Company Registration No. 4250459

ARSENAL HOLDINGS LIMITED

Annual Report and Financial Statements

31 May 2018
ARSENAL HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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<td>14</td>
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<td>15</td>
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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E.S. Kroenke
J.W. Kroenke
Sir Chips Keswick
K.J. Friar OBE
Lord Harris of Peckham

COMPANY SECRETARY

D. Miles

COMPANY NUMBER

4250459

REGISTERED OFFICE

Highbury House
75 Drayton Park
London
N5 1BU

AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom
ARSENAL HOLDINGS LIMITED
STRATEGIC REPORT

The directors present their strategic report for the year ended 31 May 2018.

Principal Activity and Strategy

The principal activity of the Group is that of a professional football club playing in the Premier League. The Group is also engaged in a number of property developments associated with its relocation to the Emirates Stadium.

The Board’s long term strategy is to continue to develop Arsenal Football Club as a leading club on both the domestic and global stages. The Board are committed to a business model which invests the funds generated by the business back into the Club with the aim of achieving an increased level of on-field success with the ultimate goal of winning trophies and using that on-field success to increase the Club’s engaged worldwide fan base.

Results for the year

The profit for the year after taxation was £56.5 million (2017 - £35.3 million).

Review of the business

The result for the year can be broken down into the following key components:

<table>
<thead>
<tr>
<th>Component</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit before exceptional costs and player trading</td>
<td>75.4</td>
<td>137.5</td>
</tr>
<tr>
<td>Exceptional costs</td>
<td>(17.2 )</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation and impairment of player registrations</td>
<td>(91.8 )</td>
<td>(77.1)</td>
</tr>
<tr>
<td>Sale of player registrations / Loan of players</td>
<td>122.3</td>
<td>13.7</td>
</tr>
<tr>
<td>Property trading profits</td>
<td>5.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Net interest costs</td>
<td>(8.8 )</td>
<td>(14.7)</td>
</tr>
<tr>
<td>Other</td>
<td>(15.0)</td>
<td>(15.0)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>70.2</td>
<td>44.6</td>
</tr>
</tbody>
</table>

Football Revenue for the year was £388.2 million (2017 - £422.8 million) with the decrease being mainly attributable to the Club’s participating in the UEFA Europa League, rather than the more lucrative UEFA Champions League. Operating profits were also impacted by continued investment in player wages which meant that total staff costs, excluding exceptional costs, grew to £223.3 million (2017 - £199.4 million).

The exceptional costs incurred of £17.2 million were attributable to a number of changes in the First Team management, coaching and support personnel.

After a number of years of fairly low profits from player sales there was a significantly higher level of activity during the year with a rationalisation of the First Team squad which saw a number of players sold including Walcott, Giroud, Coquelin, Sanchez and Oxlade-Chamberlain. The total profit on sale of player registrations was £120.0 million (2017 - £6.8 million) and player loans amounted to £2.3 million (2017 - £6.9 million).

During the year the Group sold a property, next to Holloway Road station, which was one of its two remaining property development sites.

Net interest costs were impacted by a positive movement of £3.3 million (2017 - £2.0 million negative) in the market value of the Group’s Stadium Finance interest rate swap.

Balance Sheet

Following additions to player registrations at a cost of £165.8 million and amortisation charges, the book value of intangible fixed assets (player registrations) was increased to £238.2 million (2017 - £182.0 million).

The year end cash position was robust with balances of £231.3 million (2017 - £180.1 million). This meant that overall net cash was a surplus of £14.8 million (2017 - net debt of £47.7 million). Increased levels of debtors and
ARSenal HOLDINGS LIMITED

strategic report

creditors were attributable to the Club’s transfer activity, both inbound and outbound, with instalments of the transfer fees being payable and receivable over time and mainly over the next two years.

key performance indicators

non-financial:
- Premier League 6th place (qualified for UEFA Europa League 2018/19) against a target of continued qualification for the UEFA Champions League;
- UEFA Europa League semi-finalists;
- Ticket sales versus capacity (average ticket sales over 30 home games was 58,012 against 59,886 over 26 home fixtures in the previous season).

financial
- Revenue;
- Payroll costs;
- Operating profits/EBITDA (before player trading);
- Player trading (acquisitions/sales);
- Property profits;
- Cash flow;
- Compliance with applicable financial regulations including UEFA Financial Fair Play (FFP);
- Compliance with Stadium Finance bonds financial covenants.

Quantitative disclosures in respect of financial key performance indicators are included in the financial statements.

risks and uncertainties

there are a number of potential risks and uncertainties which could have a material impact on the Group’s long-term performance. The Board meets regularly during the year, either by telephone or on a face to face basis, and monitors these risks on a continual basis. In addition, the management of day to day operational risk is delegated to the Group Executive (the senior management team and executive directors).

the key business risks and uncertainties affecting the Group are considered to relate to:
- the performance and popularity of the first team;
- the recruitment and retention of key employees;
- the rules and regulations of the applicable football governing bodies;
- the negotiation and pricing of broadcasting contracts; and
- the renewal of key commercial agreements on similar or improved terms.

the Group’s income is affected by the performance and popularity of the first team and significant sources of revenue are derived from strong performances in the Premier League and UEFA European competitions. The Group seeks to maintain playing success by continually investing in the development of its playing squad and it enters into employment contracts with each of its key personnel with a view to securing their services for the term of the contract. However, the Group operates in a highly competitive market in both domestic and European competition and retention of personnel cannot be guaranteed. In addition, the activities of the Group’s main competitors can determine trends in the market rates for transfers and wages that the Group may be required to follow in order to maintain the strength of its first team squad.
ARSENAL HOLDINGS LIMITED

STRATEGIC REPORT

The Club is regulated by the rules of the FA, Premier League, UEFA and FIFA. Any change to FA, Premier League, UEFA and FIFA regulations in the future could have an impact on the Group as the regulations cover areas such as:

the format of competitions, FFP, the division of broadcasting income, the eligibility of players and the operation of the transfer market. The Group monitors its compliance with all applicable rules and regulations on a continuous basis and also monitors and considers the impact of any potential changes.

Broadcasting and certain other revenues are derived from contracts which are currently centrally negotiated by the Premier League and, in respect of European competition, by UEFA; the Group does not have any direct influence, alone, on the outcome of the relevant contract negotiations. The Premier League has secured TV rights sales for the three year cycle, ending season 2020/21, with certain overseas rights already secured for a longer term.

The Group derives a material amount of revenue from sponsorship and other commercial relationships. The underlying commercial agreements have finite terms and, whilst the Group fully expects that the global appeal of its brand will allow its commercial revenues to grow strongly in the short to medium term, the renewal of existing contracts and / or acquisition of new partnerships cannot be guaranteed.

The Group is monitoring the impact of the UK’s decision to leave the European Union. In the short term this has seen the value of sterling weaken against the Euro; on the one hand increasing the cost of player transfers from the EU and, on the other, increasing the sterling value of European competition distributions paid out to clubs by UEFA in Euros. The most significant risk to the Group would appear to be a downturn to the UK or wider economy impacting ticket revenues and / or the value of broadcasting and / or sponsorship rights.

The Group’s financial performance has previously remained reasonably immune to recessionary economic conditions.

The Group has appropriate policies in place to manage its obligations with regard to employment law and employee matters, environmental issues, anti-corruption / anti-bribery and social matters (including modern slavery and human rights), but does not consider that these are areas of significant strategic risk to its operations.

Future developments

The Club will participate in the UEFA Europa League for season 2018/19 and has continued to invest in transfers over the 2018 summer window making a number of key player acquisitions. The Club has also invested further in its player wage bill.

The Premier League has confirmed the majority of the details associated with its next three year cycle of domestic and international broadcasting deals for 2019/20 – 2021/22 which should result in an overall modest uplift to current levels, subject to the Club’s League performance and position.

The Club has announced an extension of its partnership with Emirates commencing for season 2019/20 and the signing of a kit supplier partnership with Adidas also starting for season 2019/20.

Approved by the Board of Directors and signed on behalf of the Board

[Signature]

D Miles
Company Secretary
29 November 2018
ARSENAL HOLDINGS LIMITED

DIRECTORS’ REPORT

The directors present their annual report and the audited financial statements for the year ended 31 May 2018.

Principal activities
The principal activity of the Group is that of a professional football club playing in the Premier League. The Group is also engaged in a number of property developments associated with its relocation to the Emirates Stadium. The Company was re-registered as a private company on 5 October 2018.

Profits and dividends
The results for the year are set out on page 10. The directors do not recommend the payment of a dividend for the year (2017 - £Nil).

Financial risk management
The Group’s operations are exposed to a variety of financial risks that include credit risk, currency risk and the risks associated with liquidity and interest rates. The Group uses financial derivatives, in line with policies approved by the Board, to manage these risks. The Group does not use financial derivatives for speculative purposes.

