subject to a decision of The Football Association Limited that such person be suspended from holding office or from taking part in any football activity relating to the administration or management of a Football Club"*

- (b) By the addition of the following heading and new Article after Article 81:

81A *"Rules and Regulations of The Football Association Limited*

- (a) *The Rules and Regulations of the Football Association Limited for the time being shall be deemed to be incorporated herein and shall prevail in the event of any conflict with the provisions set out herein.*

- (b) *No proposed alteration to the provisions set out herein shall be effective unless the proposed alteration has been approved in writing by the Football Association Limited 14 days or more before the day on which the alteration is proposed to take place"*

# **Notice of Annual General Meeting**



By the deletion of Article 127 and the insertion in its place of the following Article:

*"127 On the winding-up of the Company the surplus assets shall be applied, first, in repaying the Members the amount paid on their shares respectively. If such assets are insufficient to repay the said amount in full, they shall be applied rateably, so that the loss shall fall upon the Members in proportion to the amount called up on their shares respectively. No Member shall be entitled to have any call upon other Members for the purposes of adjusting the Members' rights; but where any call has been made and has been paid by some of the Members such call be enforced against the remaining Members for the purpose of adjusting the rights of the Members between themselves.*

*If the surplus assets shall be more than sufficient to pay to the Members the whole amount paid upon their shares, the balance shall be given by the Members of the Company, at or before the time of dissolution as they shall direct, to The Football Association Benevolent Fund, or to some club or institute within the area of the Greater London Authority having objects similar to those set out in the Memorandum of Association or to any local charity, or charitable or benevolent institution situate within the area of the Greater London Authority.*

*In default of any such decision or apportionment by the Members of the Company, the same to be decided upon and apportioned by a Judge of the High Court of Justice having jurisdiction in such winding-up or dissolution and as he shall determine.*

*Alternatively such balance may be disposed of in such other manner as the Members of the Company with the consent of the Council of The Football Association Limited, as then existing, shall determine"*

Dated this 13th July 1999

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. Fiszman Esq., as my proxy to vote for me on my behalf at the Annual General Meeting of the Company to be held on Thursday 2nd September 1999 and at any adjournment thereof.

**Dated this** \_\_\_\_\_ **day of** \_\_\_\_\_ **1999**

**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**

FIRST FOLD

THIRD FOLD AND TUCK IN

**THE ARSENAL FOOTBALL CLUB PLC**  
**FIXTURES - SEASON 1999/2000**

<b>DATE</b>	<b>FIXTURE</b>	
<b>Sat 7th Aug</b>	<b>LEICESTER CITY</b>	<b>(H)</b>
Tues 10th Aug	Derby County	(A)
Sat 14th Aug	Sunderland	(A)
<b>Sun 22nd Aug</b>	<b>MANCHESTER UNITED</b>	<b>(H)</b>
<b>Wed 25th Aug</b>	<b>BRADFORD CITY</b>	<b>(H)</b>
Sat 28th Aug	Liverpool	(A)
<b>Sat 11th Sep</b>	<b>ASTON VILLA</b>	<b>(H)</b>
Sat 18th Sep	Southampton	(A)
<b>Sat 25th Sep</b>	<b>WATFORD</b>	<b>(H)</b>
Sat 2nd Oct	West Ham United	(A)
<b>Sat 16th Oct</b>	<b>EVERTON</b>	<b>(H)</b>
Sat 23rd Oct	Chelsea	(A)
<b>Sat 30th Oct</b>	<b>NEWCASTLE UNITED</b>	<b>(H)</b>
Sat 6th Nov	Tottenham Hotspur	(A)
<b>Sat 20th Nov</b>	<b>MIDDLESBROUGH</b>	<b>(H)</b>
<b>Sat 27th Nov</b>	<b>DERBY COUNTY</b>	<b>(H)</b>
Sat 4th Dec	Leicester City	(A)
<b>Sat 18th Dec</b>	<b>WIMBLEDON</b>	<b>(H)</b>
Sun 26th Dec	Coventry City	(A)
<b>Tue 28th Dec</b>	<b>LEEDS UNITED</b>	<b>(H)</b>
Mon 3rd Jan	Sheffield Wednesday	(A)
<b>Sat 15th Jan</b>	<b>SUNDERLAND</b>	<b>(H)</b>
Sat 22nd Jan	Manchester United	(A)
Sat 5th Feb	Bradford City	(A)
<b>Sat 12th Feb</b>	<b>LIVERPOOL</b>	<b>(H)</b>
<b>Sat 26th Feb</b>	<b>SOUTHAMPTON</b>	<b>(H)</b>
Sat 4th Mar	Aston Villa	(A)
Sat 11th Mar	Middlesbrough	(A)
<b>Sat 18th Mar</b>	<b>TOTTENHAM HOTSPUR</b>	<b>(H)</b>
<b>Sat 25th Mar</b>	<b>COVENTRY CITY</b>	<b>(H)</b>
Sat 1st Apr	Wimbledon	(A)
<b>Sat 8th Apr</b>	<b>SHEFFIELD WEDNESDAY</b>	<b>(H)</b>
Sat 15th Apr	Leeds United	(A)
Sat 22nd Apr	Watford	(A)
<b>Tues 25th Apr</b>	<b>WEST HAM UNITED</b>	<b>(H)</b>
Sat 29th Apr	Everton	(A)
<b>Sat 6th May</b>	<b>CHELSEA</b>	<b>(H)</b>
Sun 14th May	Newcastle United	(A)