

Company Registration No. 4250459

ARSENAL HOLDINGS LIMITED

Annual Report and Financial Statements

31 May 2023

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ARSENAL HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2023

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

E.S. Kroenke
J.W. Kroenke
T.J. Lewis
Lord Harris of Peckham

COMPANY SECRETARY

S. W. Wisely

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 2023.

Principal Activity and Strategy

The principal activity of the Group is that of a professional football club playing in the Premier League (men's) and Women's Super League (WSL) (women's). The Group is also engaged in a number of property developments.

The Board's long term strategy is to continue to develop Arsenal Football Club (the 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 and further engage the Club's worldwide fan base.

Results for the year

The overall loss for the year was £52.1 million (2022 - £45.5 million). The financial result was impacted by impairment write downs on certain player registrations amounting to £18.1 million, which by virtue of their quantum are classified as exceptional. The loss before tax, excluding the impact of exceptional items, amounted to £34.0 million (2022 – loss of £45.5 million).

The improvement in underlying result reflects a return to UEFA competition, where the Club reached the Round of 16 in the Europa League, and a strong performance in the Premier League, where the Club led the table for much of the season, eventually finishing in second place.

During 2022/23 and subsequently during the summer 2023 transfer window the Club has again invested strongly in the development of its Men's First Team playing resources. This investment recognises that qualification for UEFA competition represents a pre-requisite to re-establishing a self-sufficient financial base. This investment would not have been possible without the support and commitment of the Club's ownership, Kroenke Sports & Entertainment. Qualification for the UEFA Champions League for 2023/24 represents another positive step and can be viewed alongside the start to the 2023/24 season which has so far been encouraging.

We have also continued to invest strongly in Arsenal Women and the women's game continues to experience significant growth in interest and support. Arsenal Women finished the 2022/23 season in third place in the WSL and won the League Cup. Eight games were played at the Emirates including a first ever sell-out for the semi-final of the UEFA Women's Champions League.

Review of the business

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

	2023 £m	2022 £m
Adjusted operating profit from football (see note 2 on page 26)	116.1	80.8
Exceptional costs (player impairment)	(18.1)	-
Amortisation and impairment of player registrations (non-exceptional)	(139.1)	(127.0)
Profit on sale of player registrations / Loan of players	12.2	24.2
Property trading profits	0.8	2.0
Net interest costs	(6.2)	(5.2)
Other	(17.8)	(20.3)
Loss before tax	<u>(52.1)</u>	<u>(45.5)</u>
Loss before tax (excluding exceptional costs)	<u>(34.0)</u>	<u>(45.5)</u>

ARSENAL HOLDINGS LIMITED STRATEGIC REPORT

Review of the business (continued)

Football revenue for the year was £464.6 million (2022 - £369.1 million). The return of European football meant there were 24 home fixtures and match day revenue was £102.6 million compared to £79.4 million in the prior year. This is the first time match day revenue has exceeded £100 million since the 2014/15 season. Across all men's fixtures the average attendance was 60,082 (2022 - 59,568). Broadcasting revenues rose to £191.2 million (2022 - £146.0 million). The reason for this was twofold: the inclusion of UEFA broadcasting revenue and the strong Premier League performance translating into higher merit award and live coverage facility fees. Commercial revenues were significantly improved to £169.3 million (2022 - £141.7 million). The Club has launched a new commercial strategy delivering particularly strong results from its retail operations during 2022/23.

Wage costs increased to £234.8 million (2022 - £212.3 million). The increase was mainly driven by investment in player wages in both men's and women's teams. There was also an impact from increased commercial and operational headcount.

The total profit on sale of player registrations was £10.7 million (2022 - £22.2 million) and player loans amounted to £1.5 million (2022 - £2.0 million). Player trading profits continue to have a significant impact on overall profitability and the Club's ability to realise profits during 2022/23 was again adversely impacted by market conditions with reduced overall liquidity as clubs' acquisition budgets continued to be impacted by financial pressures post pandemic.

During the year there was limited activity in the Group's property development business where revenue was £2.1 million (2022 - £2.8 million). Since the year end the Group has finally gained planning permission for its property development site at Hornsey Road.

Net finance charges were increased to £6.2 million (2022 - £5.2 million).

Balance Sheet

Following additions to player registrations at a cost of £251.1 million and amortisation charges, the book value of intangible fixed assets (player registrations) was increased to £417.0 million (2022 - £333.5 million).

The year end cash position was £42.8 million (2022 - £30.0 million). The renewal of season tickets for the 2023/24 season was again very strong but the timing of renewal meant that the cash impact of this was partly deferred until June. The levels of debtors and creditors were influenced by 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.