The Group enters into a number of transactions, relating mainly to its participation in European competition and player transfers, which create exposure to movements in foreign exchange. The Group monitors this foreign exchange exposure on a continuous basis and will usually hedge any significant exposure in its currency receivables and payables.

The Group’s policy is to eliminate, as far as possible, all of the interest rate risk which arises from its outstanding debt finance balances. Where debt balances are subject to floating rates of interest the Group will usually enter into interest rate swaps which serve to fix the rate of interest.

The Group monitors its compliance with the applicable terms of its stadium debt finance arrangements on a continuous basis and regularly reviews its forecast cash flow to ensure that it holds an appropriate level of bank funds at all times including the required debt service reserves.

Credit checks and other appropriate financial due diligence are performed prior to the Group entering into new material contracts.

The Club continues to be fully compliant with the Financial Fair Play regulations put in place by UEFA and the Premier League.

Future developments
Details of future developments can be found in the Strategic Report.

Events after the Balance Sheet Date
Details of significant events since the balance sheet date are included in note 27 to the financial statements.

Going concern
The directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Directors
The directors of the company, all of whom served throughout the year, are set out below:

Sir Chips Keswick
K.J. Friar OBE
Lord Harris of Peckham
E.S. Kroenke
J.W. Kroenke

In addition, I.E. Gazidis served as a director until the date of his resignation on 31 October 2018.
ARSENAL HOLDINGS LIMITED
DIRECTORS’ REPORT

Directors’ Indemnities
The Group has made qualifying third party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

Employees
Within the bounds of commercial confidentiality, the Group endeavours to keep staff at all levels informed of matters that affect the progress of the Group and are of interest to them as employees.

The Group operates an equal opportunities policy. The aim of this policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability.

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the Group become disabled whilst in employment, every step, where appropriate will be taken to assist with rehabilitation and suitable retraining.

The Group maintains its own health, safety and environmental policies covering all aspects of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the Group is responsive to the needs of its employees and the environment.

Auditors
In the case of each of the persons who are directors of the Company at the date when this report was approved:

- So far as each of the directors is aware, there is no relevant audit information of which the Company’s auditor is unaware; and

- Each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company’s auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The auditor, Deloitte LLP, is deemed to be reappointed pursuant to Section 487 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board

[Signature]

D Miles
Company Secretary
29 November 2018

Registered office:
Highbury House
75 Drayton Park
London
N5 1BU
DIRECTORS’ RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and the Group’s transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ARSENAL HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Arsenal Holdings Limited (the ‘parent company’) and its subsidiaries (the ‘group’):

- give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 May 2018 and of the group’s profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated profit and loss account;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 28.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors’ use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the parent company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ARSENAL HOLDINGS LIMITED (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors
As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is no: a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors’ report.
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL HOLDINGS LIMITED (continued)

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]
Paul Schofield FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 November 2018
ARSENAL HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>Operations excluding trading</th>
<th>Player trading</th>
<th>Total</th>
<th>Operations excluding trading</th>
<th>Player trading</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Excluding player trading</td>
<td>£'000</td>
<td>£'000</td>
<td>excluding player trading</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td></td>
<td>Turnover of the Group including its share of joint ventures</td>
<td>404,089</td>
<td>2,311</td>
<td>406,400</td>
<td>420,120</td>
<td>6,932</td>
</tr>
<tr>
<td></td>
<td>Share of turnover of joint venture</td>
<td>(3,131)</td>
<td>-</td>
<td>(3,131)</td>
<td>(3,095)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Group turnover</td>
<td>3 400,958</td>
<td>2,311</td>
<td>403,269</td>
<td>417,025</td>
<td>6,932</td>
</tr>
<tr>
<td></td>
<td>Operating expenses</td>
<td>4 (353,918)</td>
<td>(91,760)</td>
<td>(445,278)</td>
<td>(294,845)</td>
<td>(77,126)</td>
</tr>
<tr>
<td></td>
<td>Operating profit/(loss)</td>
<td>47,440</td>
<td>(89,449)</td>
<td>(42,009)</td>
<td>122,180</td>
<td>(70,194)</td>
</tr>
<tr>
<td></td>
<td>Share of joint venture operating result</td>
<td>940</td>
<td>-</td>
<td>940</td>
<td>598</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Profit on disposal of player registrations</td>
<td>-</td>
<td>120,047</td>
<td>120,047</td>
<td>-</td>
<td>6,760</td>
</tr>
<tr>
<td></td>
<td>Profit/(loss) before net finance charges</td>
<td>48,380</td>
<td>30,598</td>
<td>78,978</td>
<td>122,778</td>
<td>(63,434)</td>
</tr>
<tr>
<td></td>
<td>Net finance charges</td>
<td>5 (8,764)</td>
<td>(14,737)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Profit before taxation</td>
<td>70,214</td>
<td>44,607</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tax on profit</td>
<td>8 (13,660)</td>
<td>(9,321)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Profit for the financial year</td>
<td>56,554</td>
<td>35,286</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Player trading consists primarily of loan fees receivable, the amortisation of the costs of acquiring player registrations, any impairment charges and profit on disposal of player registrations.

All trading resulted from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 May 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>56,554</td>
<td>35,286</td>
</tr>
<tr>
<td>Exchange differences</td>
<td>(6)</td>
<td>21</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>56,548</td>
<td>35,307</td>
</tr>
</tbody>
</table>
ARSENAL HOLDINGS LIMITED

BALANCE SHEET
As at 31 May 2018

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th></th>
<th>Company</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Note</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>9</td>
<td></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>10</td>
<td>424,806</td>
<td>430,973</td>
<td>-</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>11</td>
<td>238,245</td>
<td>182,029</td>
<td>-</td>
</tr>
<tr>
<td>Investments</td>
<td>12</td>
<td>6,194</td>
<td>5,444</td>
<td>30,059</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock - development properties</td>
<td>13</td>
<td>8,192</td>
<td>12,300</td>
<td>-</td>
</tr>
<tr>
<td>Stock - retail merchandise</td>
<td></td>
<td>5,501</td>
<td>7,357</td>
<td>-</td>
</tr>
<tr>
<td>Debtors - due within one year</td>
<td>14</td>
<td>101,220</td>
<td>63,696</td>
<td>117,828</td>
</tr>
<tr>
<td>- due after one year</td>
<td>14</td>
<td>13,554</td>
<td>2,175</td>
<td>-</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>15</td>
<td>231,344</td>
<td>180,116</td>
<td>18,138</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>16</td>
<td>(245,915)</td>
<td>(213,807)</td>
<td>(1,815)</td>
</tr>
<tr>
<td>Net current assets</td>
<td></td>
<td>113,896</td>
<td>51,837</td>
<td>134,151</td>
</tr>
<tr>
<td>Total assets less current liabilities</td>
<td></td>
<td>783,141</td>
<td>670,533</td>
<td>164,210</td>
</tr>
<tr>
<td>Creditors: amounts falling due after more than one year</td>
<td>17</td>
<td>(309,991)</td>
<td>(264,162)</td>
<td>(14,974)</td>
</tr>
<tr>
<td>Provisions for liabilities</td>
<td>20</td>
<td>(53,234)</td>
<td>(43,003)</td>
<td>-</td>
</tr>
<tr>
<td>Net assets</td>
<td></td>
<td>419,916</td>
<td>363,368</td>
<td>149,236</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>21</td>
<td>62</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Share premium account</td>
<td></td>
<td>29,997</td>
<td>29,997</td>
<td>29,997</td>
</tr>
<tr>
<td>Merger reserve</td>
<td></td>
<td>26,699</td>
<td>26,699</td>
<td>-</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>363,158</td>
<td>306,610</td>
<td>119,177</td>
<td>119,153</td>
</tr>
<tr>
<td>Shareholders' funds</td>
<td></td>
<td>419,916</td>
<td>363,368</td>
<td>149,236</td>
</tr>
</tbody>
</table>

The profit for the financial year dealt with in the financial statements of the Group’s parent company, Arsenal Holdings Limited, was £24,000 (2017 - £25,000).

These financial statements of Arsenal Holdings Limited (registered number 4250459) were approved and authorised for issue by the Board of Directors on 29 November 2018.

Signed on behalf of the Board of Directors

Sir Chips Keswick
Director

12
## ARSENAL HOLDINGS LIMITED

### STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2018

<table>
<thead>
<tr>
<th>Group</th>
<th>Share Capital £'000</th>
<th>Share Premium £'000</th>
<th>Merger Reserve £'000</th>
<th>Profit and Loss £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 June 2016</td>
<td>62</td>
<td>29,997</td>
<td>26,699</td>
<td>271,303</td>
<td>328,061</td>
</tr>
<tr>
<td>Total comprehensive income for year ended 31 May 2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35,307</td>
<td>35,307</td>
</tr>
<tr>
<td>At 31 May 2017</td>
<td>62</td>
<td>29,997</td>
<td>26,699</td>
<td>306,610</td>
<td>363,368</td>
</tr>
<tr>
<td>Total comprehensive income for the year ended 31 May 2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>56,548</td>
<td>56,548</td>
</tr>
<tr>
<td>As at 31 May 2018</td>
<td>62</td>
<td>29,997</td>
<td>26,699</td>
<td>363,158</td>
<td>419,916</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Company</th>
<th>Share Capital £'000</th>
<th>Share Premium £'000</th>
<th>Merger Reserve £'000</th>
<th>Profit and Loss £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 June 2016</td>
<td>62</td>
<td>29,997</td>
<td>-</td>
<td>119,128</td>
<td>149,187</td>
</tr>
<tr>
<td>Total comprehensive income for year ended 31 May 2017</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>At 31 May 2017</td>
<td>62</td>
<td>29,997</td>
<td>-</td>
<td>119,153</td>
<td>149,212</td>
</tr>
<tr>
<td>Total comprehensive income for the year ended 31 May 2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>As at 31 May 2018</td>
<td>62</td>
<td>29,997</td>
<td>-</td>
<td>119,177</td>
<td>149,236</td>
</tr>
</tbody>
</table>
ARSENAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 May 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash inflow from operating activities</td>
<td>22a</td>
<td>123,279</td>
</tr>
<tr>
<td>Taxation paid</td>
<td></td>
<td>(11,978)</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest received</td>
<td></td>
<td>396</td>
</tr>
<tr>
<td>Proceeds from sale of fixed assets</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td></td>
<td>(11,638)</td>
</tr>
<tr>
<td>Player registrations</td>
<td>22c</td>
<td>(28,649)</td>
</tr>
<tr>
<td>Net cash flow from investing activities</td>
<td></td>
<td>(39,874)</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest paid</td>
<td></td>
<td>(11,677)</td>
</tr>
<tr>
<td>Repayment of debt</td>
<td></td>
<td>(8,522)</td>
</tr>
<tr>
<td>Net cash flow from financing activities</td>
<td></td>
<td>(20,199)</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in cash and cash equivalents</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at start of year</td>
<td></td>
<td>180,116</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>15</td>
<td>231,344</td>
</tr>
</tbody>
</table>
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

1. Accounting policies

   The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

   (a) General information and basis of accounting

   Arsenal Holdings Limited is a private company limited by shares and registered in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the Group’s operations and its principal activities are set out in the strategic report on pages 2 to 4.

   The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

   The functional currency of Arsenal Holdings Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates. The consolidated financial statements are presented in pounds sterling. Foreign operations are included in accordance with the policies set out below.

   (b) Basis of preparation of Group financial statements

   The Group financial statements consolidate the assets, liabilities and results of the Company and its subsidiary undertakings made up to 31 May 2018. All intra-group transactions, balances, incomes and expenses are eliminated on consolidation.

   As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company is exempt from the requirement to prepare a cash flow statement.

   (c) Going concern

   The Group currently meets its day to day working capital requirements through its own financial resources and has no reliance on bank facilities.

   The Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current financial resources and bank facilities. The Group’s unused bank facilities are not currently due for renewal, however, the Group has held discussion with its bankers about these facilities and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

   The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

   (d) Joint venture and subsidiary undertakings

   The joint venture is an undertaking in which the Group holds an interest on a long-term basis and which is jointly controlled by the Group, which holds 50% of the voting rights, and KSE UK Inc under a contractual arrangement.

   The Group’s share of the results of the joint venture are included in the consolidated profit and loss account on the basis of audited financial statements. The Group’s share of the results and net assets of the joint venture is included under the gross equity method and stated after adjustment to eliminate the Group’s share of profits resulting from transactions between the Group and the joint venture which are included in the carrying amount of assets reported in the joint venture’s balance sheet.

   Investments in subsidiary undertakings are included in the Company’s financial statements at cost less provisions for impairment.
Turnover and income recognition

Turnover represents income receivable, net of VAT, from football and related commercial activities and income from the sale of development properties completed in the year. The Group has two classes of business - the principal activity of operating a professional football club and property development - both businesses are carried out principally within the United Kingdom.

Gate, match and other event day revenue is recognised over the period of the football season as games are played and events are staged. Sponsorship and similar commercial income is recognised over the duration of the respective contracts. The fixed element of broadcasting revenues is recognised over the duration of the football season whilst facility fees for live coverage or highlights are taken when earned at the point of broadcast. Merit awards are accounted for only when known at the end of the financial period. UEFA pool distributions relating to participation in the Europa League are spread over the matches played in the competition whilst distributions relating to match performance are taken when earned; these distributions are classified as broadcasting revenues. Fees receivable in respect of the loan of players are included in turnover over the period of the loan.

Turnover is recognised in respect of barter transactions only where services are exchanged for dissimilar services and the transaction is deemed to have commercial substance. Such transactions are measured at the fair value of the services received, adjusted by any amount of cash and cash equivalents transferred.

Income from the sale of development properties is recognised on completion of the relevant sale contract. Where elements of the sale price are subject to retentions by the purchaser the retained element of the sale price is not recognised until such time as all of the conditions relating to the retention have been satisfied.

Depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to reduce the carrying value of buildings, plant, equipment and motor vehicles to the anticipated residual value of the assets concerned in equal annual instalments over their estimated useful lives as follows:

- Freehold buildings 2% per annum
- Leasehold properties over the period of the lease
- Plant and equipment 5% to 25% per annum

Freehold land is not depreciated.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of the debt using the effective interest method.

Any non-current assets, e.g. player registrations, acquired on deferred terms are recorded at the discounted present value at the date of acquisition. The associated payable is then increased to the settlement value over the period of deferral, with this value being charged as a notional finance cost through the profit and loss account.

Similarly any intangible asset disposed of on deferred terms will be initially recorded at the discounted present value of future receipts and the receivable is then increased to the settlement value over the period of deferral with this value being charged as notional finance income through the profit and loss account.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

(h) Financial instruments
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument and are classified according to the substance of the contractual arrangements entered into.

i. Financial liabilities
Basic financial instruments (including the stadium finance bonds and the C and D debentures) are measured at amortised cost, using the effective interest method. The effective interest rate is the rate which exactly discounts the estimated future payments of receipts over the life of the instrument to its carrying amount at initial recognition, re-estimated periodically to reflect changes in the market rate of interest.

Non basic financial instruments (including the A and B debentures) are recognised at fair value, and measured at the present value of the future payments, discounted at a market rate of interest. Any periodic changes in fair value are recognised in the profit and loss account.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

ii. Derivative financial instruments
The Group uses derivative financial instruments to reduce its exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(i) Stock
Stock comprises retail merchandise and development property for onward sale and is stated at the lower of cost and net realisable value.

Where properties which are intended to be sold have been acquired they have been included in stock as development properties. Development property comprises freehold land inclusive of the direct cost of acquisition and other directly attributable property development costs including interest costs.

(j) Grants
Grants received in respect of tangible fixed assets are credited to the profit and loss account over the expected useful economic lives of the assets to which they relate. Grants received but not yet released to the profit and loss account are included in the balance sheet as deferred income.

Other grants are credited to the profit and loss account as the related expenditure is incurred.

(k) Player costs
The costs associated with acquiring players' registrations or extending their contracts, including agents' fees, are capitalised and amortised, in equal instalments, over the period of the respective players' contracts. Where a contract life is renegotiated the unamortised costs, together with the new costs relating to the contract extension, are amortised over the term of the new contract. Where the acquisition of a player registration involves a non-cash consideration, such as an exchange for another player registration, the transaction is accounted for using an estimate of the market value for the non-cash consideration.

Under the conditions of certain transfer agreements or contract renegotiations, further fees will be payable in the event of the players concerned making a certain number of First Team appearances or on the occurrence of certain other specified future events. Liabilities in respect of these additional fees are accounted for, as provisions, when it becomes probable that the number of appearances will be achieved or the specified future events will occur. The additional costs are capitalised and amortised as set out above.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

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

Remuneration of players is charged in accordance with the terms of the applicable contractual arrangements and any discretionary bonuses when there is a legal or constructive obligation.

(l) Impairment
The Group will perform an impairment review on player registrations if adverse events indicate that the amortised carrying value of its intangible assets may not be recoverable. Whilst no individual player can be separated from the income generating unit, which is represented by the playing squad and the football operations of the Group as a whole, there may be certain circumstances where a player is taken out of the income generating unit. Such circumstances might include a player being excluded from the playing squad due to sustaining a career threatening injury or where a permanent fall out with senior football management means it is highly unlikely a particular player will ever play for the club again. If such circumstances were to arise and be considered permanent, then the carrying value of the player would be assessed against the Group’s best estimate of the player’s fair value less any costs to sell and, if necessary, a provision would be made.