Funding

Funding is provided mainly by the ultimate parent company, KSE UK Inc., which is wholly owned by the ultimate controlling party, Mr. E. S. Kroenke. During the year KSE UK Inc. provided funds both to underpin the Club's transfer activities and for working capital purposes as required.

The increase in interest rates in the wider economy means that, under the applicable accounting rules, an element of the loans received from KSE UK Inc. during the year was classified as a capital contribution.

The Group reviews and updates its forecasts on a regular basis and keeps its parent company and ultimate controlling party fully aware of its financial commitments going forward.

In addition, the Group has a £70.0 million working capital facility with Barclays Bank.

The Club's cashflows vary across the year and loans have been used from both Barclays and KSE UK Inc. to manage the overall position throughout the year.

ARSENAL HOLDINGS LIMITED STRATEGIC REPORT

Key performance indicators

Non- financial:

- Premier League 2nd place (2022 - 5th place);
- Ticket sales average 60,082 (2022 – 59,568);
- UEFA Europa League R16 (2022 – did not qualify).

Financial

- Cash flow;
- Revenue;
- Payroll costs;
- Operating profits/EBITDA (before player trading);
- Player trading (acquisitions/sales);
- Property profits;
- Compliance with applicable financial regulations including UEFA and Premier League financial sustainability rules.

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 is in contact regularly throughout the year and monitors these risks on a continual basis. In addition, the management of day to day operational risk is delegated to the Group Executive management team.

Now that the risk of material disruption from the Covid pandemic seems to have eased, the key business risks and uncertainties affecting the Group are considered to relate to:

- the performance and popularity of the Men's 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;
- the rates of UK taxation applicable to the Group and its key employees; 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 Men's 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.

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, financial sustainability tests, 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.

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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 its TV rights sales for the three year cycle ending season 2024/25, 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 in the medium term, the renewal of existing contracts and / or acquisition of new partnerships cannot be guaranteed.

The Club's participation in European competition (subject to the usual qualification criteria) is expected to continue and the Club expects to be able to continue to recruit overseas players suitable to the development of the Club's playing squad. There has been no measurable adverse impact from the UK's departure from the EU or from conflicts abroad.

The Group's financial performance has previously remained reasonably resilient to recessionary economic conditions.

Financial risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern. The Directors review financial reports on a regular basis and the Group's finance team monitor working capital and liquidity on a continuous basis. The nature of the Group's activities mean that the most significant areas of financial risk relate to cash flow, credit, currency 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 addresses cash flow risk by carefully managing its working capital inflows and outflows. Forward looking forecasts are prepared, reviewed on a regular basis and subjected to appropriate stress testing.

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 monitors its compliance with the applicable terms of its bank facility on a continuous basis.

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

The Club continues to be compliant with applicable financial sustainability regulations put in place by UEFA and the Premier League.

Section 172 Statement

Section 172 of the Companies Act 2006 requires the Directors to take into consideration the interests of all stakeholders in promoting the success of the Company and the Group and, in so doing, to have regard to a range of matters, including:

- the long-term consequences;
- the interests of employees;
- the interests of other key stakeholders (including the Club's supporters);
- the impact on the community and the environment; and
- the desirability of maintaining a reputation for high standards of business conduct.

Everyone at Arsenal recognises their responsibility as custodians of the Club, to uphold its traditions and values.

ARSENAL HOLDINGS LIMITED STRATEGIC REPORT

Supporters

We continue to see strong growth in demand for all things Arsenal. This is driven by on-field performance and a positive connection with our supporters across the globe, with Emirates Stadium as its epicentre. The atmosphere generated by our supporters continues to be a positive contributing factor to the success of our teams.

Our marketing and communications programmes capitalise on the on-field success, bringing pride inspiration and belonging to the Arsenal family around the globe. Another successful pre-season tour, player signings, kit launches and purpose-led activations such as No More Red - in partnership with adidas - bring our diverse communities closer to the Club.

The Arsenal Advisory Board (AAB) has continued to operate. Representatives from key fan groups as well as Josh Kroenke from our owners Kroenke, Sports & Entertainment, Board Director Tim Lewis and our Chief Executive Vinai Venkatesham met seven times during the 2022-23 season to discuss key issues. The AAB works alongside the long-standing Arsenal Fans' Forum which meets three times a year and gives fan representatives the opportunity to put questions to and discuss key issues with senior Club officials. In addition, we keep in regular contact with our supporters through our membership schemes, our fan services team and our network of supporters' clubs around the world.

Employees

Our people are critical to the success of the Group which has in place a broad suite of policies and programmes designed to help colleagues maximise their potential, promote their health and safety and their mental health and wellbeing.