The Group’s assessment of fair value will be based on:-

- in the case of a player who has suffered a career threatening injury, the value attributed by the Group’s insurers; or
- in the case of a player who has fallen out with senior football management, either the agreed selling price in the event the player has been transferred since the year end or, if the player has not been sold, the Group’s best estimation of disposal value taking into account recent player disposals by both the Group and other clubs.

(m) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

(n) Foreign currencies
Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Foreign currency denominated 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.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rate ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations are reported in other comprehensive income.

(o) Deferred income
Deferred income represents income from sponsorship agreements and other contractual agreements which will be credited to the profit and loss account over the period of the agreements, season ticket renewals for the 2018/19 season and advance income from executive boxes and Club Tier seats at Emirates Stadium.

(p) Leases
Rentals payable under operating leases are charged to the profit and loss account evenly over the lease period.

(q) Pensions
The Group makes contributions on behalf of employees and directors to a number of independently controlled defined contribution and money purchase schemes including The Football League Pension
and Life Assurance Scheme (the “Scheme”). Contributions are charged to the profit and loss account over the period to which they relate.

In addition the Group is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Pension and Life Assurance Scheme (the “Scheme”). A provision has been established for the Group’s share of the deficit which exists in this section of the Scheme and this additional contribution is being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have already retired or who have left the Group has been charged to the profit and loss account.

Under the provisions of FRS 102 Section 28 the Scheme would be treated as a defined benefit multi-employer scheme. The Scheme’s actuary has advised that the participating employers’ share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis and accordingly no disclosures are made under the provisions of FRS 102 Section 28.

The assets of all schemes are held in funds independent from the Group.

(r) Taxation
Current tax, including UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group’s taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is recognised only when, on the basis of available evidence, it can be regarded as more likely than not that the reversal of underlying timing differences will result in a reduction in future tax payments.

(s) Goodwill
Goodwill arising on the acquisition of subsidiary undertakings, representing the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is considered to be five years. Provision is made for any impairment.

Critical accounting judgements and estimates
In the application of the Group’s accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical judgements in applying the Group’s Accounting Policies
There were no critical judgements apart from those involving estimations, which are dealt with separately below, which the directors have made in the process of applying the Group’s accounting policies and which would have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

__Provisions and contingent liabilities for player transactions__
Creditors and provisions contain allowances for certain contingent amounts payable to players and to other clubs based on management’s best estimate of certain future events, such as the number of player
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

appearances, and the amount that will become payable as a result. Actual future costs may differ from the amounts provided.

Property trading stocks
The directors consider that the net realisable value of the Group’s property development stocks, making an appropriate allowance for costs to complete, is greater than their book value.

Current taxation
The complex nature of tax legislation under which the Group operates necessitates the use of estimates and assumptions in assessing the tax amounts provided in the financial statements. Actual tax payable may differ from the amounts provided.

2. Segmental analysis

<table>
<thead>
<tr>
<th>Class of business:</th>
<th>Football</th>
<th>Property development</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Turnover</td>
<td>388,231</td>
<td>422,799</td>
<td>15,038</td>
</tr>
<tr>
<td>Segment operating (loss)/profit</td>
<td>(47,186)</td>
<td>51,903</td>
<td>5,177</td>
</tr>
<tr>
<td>Share of operating profit of joint venture</td>
<td>940</td>
<td>598</td>
<td>-</td>
</tr>
<tr>
<td>Profit on disposal of player registrations</td>
<td>120,047</td>
<td>6,760</td>
<td>-</td>
</tr>
<tr>
<td>Net finance charges</td>
<td>(8,932)</td>
<td>(14,859)</td>
<td>168</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>64,869</td>
<td>44,402</td>
<td>5,345</td>
</tr>
<tr>
<td>Segment net assets</td>
<td>361,003</td>
<td>309,674</td>
<td>58,913</td>
</tr>
</tbody>
</table>

Operating profit from football before amortisation, depreciation and player trading amounted to £75.4 million (2017 - £137.5 million); being segment operating loss (as above) of £47.2 million (2017 - £51.9 million), adding back depreciation (net of grant amortisation) of £15.7 million (2017 - £15.0 million), amortisation of goodwill of £0.3 million (2017 - £0.4 million), operating loss from player trading of £89.4 million (2017 - £70.2 million) and exceptional costs of £17.2 million (2017 - £nil).

3. Turnover

Turnover, all of which originates in the UK, comprises the following:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£’000</td>
<td>£’000</td>
</tr>
<tr>
<td>Gate and other match day revenues</td>
<td>98,905</td>
<td>99,996</td>
</tr>
<tr>
<td>Broadcasting</td>
<td>180,097</td>
<td>198,637</td>
</tr>
<tr>
<td>Commercial</td>
<td>106,918</td>
<td>117,234</td>
</tr>
<tr>
<td>Property development</td>
<td>15,038</td>
<td>1,158</td>
</tr>
<tr>
<td>Player trading</td>
<td>2,311</td>
<td>6,932</td>
</tr>
<tr>
<td></td>
<td>403,269</td>
<td>423,957</td>
</tr>
</tbody>
</table>
4. Operating expenses

<table>
<thead>
<tr>
<th></th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses comprise:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortisation of goodwill</td>
<td>250</td>
<td>416</td>
</tr>
<tr>
<td>Amortisation of player registrations</td>
<td>85,812</td>
<td>77,126</td>
</tr>
<tr>
<td>Impairment of player registrations</td>
<td>5,948</td>
<td></td>
</tr>
<tr>
<td>Depreciation and impairment charges (less amortisation of grants)</td>
<td>15,746</td>
<td>14,972</td>
</tr>
<tr>
<td>Total depreciation, amortisation and impairment</td>
<td>107,756</td>
<td>92,514</td>
</tr>
<tr>
<td>Staff costs (see note 6) (including exceptional costs)</td>
<td>240,060</td>
<td>199,395</td>
</tr>
<tr>
<td>Cost of property sales</td>
<td>9,418</td>
<td>625</td>
</tr>
<tr>
<td>Other operating charges (including exceptional costs)</td>
<td>88,044</td>
<td>79,437</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>445,278</td>
<td>371,971</td>
</tr>
</tbody>
</table>

Total operating expenses include:

<table>
<thead>
<tr>
<th></th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional costs</td>
<td>17,154</td>
<td></td>
</tr>
<tr>
<td>Auditor’s remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- audit of the company’s annual accounts</td>
<td>27</td>
<td>25</td>
</tr>
<tr>
<td>- audit of the subsidiaries pursuant to legislation</td>
<td>152</td>
<td>144</td>
</tr>
<tr>
<td>Total audit fees</td>
<td>179</td>
<td>169</td>
</tr>
<tr>
<td>- other services</td>
<td>52</td>
<td>34</td>
</tr>
<tr>
<td>- tax services</td>
<td>51</td>
<td>132</td>
</tr>
<tr>
<td><strong>Total non-audit fees</strong></td>
<td>103</td>
<td>166</td>
</tr>
<tr>
<td>Operating lease rentals</td>
<td>610</td>
<td>1,071</td>
</tr>
<tr>
<td>Profit on disposal of tangible fixed assets</td>
<td>(7)</td>
<td>(16)</td>
</tr>
</tbody>
</table>

Exceptional costs are attributable to the changes to the First Team management, coaching and support staff.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

5. Net finance charges

<table>
<thead>
<tr>
<th>Interest payable and similar charges:</th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans and overdrafts</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Fixed/floating rate bonds</td>
<td>11,257</td>
<td>11,743</td>
</tr>
<tr>
<td>Other</td>
<td>444</td>
<td>523</td>
</tr>
<tr>
<td>Costs of raising long term finance</td>
<td>794</td>
<td>815</td>
</tr>
<tr>
<td><strong>Total interest payable and similar charges</strong></td>
<td><strong>12,497</strong></td>
<td><strong>13,090</strong></td>
</tr>
<tr>
<td>Interest receivable</td>
<td>(448)</td>
<td>(372)</td>
</tr>
<tr>
<td><strong>Change in fair value of financial instruments</strong></td>
<td><strong>12,049</strong></td>
<td><strong>12,718</strong></td>
</tr>
<tr>
<td><strong>Net finance charges</strong></td>
<td><strong>8,764</strong></td>
<td><strong>14,737</strong></td>
</tr>
</tbody>
</table>

6. Employees

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

<table>
<thead>
<tr>
<th>Number</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Playing staff</td>
<td>77</td>
<td>75</td>
</tr>
<tr>
<td>Training staff</td>
<td>106</td>
<td>117</td>
</tr>
<tr>
<td>Commercial and Administrative staff</td>
<td>430</td>
<td>391</td>
</tr>
<tr>
<td>Ground staff</td>
<td>120</td>
<td>112</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>733</td>
<td>695</td>
</tr>
</tbody>
</table>

In addition, the Group used on average 840 temporary staff on match days (2017 – 800). The Company had no employees in either year.