- We promote equality and equity in opportunity, pay and promotion decisions and publish our Gender Pay Gap report annually.
- We are accredited by the London Living Wage Foundation meaning we pay at least the London Living Wage hourly rate of pay to all direct employees and casual workers and only work with third-party suppliers who adopt the same approach to ensure we remain an employer of choice.
- We offer a number of initiatives to support our people, including value added healthcare services with access to GPs online, mental health first aiders and access to various wellbeing resources.

Equality, Diversity, and Inclusion

Ensuring equality, diversity and inclusion is at the heart of Arsenal and is a strategic priority.

Building a diverse and inclusive club

We are committed to celebrating the diversity of the Arsenal family and ensuring that everyone associated with the Club – employees, supporters, our local community and the wider Arsenal family - feels an equal sense of belonging and can interact with the Club in a manner which is fair and free from any form of discrimination.

This season we reached the significant milestone of having 50% men and 50% women on our Executive team. Other highlights from this season include:

- The launch of eight new pieces of artwork to decorate the external cores of Emirates stadium, created through consultation with a diverse group of our supporters, which celebrate our rich history, community values and relentless pursuit of progress;
- Celebration of Black History Month with the launch of 'Black Arsenal' at the Barbican, the culmination of years of research and thinking into the unique relationship between Arsenal and Black identities by UCL professors Paul Gilroy and Dr Clive Nwonka;
- Publicised our ongoing drive against abuse and discrimination with thirty-one members and season ticket holders banned for abusive and discriminatory behaviour since the start of the 2021/22 season;

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- Became the first premier league club to fully integrate British Sign Language into our match day experience;
- Celebrated the official launch of Jewish Gooners in May 2023;
- Welcomed Kick It Out's Raise Your Game Conference at Emirates Stadium for the sixth time to help break barriers for underrepresented groups; and
- Retained it's advanced level standing under the Premier League's Equality, Diversity and Inclusion Standard.

Arsenal in the Community

The Club's commitment to its local and global community is channelled through The Arsenal Foundation and Arsenal in the Community.

The Arsenal in the Community team delivers sport, social and education programmes to over 5,000 individuals each week in Islington, Hackney and Camden – helping to positively change the lives of people in our local community.

The Arsenal Foundation supports a wide range of charitable initiatives both locally and across the world. It has a well-established partnership with Save the Children which has delivered large scale infrastructure and support projects through its Coaching for Life programme.

Notable events in 2022-23 season included engagement of our supporters, players and staff in raising awareness and fundraising for this vital work in our communities. Examples include our supporters from north London and across the world coming together to raise an astonishing £484,000 through an Arsenal Vision fundraiser in April, our players coming together to donate a day's salary with many of them, most notably Leah Williamson also raising awareness of the impact and sense of belonging our work creates in our communities. Post year end, Leah was invited to speak at the United Nations General Assembly in New York, creating a greater interest in and admiration for the Club's off the pitch work.

The Club also supports The Gunners' Fund which is a small grants scheme for the local charity, community and voluntary sector.

Reducing our environmental impact

We are committed to reducing our environmental impact and using our platform to inspire positive action.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosure presents our carbon footprint within the United Kingdom for Scope 1, 2 and 3 emissions based on SECR Legislation, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year:

	2023	2022
Emissions from combustion of gas tCO ₂ e (Scope 1)	1,306	1,364
Emissions from combustion of fuel for transport purposes tCO ₂ e (Scope 1)	92	67
Emissions from purchased electricity tCO ₂ e (Scope 2)	2,071	2,449
Emissions from business travel in rental cars or employee-owned vehicles (tCO ₂ e) (Scope 3)	69	63
Total Scope 1, 2 and 3 emissions (tCO ₂ e)	3,538	3,943
Intensity ratio (tCO ₂ e/£M Turnover)	7.58	10.60
Energy consumption used to calculate emissions (kWh)	18,546,858	18,075,821

The Group has the Octopus Energy certificate of 100% renewable electricity. Octopus Energy electricity is sourced from wind and hydro generation.

ARSENAL HOLDINGS LIMITED STRATEGIC REPORT

Baseline

The carbon baseline calculations for 2022/23 are currently underway, with the extraction of data from across the Club. This data will be used to target areas that require immediate action and to aid the development of emission reduction targets. The scope of the data has been further increased from the calculation for 2021/22, allowing for greater depth of understanding and driving change. Arsenal have worked closely with UEFA throughout 2023 to establish a standardised reporting system for all football clubs to help increase activity towards emission reductions.