<table>
<thead>
<tr>
<th>Staff costs:</th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>210,141</td>
<td>175,730</td>
</tr>
<tr>
<td>Social security costs</td>
<td>25,692</td>
<td>21,454</td>
</tr>
<tr>
<td>Other pension costs</td>
<td>4,227</td>
<td>2,211</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>240,060</strong></td>
<td><strong>199,395</strong></td>
</tr>
</tbody>
</table>

Exceptional costs (see note 4) included within staff costs amounted to £16.8 million (2017 – nil).
7. Directors’ emoluments

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emoluments</td>
<td>3,434</td>
<td>3,362</td>
</tr>
<tr>
<td>Pension contributions – money purchase</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Pension contributions – defined benefit</td>
<td>872</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>4,316</td>
<td>3,382</td>
</tr>
</tbody>
</table>

**The number of directors who were:-**
- Members of a defined benefit pension scheme: 1
- Members of a money purchase pension scheme: 1

**Remuneration of the highest paid director:-**
- Emoluments: 2,658
- Pension contributions – money purchase: 10

There are no key management personnel other than directors.

8. Tax on profit

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>£’000</td>
<td>£’000</td>
<td></td>
</tr>
<tr>
<td>UK corporation tax charge at 19% (2017 – 19.83%)</td>
<td>8,248</td>
<td>13,632</td>
</tr>
<tr>
<td>Overseas tax</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>Under/(over) provision in respect of prior years</td>
<td>237</td>
<td>(1)</td>
</tr>
<tr>
<td><strong>Total current taxation</strong></td>
<td>8,485</td>
<td>13,635</td>
</tr>
</tbody>
</table>

**Deferred taxation (see note 20)**
- Origination and reversal of timing differences: 5,195
- Impact of change in tax rate: -
- (Over)/under provision in respect of prior years: (20)

**Total deferred taxation**
- 5,175

**Total tax charge on profit**
- 13,660
- 9,321

The enacted rate of corporation tax will reduce to 17% from April 2020. The Group’s deferred tax liabilities have been valued based on the tax rates that are expected to apply in the periods in which the underlying timing differences are predicted to reverse.
8. Tax on profit (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group profit before tax</td>
<td>70,214</td>
<td>44,607</td>
</tr>
<tr>
<td>Tax on Group profit before tax at standard UK corporation tax rate of 19%</td>
<td>13,341</td>
<td>8,845</td>
</tr>
<tr>
<td>(2017 – 19.83%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effects of:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of reduction in corporation tax rate on deferred tax balances</td>
<td>-</td>
<td>(756)</td>
</tr>
<tr>
<td>Expenses not deductible</td>
<td>1,121</td>
<td>1,190</td>
</tr>
<tr>
<td>Impact of rate difference between corporation and deferred tax</td>
<td>(1,019)</td>
<td>-</td>
</tr>
<tr>
<td>Adjustments to tax charge in respect of prior years</td>
<td>217</td>
<td>38</td>
</tr>
<tr>
<td>Overseas tax</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td><strong>Group total tax charge for the year</strong></td>
<td>13,660</td>
<td>9,321</td>
</tr>
</tbody>
</table>

Full provision has been made for the deferred tax liabilities related to the roll-over of profits on sale of player registrations into the tax cost of new qualifying player registrations (see note 20). There is no expiry date on any timing differences.

9. Intangible fixed assets – goodwill

<table>
<thead>
<tr>
<th>Description</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
</tr>
<tr>
<td>At 1 June 2017 and 31 May 2018</td>
<td>2,137</td>
</tr>
<tr>
<td>Amortisation</td>
<td></td>
</tr>
<tr>
<td>At 1 June 2017</td>
<td>1,887</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>250</td>
</tr>
<tr>
<td>At 31 May 2018</td>
<td>2,137</td>
</tr>
<tr>
<td>Net book value at 31 May 2018</td>
<td>-</td>
</tr>
<tr>
<td>Net book value at 31 May 2017</td>
<td>250</td>
</tr>
</tbody>
</table>
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

10. Tangible assets

<table>
<thead>
<tr>
<th>Group</th>
<th>Freehold properties £'000</th>
<th>Short Leasehold properties £'000</th>
<th>Plant and equipment £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 June 2017</td>
<td>419,251</td>
<td>21,430</td>
<td>125,730</td>
<td>566,411</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>-</td>
<td>-</td>
<td>(14)</td>
<td>(14)</td>
</tr>
<tr>
<td>Additions</td>
<td>1,832</td>
<td>20</td>
<td>7,828</td>
<td>9,680</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>(72)</td>
<td>(72)</td>
</tr>
<tr>
<td>At 31 May 2018</td>
<td>421,083</td>
<td>21,450</td>
<td>133,472</td>
<td>576,005</td>
</tr>
</tbody>
</table>

Depreciation

<table>
<thead>
<tr>
<th>Group</th>
<th>Freehold properties £'000</th>
<th>Short Leasehold properties £'000</th>
<th>Plant and equipment £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 June 2017</td>
<td>63,590</td>
<td>5,785</td>
<td>66,063</td>
<td>135,438</td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>-</td>
<td>-</td>
<td>(13)</td>
<td>(13)</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>6,197</td>
<td>829</td>
<td>8,810</td>
<td>15,836</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>-</td>
<td>(62)</td>
<td>(62)</td>
</tr>
<tr>
<td>At 31 May 2018</td>
<td>69,787</td>
<td>6,614</td>
<td>74,798</td>
<td>151,199</td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th>Group</th>
<th>Freehold properties £'000</th>
<th>Short Leasehold properties £'000</th>
<th>Plant and equipment £'000</th>
<th>Total £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 May 2018</td>
<td>351,296</td>
<td>14,836</td>
<td>58,674</td>
<td>424,806</td>
</tr>
<tr>
<td>At 31 May 2017</td>
<td>355,661</td>
<td>15,645</td>
<td>59,667</td>
<td>430,973</td>
</tr>
</tbody>
</table>

At 31 May 2018 the Group had contracted capital commitments of £8.2 million (2017 - £3.3 million). The cost of fixed assets includes £38.6 million of interest costs which were incurred on the stadium financing bank facilities during the periods when Emirates Stadium was under construction. The capitalisation of interest ceased in 2006 when Emirates Stadium came into use.

11. Intangible assets

<table>
<thead>
<tr>
<th>Group</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of player registrations</td>
<td></td>
</tr>
<tr>
<td>At 1 June 2017</td>
<td>432,603</td>
</tr>
<tr>
<td>Additions</td>
<td>165,831</td>
</tr>
<tr>
<td>Disposals</td>
<td>(118,423)</td>
</tr>
<tr>
<td>At 31 May 2018</td>
<td>480,011</td>
</tr>
</tbody>
</table>

Amortisation of player registrations

<table>
<thead>
<tr>
<th>Group</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 June 2018</td>
<td>250,574</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>85,812</td>
</tr>
<tr>
<td>Impairment</td>
<td>5,948</td>
</tr>
<tr>
<td>Disposals</td>
<td>(100,568)</td>
</tr>
<tr>
<td>At 31 May 2018</td>
<td>241,766</td>
</tr>
</tbody>
</table>

Net book value

<table>
<thead>
<tr>
<th>Group</th>
<th>£'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 May 2018</td>
<td>238,245</td>
</tr>
<tr>
<td>At 31 May 2017</td>
<td>182,029</td>
</tr>
</tbody>
</table>

The figures for cost of player registrations are historic figures for the costs associated with acquiring players' registrations or extending their contracts. 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 Group's youth system.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

11. Intangible assets (continued)

The directors consider the net realisable value of intangible assets to be significantly greater than their book value.