Strategy and Targets

Arsenal is committed to reducing the environmental impact of its operations and was the first signatory to the UN Sport for Climate Action framework. The creation and integration of the Club's new ESG (Environmental, Social and Governance), strategy highlights the measures that the Club will take to reduce emissions. Arsenal is also working towards establishing robust reduction targets, which will be fully supported by science. These targets will further illustrate the emphasis the Club has placed upon the importance to be active in this area.

Action

Building on the established work, Arsenal has further increased actions to reduce emissions. These include:

- Formation of an Energy Management steering group to drive efficiency across the operations;
- Further LED lighting replacements;
- The increase in the use of the re-usable pint cup, now covering 50,000 uses per matchday;
- Improvements in waste management and data collection to set areas to target;
- Changes to food packing to ensure waste can be recycled;
- Replacement of diesel vehicles with electric alternatives;
- Installation of additional EV charging points at the Training Centre;
- We have also run climate education sessions with academy players and schools in our local community.

Commercial Partners

We have continued to develop our commercial partnerships and to deliver on our contractual commitments. This has involved creative use of players from our men's and women's teams and other assets through content creation designed to engage our fans globally and help our partners meet their objectives.

Suppliers

The Club recognises the importance of its suppliers and has many longstanding contractual relationships in place. The Club monitors its payments to suppliers on a continual basis and seeks to ensure it complies with applicable contractual terms.

ARSENAL HOLDINGS LIMITED STRATEGIC REPORT

Business Conduct

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.

The Group is committed to paying the right amount of taxes, in the right place, at the right time in accordance with applicable tax laws and regulations. The tax contribution paid by the Group and by its players is substantial and transparent.

Future developments

The 2023/24 season is ongoing and the Club has made a satisfactory start in all competitions – Premier League, UEFA Champions League and Women's Super League. During the summer 2023 transfer window Arsenal has again invested strongly in the development of its Men's and Women's First Team playing resources. Off the field both ticket and retail sales have been very strong and the Club has announced a number of new partnership deals.

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



S. W. Wisely
Company Secretary
14 November 2023

ARSENAL HOLDINGS LIMITED DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 May 2023.

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.

Profits and dividends

The results for the year are set out on page 17. The Directors do not recommend the payment of a dividend for the year (2022 - £Nil).

Going concern

The Group is reliant on its ultimate parent undertaking, KSE UK Inc., for its continued financial support (see note (1) (c)). The Group has received confirmation from KSE UK Inc. that sufficient funds will be provided to finance the business for a period of at least 12 months from the date of this report. The Directors have therefore continued to adopt the going concern basis in preparing the annual financial statements.

Events after the Balance Sheet Date

Details of significant events since the balance sheet date are included in note 26 to the financial statements.

Future developments

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

Directors

The Directors of the company, all of whom served throughout the year unless where stated otherwise, are set out below:

E.S. Kroenke
J.W. Kroenke
T.J. Lewis
Lord Harris of Peckham

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.

Statements on Employee Engagement

Employee Consultation

Within the bounds of commercial confidentiality, the Directors endeavour 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 has multiple staff working groups which meet on a regular basis, with representation from across the Club, ensuring that staff are consulted regularly on a wide range of matters which affect their current and future interests. The Group regularly surveys its people via standard engagement surveys, putting in action plans based on employee feedback.

Equality, Diversity and Inclusion

The Group's aim is to ensure that equality, diversity and inclusion is at the heart of Arsenal as a priority. This objective is pursued under the banner of Arsenal Acts, our overarching ESG strategy. We endeavour to ensure that everyone associated with the Club – employees, supporters, local community and the wider Arsenal family - feels an equal sense of belonging and can interact with the Club in a manner which is equitable and free from any form of discrimination.

ARSENAL HOLDINGS LIMITED DIRECTORS' REPORT

Employees with a disability

The Club has been registered as a Disability Confident employer since November 2017 and therefore offers a guaranteed interview to any candidate with a disability and meets minimum selection standards for any vacancy, where this has been requested. Candidates with a disability 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. It is Group policy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Matters included in the Strategic Report

In accordance with the s414(c)(ii) of the Companies Act included in the Strategic Report is information relating to carbon emissions, business relationships, financial risk management and future developments which would otherwise be required to be contained in the Directors' Report.

Auditor

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.



S. W. Wisely
Company Secretary
14 November 2023

Registered office:
Highbury House
75 Drayton Park
London
N5 1BU

ARSENAL HOLDINGS LIMITED

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 of the profit or loss of the Company 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'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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and the dissemination of financial statements may differ from legislation in other jurisdictions.

ARSENAL HOLDINGS LIMITED

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 2023 and of the group's loss 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 27.

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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

ARSENAL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL HOLDINGS LIMITED (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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 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 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 not 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included FA, Premier League, UEFA and FIFA regulations, FA Third Party Interest in Player Regulations and Financial Fair Play regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

ARSENAL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL HOLDINGS LIMITED (continued)

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- The carrying amounts of player-related intangible assets may be overstated due to unrecognised impairments: To address this risk we challenged the estimates and assumptions used in management's impairment review, reviewed their modelling of these estimates and their assumptions for consistency with internal and external data sources, considered sales post-year end against the player carrying values and considered any players who sit outside the main squad, such as through career-threatening injury.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- 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.

ARSENAL HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARSENAL HOLDINGS LIMITED (continued)

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.

A handwritten signature in black ink, appearing to read 'Paul Schofield'.

Paul Schofield FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

14 November 2023

ARSENAL HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT For the year ended 31 May 2023

	Note	2023			2022		
		Operations excluding player trading £'000	Player trading £'000	Total £'000	Operations excluding player trading £'000	Player trading £'000	Total £'000
Turnover of the Group including its share of joint ventures		465,698	1,457	467,155	370,384	1,978	372,362
Share of turnover of joint venture		(470)	-	(470)	(455)	-	(455)
Group turnover	3	465,228	1,457	466,685	369,929	1,978	371,907
Operating expenses	4	(364,778)	(157,151)	(521,929)	(305,869)	(127,023)	(432,892)
Operating profit/(loss)		100,450	(155,694)	(55,244)	64,060	(125,045)	(60,985)
Share of joint venture operating (loss)		(1,390)	-	(1,390)	(1,524)	-	(1,524)
Profit on disposal of player registrations		-	10,732	10,732	-	22,238	22,238
Profit/(loss) before net finance charges		99,060	(144,962)	(45,902)	62,536	(102,807)	(40,271)
Net finance charges	5			(6,222)			(5,210)
(Loss) before taxation				(52,124)			(45,481)
Tax on loss	8			-			(1)
(Loss) for the financial year				(52,124)			(45,482)

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 2023

	2023 £'000	2022 £'000
(Loss) after taxation	(52,124)	(45,482)
Exchange differences	2	20
Total comprehensive expense	(52,122)	(45,462)

ARSENAL HOLDINGS LIMITED

BALANCE SHEET

As at 31 May 2023

	Note	Group		Company	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed assets					
Tangible assets	9	388,644	389,041	-	-
Intangible assets	10	417,044	333,490	-	-
Investments	11	750	2,140	30,059	30,059
		<u>806,438</u>	<u>724,671</u>	<u>30,059</u>	<u>30,059</u>
Current assets					
Stock - development properties	12	10,068	9,106	-	-
Stock - retail merchandise		11,498	4,235	-	-
Debtors - due within one year	13	72,207	53,758	136,515	136,080
- due after one year	13	11,916	11,360	-	-
Cash at bank and in hand	14	42,769	29,956	30	30
		<u>148,458</u>	<u>108,415</u>	<u>136,545</u>	<u>136,110</u>
Creditors: amounts falling due within one year	15	<u>(374,135)</u>	<u>(271,589)</u>	<u>(1,829)</u>	<u>(1,829)</u>
Net current (liabilities)/assets		<u>(225,677)</u>	<u>(163,174)</u>	<u>134,716</u>	<u>134,281</u>
Total assets less current liabilities		<u>580,761</u>	<u>561,497</u>	<u>164,775</u>	<u>164,340</u>
Creditors: amounts falling due after more than one year	16	<u>(374,361)</u>	<u>(323,069)</u>	<u>(17,195)</u>	<u>(16,727)</u>
Provisions for liabilities	19	<u>(60,860)</u>	<u>(46,135)</u>	<u>-</u>	<u>-</u>
Net assets		<u>145,540</u>	<u>192,293</u>	<u>147,580</u>	<u>147,613</u>
Capital and reserves					
Called up share capital	20	62	62	62	62
Share premium account		29,997	29,997	29,997	29,997
Capital contribution		5,369	-	-	-
Merger reserve		26,699	26,699	-	-
Profit and loss account		83,413	135,535	117,521	117,554
Shareholders' funds		<u>145,540</u>	<u>192,293</u>	<u>147,580</u>	<u>147,613</u>

The loss for the financial year dealt with in the financial statements of the Group's parent company, Arsenal Holdings Limited, was £33,000 (2022 – loss of £53,000).

These financial statements of Arsenal Holdings Limited (registered number 4250459) were approved and authorised for issue by the Board of Directors on 14 November 2023.