12. Investments

<table>
<thead>
<tr>
<th>Investment in joint venture</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment at cost</td>
<td>£20,000</td>
<td>£20,000</td>
</tr>
<tr>
<td>Accumulated share of profit of joint venture</td>
<td>6,194</td>
<td>5,444</td>
</tr>
<tr>
<td>Adjustment to eliminate unrealised profit on sale of intangible assets</td>
<td>(20,000)</td>
<td>(20,000)</td>
</tr>
<tr>
<td>Share of joint venture</td>
<td>6,194</td>
<td>5,444</td>
</tr>
</tbody>
</table>

The joint venture represents an interest in Arsenal Broadband Limited, a company incorporated in Great Britain and engaged in running the official Arsenal Football Club internet portal. The Group owns all of the 20,000,001 Ordinary “A” shares of £1 each and the one “C” share of £1 issued by Arsenal Broadband Limited and controls 50 percent of the voting rights. The Group’s share of the net assets included in the audited balance sheet of Arsenal Broadband Limited for the year ended 31 May 2018 is as follows:

| Fixed assets | 534 | 640 |
| Current assets | 6,742 | 4,967 |
| Liabilities  | (1,082) | (163) |
| Share of joint venture | 6,194 | 5,444 |

Investments in subsidiary undertakings

<table>
<thead>
<tr>
<th>Company</th>
<th>£’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 June 2017 and 31 May 2018</td>
<td>30,059</td>
</tr>
</tbody>
</table>

The Company has the following subsidiary companies (of which those marked * are indirectly held):

<table>
<thead>
<tr>
<th>Company</th>
<th>Country of incorporation</th>
<th>Proportion of ordinary shares owned</th>
<th>Principal activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arsenal (AFC Holdings) Limited</td>
<td>Great Britain</td>
<td>100%</td>
<td>Share holding</td>
</tr>
<tr>
<td>The Arsenal Football Club plc*</td>
<td>Great Britain</td>
<td>100%</td>
<td>Professional football club</td>
</tr>
<tr>
<td>Arsenal (Emirates Stadium) Limited*</td>
<td>Great Britain</td>
<td>100%</td>
<td>Property development</td>
</tr>
<tr>
<td>Arsenal Overseas Holdings Limited*</td>
<td>Great Britain</td>
<td>100%</td>
<td>Share holding</td>
</tr>
<tr>
<td>AOH-USA, LLC*</td>
<td>USA</td>
<td>100%</td>
<td>Data management</td>
</tr>
<tr>
<td>Arsenal Overseas Limited*</td>
<td>Jersey</td>
<td>100%</td>
<td>Retail operations</td>
</tr>
<tr>
<td>Arsenal Securities plc*</td>
<td>Great Britain</td>
<td>100%</td>
<td>Financing</td>
</tr>
<tr>
<td>Arsenal Stadium Management Company Limited*</td>
<td>Great Britain</td>
<td>100%</td>
<td>Stadium operations</td>
</tr>
<tr>
<td>ATL (Holdings) Limited</td>
<td>Great Britain</td>
<td>100%</td>
<td>Share holding</td>
</tr>
<tr>
<td>Ashburton Trading Limited*</td>
<td>Great Britain</td>
<td>100%</td>
<td>Property development</td>
</tr>
<tr>
<td>HHL Holding Company Limited</td>
<td>Great Britain</td>
<td>100%</td>
<td>Share holding</td>
</tr>
<tr>
<td>Highbury Holdings Limited*</td>
<td>Great Britain</td>
<td>100%</td>
<td>Property holding</td>
</tr>
</tbody>
</table>
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

Subsidiary companies (continued)

- Arsenal Women Football Club Limited* Great Britain 100% Women’s football
- Arsenal Football Club Asia PTE Limited* Singapore 100% Commercial operations
- Ashburton Properties (Northern Triangle) Limited* Great Britain 100% Dormant
- Drayton Park Trading Limited* Great Britain 100% Dormant
- Queensland Road Trading Limited* Great Britain 100% Dormant
- Ashburton Properties Holdings Limited Great Britain 100% Dormant
- Arsenal Stadium Management Holdings Limited Great Britain 100% Dormant

The registered address for all Group companies and the joint venture company is as for the Company and as stated in the Directors’ Report except for Arsenal Overseas Limited (37 Esplanade, St Helier, Jersey JE1 2TR), AOI-H-USA LLC (Suite 620, 954 W. Washington Blvd, Chicago, IL 60607) and Arsenal Football Club Asia PTE Limited (2 Shenton Way, 18-01 SGX Centre 1, Singapore 068804).

13. Stock - development properties

Properties are held for resale and are recorded at the lower of cost and net realisable value. The directors consider the net realisable value of development property stocks to be greater than their book value.

14. Debtors

<table>
<thead>
<tr>
<th>Amounts recoverable within one year</th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Company 2018</th>
<th>Company 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>35,388</td>
<td>27,549</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other debtors</td>
<td>51,177</td>
<td>6,260</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amount due from group undertakings</td>
<td>-</td>
<td>-</td>
<td>117,806</td>
<td>117,439</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>14,655</td>
<td>29,887</td>
<td>22</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>101,220</td>
<td>63,696</td>
<td>117,828</td>
<td>117,443</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts recoverable in more than one year</th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Company 2018</th>
<th>Company 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other debtors</td>
<td>12,353</td>
<td>1,095</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>1,201</td>
<td>1,080</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>13,554</td>
<td>2,175</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Other debtors include £61.5 million in respect of player transfers (2017 - £4.7 million).

15. Cash at bank and in hand

<table>
<thead>
<tr>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Company 2018</th>
<th>Company 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt service reserve accounts</td>
<td>36,275</td>
<td>35,864</td>
<td>-</td>
</tr>
<tr>
<td>Other accounts</td>
<td>195,069</td>
<td>144,252</td>
<td>18,138</td>
</tr>
<tr>
<td></td>
<td>231,344</td>
<td>180,116</td>
<td>18,138</td>
</tr>
</tbody>
</table>

The Group is required under the terms of its fixed rate bonds and floating rate bonds to maintain specified amounts on bank deposit as security against future payments of interest and principal. Accordingly the use of these debt service reserve accounts is restricted to that purpose. The Group uses short-term bank treasury deposits as a means of maximising the interest earned on its cash balances.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

15. Cash at bank and in hand (continued)

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Company 2018</th>
<th>Company 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>153,149</td>
<td>103,683</td>
<td>638</td>
<td>589</td>
</tr>
<tr>
<td>Cash equivalents (short-term deposits)</td>
<td>78,195</td>
<td>76,433</td>
<td>17,500</td>
<td>17,500</td>
</tr>
<tr>
<td></td>
<td>231,344</td>
<td>180,116</td>
<td>18,138</td>
<td>18,089</td>
</tr>
</tbody>
</table>

16. Creditors: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Company 2018</th>
<th>Company 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Fixed rate bonds – secured</td>
<td>8,504</td>
<td>8,018</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trade creditors</td>
<td>9,911</td>
<td>8,904</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporation tax</td>
<td>4,182</td>
<td>7,865</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other tax and social security</td>
<td>30,645</td>
<td>19,940</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amounts due to group undertakings</td>
<td>-</td>
<td>-</td>
<td>1,786</td>
<td>1,786</td>
</tr>
<tr>
<td>Other creditors</td>
<td>50,089</td>
<td>36,756</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>142,584</td>
<td>132,324</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>245,915</td>
<td>213,807</td>
<td>1,815</td>
<td>1,813</td>
</tr>
</tbody>
</table>

Other creditors, above and as disclosed in note 18, include £100.2 million (2017 - £47.4 million) in respect of player transfers.

17. Creditors: amounts falling due after more than one year

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Company 2018</th>
<th>Company 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Fixed rate bonds – secured</td>
<td>121,607</td>
<td>130,247</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Floating rate bonds – secured</td>
<td>48,312</td>
<td>48,176</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Derivative financial instruments (see note 19)</td>
<td>23,145</td>
<td>26,430</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debenture loans</td>
<td>15,008</td>
<td>14,597</td>
<td>14,974</td>
<td>14,566</td>
</tr>
<tr>
<td>Other creditors</td>
<td>64,320</td>
<td>23,560</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Grants</td>
<td>3,435</td>
<td>3,525</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred income</td>
<td>34,164</td>
<td>17,627</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>309,991</td>
<td>264,162</td>
<td>14,974</td>
<td>14,566</td>
</tr>
</tbody>
</table>

Debenture loans comprise:

<table>
<thead>
<tr>
<th></th>
<th>Group 2018</th>
<th>Group 2017</th>
<th>Company 2018</th>
<th>Company 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par value of debentures plus accumulated interest</td>
<td>29,712</td>
<td>29,304</td>
<td>15,285</td>
<td>14,877</td>
</tr>
<tr>
<td>Costs of raising finance</td>
<td>(311)</td>
<td>(311)</td>
<td>(311)</td>
<td>(311)</td>
</tr>
<tr>
<td>Fair value adjustment</td>
<td>(14,393)</td>
<td>(14,396)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>15,008</td>
<td>14,597</td>
<td>14,974</td>
<td>14,566</td>
</tr>
</tbody>
</table>

Under the issue terms A and B debentures with a par value of £14,427,000 are repayable at par after 125 years and these debentures are interest free. C and D debentures with a par value of £10,224,000 are repayable at the option of the debenture holders in 10 years and carry cumulative compound interest at 2.75% per annum.
17. Creditors: amounts falling due after more than one year (continued)

The fixed rate bonds above and disclosed in note 17 comprise:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate bonds</td>
<td>132,226</td>
<td>140,748</td>
</tr>
<tr>
<td>Costs of raising finance</td>
<td>(2,115)</td>
<td>(2,483)</td>
</tr>
<tr>
<td></td>
<td><strong>130,111</strong></td>
<td><strong>138,265</strong></td>
</tr>
</tbody>
</table>

Due within one year

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>8,504</td>
<td>8,018</td>
</tr>
<tr>
<td>Due after more than one year</td>
<td>121,607</td>
<td>130,247</td>
</tr>
<tr>
<td></td>
<td><strong>130,111</strong></td>
<td><strong>138,265</strong></td>
</tr>
</tbody>
</table>

The fixed rate bonds bear interest at 5.1418% per annum.