Signed on behalf of the Board of Directors



Lord Harris of Peckham
Director

ARSENAL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY For the year ended 31 May 2023

Group	Share Capital £'000	Capital Contribution £'000	Share Premium £'000	Merger Reserve £'000	Profit and Loss £'000	Total £'000
At 1 June 2021	62	-	29,997	26,699	180,997	237,755
Total comprehensive expense for year ended 31 May 2022	-	-	-	-	(45,462)	(45,462)
At 31 May 2022	62	-	29,997	26,699	135,535	192,293
Total comprehensive expense for the year ended 31 May 2023	-	-	-	-	(52,122)	(52,122)
Capital contribution for the year ended 31 May 2023	-	5,369	-	-	-	5,369
As at 31 May 2023	62	5,369	29,997	26,699	83,413	145,540

Note: the capital contribution derives from funding received from the ultimate parent undertaking, KSE UK Inc. – see note (1) (h) (i).

Company	Share Capital £'000	Share Premium £'000	Profit and Loss £'000	Total £'000
At 1 June 2021	62	29,997	117,607	147,666
Total comprehensive expense for year ended 31 May 2022	-	-	(53)	(53)
At 31 May 2022	62	29,997	117,554	147,613
Total comprehensive expense for the year ended 31 May 2023	-	-	(33)	(33)
As at 31 May 2023	62	29,997	117,521	147,580

ARSENAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT For the year ended 31 May 2023

	Note	2023 £'000	2022 £'000
Net cash inflow from operating activities	21a	136,936	90,940
Taxation received/(paid)		760	(1)
Cash flow from investing activities			
Interest received		74	2
Proceeds from sale of fixed assets		-	-
Purchase of fixed assets		(16,867)	(3,939)
Player registrations	21c	(149,449)	(86,444)
Net cash flow from investing activities		<u>(166,242)</u>	<u>(90,381)</u>
Cash flow from financing activities			
Finance charges paid		(4,359)	(4,346)
New debt issued		63,000	35,000
Repayment of debt		(17,282)	(20,033)
Net cash flow from financing activities		<u>41,359</u>	<u>10,621</u>
Increase in cash and cash equivalents		12,813	11,179
Cash and cash equivalents at start of year		29,956	18,777
Cash and cash equivalents at end of year	14	<u>42,769</u>	<u>29,956</u>

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

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, incorporated in the UK, 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 9.

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 2022. 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 Directors have recently undertaken a thorough review of the Group's financial projections, budgets and forecasts. This financial assessment takes into account prudent assumptions with regard to on-field performance, the Club's key revenue streams, operating costs and cash-flows. The Group's financial projections also take account of reasonably possible changes in trading performance. The financial projections have been stress tested to ensure that the financial position remains robust in reasonable worst case scenarios. The Directors have also considered a number of actions that they could take in order to further mitigate any potential adverse circumstances.

The Group currently meets its day to day working capital requirements through a combination of its own financial resources, which include a loan from its ultimate parent company and bank facilities. The Group is reliant on the continued financial support of its ultimate parent company, KSE UK Inc., which has provided loans to enable the refinancing and to support working capital requirements as they arise. KSE UK Inc. has confirmed that its financial support will continue for a period of at least 12 months from the date of this report.

The Group's bank facilities are due for renewal by December 2023 and the Group has held discussions 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 given careful consideration to the sufficiency of the financial resources which have been confirmed as available to the Group through loan funding from its ultimate parent company, both now and as required to finance the business for the foreseeable future. On this basis the Directors have a reasonable expectation that the Group and the Company will have adequate financial resources and, accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 May 2023

1. Accounting policies (continued)

(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. 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.

(e) 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 have been accounted for based on the known amount at the end of the season pro-rated for games played to the balance sheet date. 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 (as player trading income) 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.

(f) 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 and improvements	2% to 10% per annum
Leasehold properties	over the period of the lease
Plant and equipment	5% to 25% per annum

Freehold land is not depreciated.

(g) 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.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

1. Accounting policies (continued)

(g) Finance costs (continued)

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.

(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. Loans from parent undertaking

Loans from the Group's parent undertaking are recorded at their fair value based on the expected net present value of future cashflows and using a market rate of interest as an appropriate discount factor. Where the actual rate of interest applicable to the loan is below market rate the excess of cash received over the fair accounting value of the loan is booked as a capital contribution within Equity Capital and Reserves.

ii. Financial liabilities

Basic financial instruments (including 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.

iii. Derivative financial instruments

The Group uses derivative financial instruments mainly to reduce its exposure to foreign exchange risk. 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.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 May 2023

1. Accounting policies (continued)

(j) Grants (continued)

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.

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.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

1. Accounting policies (continued)

(n) Foreign currencies (continued)

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 2023/24 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.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

1. Accounting policies (continued)

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 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.

2. Segmental analysis

Class of business:-	Football		Property development		Group	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Turnover	464,557	369,077	2,128	2,830	466,685	371,907
Segment operating (loss)/profit	(56,063)	(62,939)	819	1,954	(55,244)	(60,985)
Share of operating loss of joint venture	(1,390)	(1,524)	-	-	(1,390)	(1,524)
Profit on disposal of player registrations	10,732	22,238	-	-	10,732	22,238
Net finance charges	(6,075)	(5,056)	(147)	(154)	(6,222)	(5,210)
(Loss)/profit before taxation	(52,796)	(47,281)	672	1,800	(52,124)	(45,481)
Segment net assets	84,133	131,558	61,407	60,735	145,540	192,293

Adjusted operating profit from football amounted to £116.1 million (2022 - £80.8 million); being calculated as segment operating loss (as above) of £56.1 million (2022 - £62.9 million), adding back depreciation (net of grant amortisation) of £16.5 million (2022 - £18.7 million), operating loss from player trading of £155.7 million (2022 - £125.0 million) inclusive of exceptional costs of £18.1 million (2022 - £Nil million).

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

2. Segmental analysis (continued)

Exceptional items

Included in the results for the period are the following items which are classed as exceptional.

	2023 £'000	2022 £'000
Impairment of player registrations	18,091	-

The exceptional impairment loss reflects the write down of certain intangible assets – player registrations – to the value realised on their disposal subsequent to the balance sheet date

3. Turnover

	2023 £'000	2022 £'000
Turnover, all of which originates in the UK, comprises the following:		
Gate and other match day revenues	102,604	79,389
Broadcasting	191,194	145,965
Commercial	169,302	141,745
Property development	2,128	2,830
Player trading	1,457	1,978
	<u>466,685</u>	<u>371,907</u>

4. Operating expenses

	2023 £'000	2022 £'000
Operating expenses comprise:		
Amortisation of player registrations	139,060	124,567
Impairment of player registrations (see note 2)	18,091	2,456
Depreciation and impairment charges (less amortisation of grants)	16,983	19,374
	<u>174,134</u>	<u>146,397</u>
Total depreciation, amortisation and impairment	174,134	146,397
Staff costs (see note 6)	234,766	212,345
Cost of property sales	472	85
Other operating charges	112,557	74,065
	<u>521,929</u>	<u>432,892</u>
Total operating expenses	521,929	432,892

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

4. Operating expenses (continued)

	2023 £'000	2022 £'000
Total operating expenses include:		
Auditor's remuneration		
- audit of the company's annual accounts	32	30
- audit of the subsidiaries pursuant to legislation	130	117
Total audit fees	162	147
- assurance services other than auditing of company's accounts	62	21
- tax compliance services	49	50
- other tax advisory services	29	8
Total non-audit fees	140	79
Operating lease rentals	40	14
Loss on disposal of tangible fixed assets	-	-

5. Net finance charges

	2023 £'000	2022 £'000
Interest payable and similar charges:		
Bank loans and overdrafts	1,506	717
Other	3,355	2,636
Costs of raising long term finance	1,435	1,859
Total interest payable and similar charges	6,296	5,212
Interest receivable	(74)	(2)
Net finance charges	6,222	5,210

6. Employees

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

	2023 Number	2022 Number
Playing staff	115	106
Training staff	74	77
Commercial and Administrative staff	426	364
Ground staff	108	102
	723	649

In addition, the Group used on average 1,016 temporary staff each month (2022 – 811). The Company had no employees in either year.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

6. Employees (continued)

	2023 £'000	2022 £'000
Staff costs:		
Wages and salaries	204,648	185,581
Social security costs	28,569	25,000
Other pension costs	1,549	1,764
	<u>234,766</u>	<u>212,345</u>

7. Directors' remuneration

	2023 £'000	2022 £'000
Remuneration for services	1,856	1,238
	<u>1,856</u>	<u>1,238</u>
The number of directors who were:-		
Members of a defined benefit pension scheme	-	-
	<u>-</u>	<u>-</u>
Remuneration of the highest paid director:-	£'000	£'000
Emoluments	1,366	634
	<u>1,366</u>	<u>634</u>
Remuneration of key management personnel	6,624	4,297
	<u>6,624</u>	<u>4,297</u>

The Group's key management personnel comprised of the Board of Directors, the Chief Executive Officer and the Sporting Director.