The floating rate bonds above comprise:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Floating rate bonds</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Costs of raising finance</td>
<td>(1,688)</td>
<td>(1,824)</td>
</tr>
<tr>
<td></td>
<td><strong>48,312</strong></td>
<td><strong>48,176</strong></td>
</tr>
</tbody>
</table>

Due within one year

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due within one year</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Due after more than one year</td>
<td>48,312</td>
<td>48,176</td>
</tr>
<tr>
<td></td>
<td><strong>48,312</strong></td>
<td><strong>48,176</strong></td>
</tr>
</tbody>
</table>

The floating rate bonds bear interest at LIBOR for three month deposits plus a margin of 0.55% (2017 - 0.55%) and the Group has entered into interest rate swaps which fix the LIBOR element of this cost at 5.75%.

The costs of raising debt finance, in the form of fixed and floating rate bonds, are amortised to the profit and loss account over the term of the bonds. The amortisation charge for the year was £504,000 (2017 - £527,000).

The fixed rate bonds and floating rate bonds are guaranteed as to scheduled payments of principal and interest by certain members of the Group and by Ambac Assurance UK Limited. The Group pays Ambac Assurance UK Limited annual guarantee fees at a rate of 0.65% of fixed rate bond principal outstanding and 0.65% of the floating rate bond principal outstanding.

The Group’s fixed rate bonds and floating rate bonds are secured by a mixture of legal mortgages and fixed charges on certain freehold and leasehold property and certain plant and machinery owned by the Group, by fixed charges over certain of the Group’s trade debtors, by fixed charges over £59.1 million (2017 - £51.1 million) of the Group’s bank deposits, by legal mortgages or fixed charges over the share capital and intellectual property rights of certain subsidiary companies and fixed and floating charges over the other assets of certain subsidiary companies.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

17. Creditors: amounts falling due after more than one year (continued)

The Group’s financial liabilities/debt are repayable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between one and two years</td>
<td>9,471</td>
<td>8,984</td>
</tr>
<tr>
<td>Between two and five years</td>
<td>31,605</td>
<td>29,980</td>
</tr>
<tr>
<td>After five years</td>
<td>147,174</td>
<td>157,859</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>8,984</td>
<td>8,522</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total debt</td>
<td>197,234</td>
<td>205,345</td>
</tr>
</tbody>
</table>

18. Financial instruments

The Group’s financial instruments comprise mainly of cash and bank balances, fixed and floating rate bonds, debentures and various items, such as trade debtors and trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group’s operations. The main risks arising from the Group’s financial instruments relate to interest rate, liquidity and foreign currency and the Board reviews and agrees its policy for managing these risks.

The carrying value of the Group’s financial instruments is analysed as follows:-

<table>
<thead>
<tr>
<th>Financial Assets</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured at undiscounted amount receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash at bank</td>
<td>231,344</td>
<td>180,116</td>
</tr>
<tr>
<td>Trade and other debtors</td>
<td>98,918</td>
<td>34,904</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>330,262</td>
<td>215,020</td>
</tr>
</tbody>
</table>

| Financial Liabilities                     |       |       |
|                                          |       |       |
| Measured at amortised cost:               |       |       |
| Fixed rate and floating rate bonds        | (178,423)| (186,441)|
| C & D Debentures                          | (14,974)| (14,566)|

| Measured at fair value through profit and loss: |       |       |
| A & B Debentures                             | (34)  | (31)  |
| Interest rate swaps                          | (23,145)| (26,431)|

| Measured at undiscounted amount payable:    |       |       |
| Trade and other creditors                   | (124,320)| (69,220)|

|                                          |       |       |
|                                          | (340,896)| (296,689)|
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

Financial liabilities (continued)

The fair value of the interest rate swaps was determined by reference to the market price at the reporting date. The Group’s cash and bank deposits earn interest at rates linked to LIBOR. The Group’s other financial assets do not earn interest. Total interest income for the year is shown in note 5.

The interest rates attaching the Group’s fixed rate bonds, floating rate bonds and debentures are detailed in note 17. The Group’s other financial liabilities do not attract interest. The cost for the year of the Group’s financial liabilities was as follows (all of these costs are also disclosed within finance charges in note 5 save for the change in fair value of foreign exchange derivatives which is included partly in the Statement of Comprehensive Income and partly in operating expenses within Profit and Loss):-

<table>
<thead>
<tr>
<th></th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fair value gains and losses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A &amp; B Debentures</td>
<td>(3)</td>
<td>(2)</td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>3,285</td>
<td>(2,019)</td>
</tr>
<tr>
<td><strong>Interest expense at amortised cost:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed rate and floating rate bonds</td>
<td>(11,257)</td>
<td>(11,743)</td>
</tr>
<tr>
<td>C &amp; D Debentures</td>
<td>(408)</td>
<td>(398)</td>
</tr>
<tr>
<td></td>
<td>(8,383)</td>
<td>(14,162)</td>
</tr>
</tbody>
</table>

19. Financial Derivatives

<table>
<thead>
<tr>
<th></th>
<th>Current 2018 £'000</th>
<th>2017 £'000</th>
<th>Non-current 2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Other derivatives:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate swaps</td>
<td>-</td>
<td>-</td>
<td>(23,145)</td>
<td>(26,430)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(23,145)</td>
<td>(26,430)</td>
</tr>
</tbody>
</table>

Interest rate risk

The Group is exposed to interest rate risk because part of its long-term debt is at floating rates of interest. The Group has entered into interest rate swaps the purpose of which is to minimise its exposure to this interest rate risk.

After taking into account these interest rate swaps, the interest rate profile of the Group’s financial liabilities at 31 May 2018 was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fixed rate 2018 £'000</th>
<th>Floating rate 2018 £'000</th>
<th>Interest 2018 £'000</th>
<th>Weighted average fixed rate %</th>
<th>Weighted average period for which rate is fixed yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds – fixed rate</td>
<td>132,226</td>
<td>-</td>
<td>-</td>
<td>5.8</td>
<td>11</td>
</tr>
<tr>
<td>Bonds – floating rate</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>7.0</td>
<td>13</td>
</tr>
<tr>
<td>Debenture loans</td>
<td>14,974</td>
<td>-</td>
<td>34</td>
<td>2.8</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>197,200</td>
<td>-</td>
<td>34</td>
<td>197,234</td>
<td></td>
</tr>
</tbody>
</table>
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

Interest rate risk (continued)

The interest rate profile at 31 May 2017 for comparative purposes was:

<table>
<thead>
<tr>
<th></th>
<th>Fixed rate 2017 £'000</th>
<th>Floating rate 2017 £'000</th>
<th>Interest rate free 2017</th>
<th>Total £'000</th>
<th>Weighted average fixed rate %</th>
<th>Weighted average period for which rate is fixed yrs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds - fixed rate</td>
<td>140,748</td>
<td>-</td>
<td>-</td>
<td>140,748</td>
<td>5.8</td>
<td>12</td>
</tr>
<tr>
<td>Bonds - floating rate</td>
<td>50,000</td>
<td>-</td>
<td>-</td>
<td>50,000</td>
<td>7.0</td>
<td>14</td>
</tr>
<tr>
<td>Debenture loans</td>
<td>14,566</td>
<td>-</td>
<td>31</td>
<td>14,597</td>
<td>2.8</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>205,314</td>
<td>-</td>
<td>31</td>
<td>205,345</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Borrowing facilities

The Group had undrawn committed borrowing facilities at the balance sheet date, in respect of which all conditions precedent had been met, as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expiring in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One year or less</td>
<td>50,000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Foreign currency management

The Group is mainly exposed to the foreign currencies of the Euro and US dollar.

In assessing its foreign currency exposure the Group will assess the balance of its outstanding currency denominated assets and liabilities together with known future currency cash flows such as from participation in the UEFA Champions League or UEFA Europa League and from contracted player transfers.

There were no foreign currency contracts in place at the balance sheet date as the Group’s expected foreign currency designated cash flows were projected to be in balance over the short to medium term.

Included in cash and cash equivalents are amounts of £19.8 million (2017 - £18.0 million) denominated in Euros and £2.6 million (2017 - £2.9 million) denominated in US dollars.

Included in trade debtors are amounts of £- million (2017 - £0.4 million) denominated in Euros and £0.2 million (2017 - £0.9 million) denominated in US dollars. Included in other debtors are amounts of £23.1 million (2017 - £4.6 million) denominated in Euros and £0.1 million denominated in US dollars (2017 - £nil).

Included in prepayments and accrued income are amounts of £- million (2017 - £13.8 million) denominated in Euros.

Included in other creditors are amounts of £70.4 million (2017 - £21.0 million) denominated in Euros. Included in provisions are amounts of £11.1 million (2017 - £7.9 million) denominated in Euros and £- million (2017 - £0.1 million) denominated in US dollars.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

20. Provisions for liabilities

\[
\begin{array}{lcc}
\text{Group} & \text{2018} & \text{2017} \\
& \text{£’000} & \text{£’000} \\
Pensions provision (see note 26 (b)) & 2,203 & 710 \\
Deferred taxation & 26,975 & 21,800 \\
Transfers & 24,056 & 20,493 \\
\hline
53,234 & 43,003 \\
\end{array}
\]

The Transfers provision relates mainly to the probable additional transfer fees payable based on the players concerned achieving a specified number of appearances. In this respect, new provisions of £12.9 million were made during the year, £4.9 million of provisions were reclassified as creditors and £4.4 million of provisions were cancelled as no longer required.

The deferred tax charge for the year was £5.2 million (see note 8) (2017 – credit of £4.3 million).

\[
\begin{array}{lcc}
\text{Group} & \text{2018} & \text{2017} \\
& \text{£’000} & \text{£’000} \\
\text{Deferred tax provision} & & \\
Accelerated capital allowances & 7,603 & 8,013 \\
Capitalised interest & 5,636 & 5,741 \\
Rollover relief on player registrations & 15,726 & 10,022 \\
Other timing differences & (1,990) & (1,976) \\
\hline
\text{Total provision for deferred taxation} & 26,975 & 21,800 \\
\end{array}
\]

21. Called up share capital

\[
\begin{array}{cc}
\text{Allotted, issued and fully paid} & \text{£} & \text{£} \\
\text{Subscriber Ordinary shares of £1 each} & 2 & 2 \\
\text{Ordinary shares of £1 each} & 62,217 & 62,217 \\
\hline
\end{array}
\]

The two Subscriber Ordinary shares carry no right to vote or to income and a deferred right to a return of capital paid up.
ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS
For the year ended 31 May 2018

22. Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Operating (loss)/profit</td>
<td>(42,009)</td>
<td>51,986</td>
</tr>
<tr>
<td>Amortisation of player registrations</td>
<td>85,812</td>
<td>77,126</td>
</tr>
<tr>
<td>Impairment of player registrations</td>
<td>5,948</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation of goodwill</td>
<td>250</td>
<td>416</td>
</tr>
<tr>
<td>Profit on disposal of tangible fixed assets</td>
<td>(7)</td>
<td>(16)</td>
</tr>
<tr>
<td>Depreciation (net of grant amortisation)</td>
<td>15,746</td>
<td>14,972</td>
</tr>
<tr>
<td><strong>Operating cash flow before working capital</strong></td>
<td><strong>65,740</strong></td>
<td><strong>144,484</strong></td>
</tr>
<tr>
<td>Decrease/(increase) in stock</td>
<td>5,964</td>
<td>(3,675)</td>
</tr>
<tr>
<td>Decrease/(increase) in debtors</td>
<td>7,925</td>
<td>(5,036)</td>
</tr>
<tr>
<td>Increase/(decrease) in creditors</td>
<td>43,650</td>
<td>(26,728)</td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td><strong>123,279</strong></td>
<td><strong>109,045</strong></td>
</tr>
</tbody>
</table>

(b) Analysis of changes in net debt

<table>
<thead>
<tr>
<th></th>
<th>At 1 June 2017</th>
<th>Non cash changes</th>
<th>Cash flows</th>
<th>At 31 May 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>103,683</td>
<td>-</td>
<td>49,466</td>
<td>153,149</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>76,433</td>
<td>-</td>
<td>1,762</td>
<td>78,195</td>
</tr>
<tr>
<td></td>
<td>180,116</td>
<td>-</td>
<td>51,228</td>
<td>231,344</td>
</tr>
<tr>
<td>Debt due within one year (bonds)</td>
<td>(8,018)</td>
<td>(9,008)</td>
<td>8,522</td>
<td>(8,504)</td>
</tr>
<tr>
<td>Debt due after more than one year (bonds)</td>
<td>(178,423)</td>
<td>8,504</td>
<td>-</td>
<td>(169,919)</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>(26,430)</td>
<td>3,285</td>
<td>-</td>
<td>(23,145)</td>
</tr>
<tr>
<td>Debt due after more than one year (debentures)</td>
<td>(14,597)</td>
<td>(411)</td>
<td>-</td>
<td>(15,008)</td>
</tr>
<tr>
<td><strong>Net (debt)/cash</strong></td>
<td>(47,352)</td>
<td>2,370</td>
<td>59,750</td>
<td>14,768</td>
</tr>
</tbody>
</table>

Non cash changes represent £504,000 in respect of the amortisation of costs of raising finance, £408,000 in respect of rolled up, unpaid debenture interest, £3,000 in respect of the change in fair value of the Group’s A and B debentures and £3,285,000 in respect of the change in fair value of the Group’s interest rate swaps.

(c) Gross cash flows

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£'000</td>
<td>£'000</td>
</tr>
<tr>
<td>Player registrations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for purchase of players</td>
<td>(109,760)</td>
<td>(111,460)</td>
</tr>
<tr>
<td>Receipts from sale of players</td>
<td>81,111</td>
<td>8,936</td>
</tr>
<tr>
<td></td>
<td>(28,649)</td>
<td>(102,524)</td>
</tr>
</tbody>
</table>
23. Leasing commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One year or less</td>
<td>248</td>
<td>443</td>
</tr>
<tr>
<td>Two to five years</td>
<td>654</td>
<td>631</td>
</tr>
<tr>
<td>Over five years</td>
<td>391</td>
<td>518</td>
</tr>
<tr>
<td></td>
<td>1,293</td>
<td>1,592</td>
</tr>
</tbody>
</table>

24. Commitments and contingent liabilities

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 Group’s accounting policy for transfer fees, any additional fees which may be payable under these agreements, will be accounted for in the year that it becomes probable that the number of appearances will be achieved or the specified future events will occur. The maximum potential liability not provided for, in respect of contracts in force at the year end date, is £7.6 million (2017 - £6.3 million).

25. Related party transactions

The Group had the following related party transactions during the year:-

a) The Group had the following transactions with Arsenal Broadband Limited:-

<table>
<thead>
<tr>
<th></th>
<th>2018 £'000</th>
<th>2017 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income/ (charge)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of office services</td>
<td>304</td>
<td>291</td>
</tr>
<tr>
<td>Merchandising and advertising sales</td>
<td>(2,416)</td>
<td>(2,380)</td>
</tr>
<tr>
<td>Arsenal digital fee</td>
<td>(1,276)</td>
<td>(1,216)</td>
</tr>
</tbody>
</table>

At 31 May 2018 the balance owing from the Group to Arsenal Broadband Limited was £12.0 million (2017 - £10.7 million).
26. Pensions

a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £2,402,000 (2017 - £2,190,000).

b) Defined benefit scheme

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision at start of year</td>
<td>710</td>
<td>1,140</td>
</tr>
<tr>
<td>Payments in year</td>
<td>(431)</td>
<td>(430)</td>
</tr>
<tr>
<td>Increase in provision</td>
<td>1,924</td>
<td>-</td>
</tr>
<tr>
<td>Provision at end of year</td>
<td>2,203</td>
<td>710</td>
</tr>
</tbody>
</table>

The Group is advised of its share of the deficit in the Scheme (Note 1(q)). The most recent actuarial valuation of the Scheme was as at August 2017 and indicated that the contribution required from the Group towards making good this deficit was £2.5 million at 1 September 2017 (the total deficit in the Scheme at this date was £30.4 million). The Group’s share of the deficit is being paid off over a period of five and a half years commencing September 2017.

Additional contributions are being charged to the profit and loss account over the remaining service life of those Arsenal employees who are members of the Scheme. The amount attributable to employees who have already retired or who have left the Group has been charged in full to the profit and loss account.

Payments for the year amounted to £0.4 million (2017 - £0.4 million) and the profit and loss account charge was £1,825,000 (2017 - £21,000).

27. Post balance sheet events

Player transactions

Since the end of the financial year a subsidiary company, Arsenal Football Club plc, has contracted for the purchase and sale of various players. The net payment resulting from these transfers, taking into account the applicable levies, is £61.4 million (2017 - net receipt of £15.0 million). These transfers will be accounted for in the year ending 31 May 2019.

Ownership

KSE UK Inc acquired the balance of shares not previously owned by it and subsequently the Company was re-registered as a private company on 5 October 2018.

28. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is KSE UK Inc., which owns 100% of the share capital of the Company. KSE UK Inc. is incorporated in the State of Delaware, USA, and is wholly-owned and controlled by Mr E.S. Kroenke.