Included in the above amounts are fees paid to Harris Ventures Limited in respect of services provided by Lord Harris of Peckham and fees paid to TJL Ventures Limited in respect of services provided by T. J. Lewis.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

8. Tax on loss

	2023 £'000	2022 £'000
UK corporation tax at 20% (2022 – 19%)	-	-
Overseas tax	-	1
Total current taxation	-	1
Deferred taxation (see note 19)		
Total deferred taxation	-	-
Total tax charge/(credit) on loss	-	1

The Group's deferred tax liabilities have been valued based on the tax rates that are expected to apply in the future periods in which the underlying timing differences are predicted to reverse. The main rate of UK corporation tax increased from 19% to 25% effective from April 2023 resulting in a composite tax rate for the year of 20%. Corporation tax losses (including excess corporate interest charges) have been valued for deferred tax purposes up to the limit of the Group's deferred tax liabilities.

	2023 £'000	2022 £'000
The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:		
Group loss before tax	(52,124)	(45,481)
Tax on Group loss before tax at standard UK corporation tax rate of 20% (2022 – 19%)	(10,425)	(8,641)
Effects of:		
Expenses not deductible	1,281	1,841
Overseas tax	-	1
Tax losses not recognised for deferred tax	9,144	6,800
Group total tax charge/(credit) for the year	-	1

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 19). There is no expiry date on any timing differences.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

9. Tangible assets

Group	Freehold properties £'000	Short Leasehold properties £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 June 2022	415,295	22,113	165,562	602,970
Foreign exchange	-	-	1	1
Additions	5,308	-	11,369	16,677
Disposals	-	-	-	-
Transfers	1,543	20	(1,563)	-
At 31 May 2023	<u>422,146</u>	<u>22,133</u>	<u>175,369</u>	<u>619,648</u>
Depreciation				
At 1 June 2022	91,965	8,744	113,220	213,929
Foreign exchange	-	-	1	1
Charge for the year	6,345	679	10,050	17,074
Disposals	-	-	-	-
Transfers	40	-	(40)	-
At 31 May 2023	<u>98,350</u>	<u>9,423</u>	<u>123,231</u>	<u>231,004</u>
Net book value				
At 31 May 2023	<u>323,796</u>	<u>12,710</u>	<u>52,138</u>	<u>388,644</u>
At 31 May 2022	<u>323,330</u>	<u>13,369</u>	<u>52,342</u>	<u>389,041</u>

At 31 May 2023 the Group had contracted capital commitments of £1.2 million (2022 - £6.9 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.

10. Intangible assets

	£'000
Cost of player registrations	
At 1 June 2022	648,717
Additions	251,126
Disposals	(126,170)
At 31 May 2023	<u>773,673</u>
Amortisation of player registrations	
At 1 June 2022	315,227
Charge for the year	139,060
Impairment	18,091
Disposals	(115,749)
At 31 May 2023	<u>356,629</u>
Net book value	
At 31 May 2023	<u>417,044</u>
At 31 May 2022	<u>333,490</u>

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

10. Intangible assets (continued)

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.

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

11. Investments

	Group	
	2023	2022
	£'000	£'000
Accumulated share of profit of joint venture	725	2,115
Other investments	25	25
	<u>750</u>	<u>2,140</u>

The joint venture represents an interest in Arsenal Broadband Limited, a company incorporated in the UK 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 balance sheet of Arsenal Broadband Limited for the year ended 31 May 2023 is as follows:

	2023	2022
	£'000	£'000
Fixed assets	496	358
Current assets	625	2,187
Liabilities	(396)	(430)
	<u>725</u>	<u>2,115</u>

Investments in subsidiary undertakings

	Company
	£'000
Balance at 1 June 2022 and 31 May 2023	<u>30,059</u>

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

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NOTES TO THE ACCOUNTS

For the year ended 31 May 2023

11. Investments (continued) Investments in subsidiary undertakings (continued)

	Country of incorporation	Proportion of ordinary shares owned	Principal activity
Arsenal (AFC Holdings) Limited	Great Britain	100%	Share holding
The Arsenal Football Club Limited*	Great Britain	100%	Professional football club
Arsenal (Emirates Stadium) Limited*	Great Britain	100%	Property development
Arsenal Overseas Holdings Limited*	Great Britain	100%	Share holding
AOH-USA, LLC*	USA	100%	Data management
Arsenal Securities Limited*	Great Britain	100%	Financing
Arsenal Stadium Management Company Limited*	Great Britain	100%	Stadium operations
ATL (Holdings) Limited	Great Britain	100%	Share holding
Ashburton Trading Limited*	Great Britain	100%	Property development
HHL Holding Company Limited	Great Britain	100%	Share holding
Highbury Holdings Limited*	Great Britain	100%	Property holding
Arsenal Women Football Club Limited*	Great Britain	100%	Women's football
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 AOH-USA LLC (Suite 620, 954 W. Washington Blvd, Chicago, IL 60607).

12. 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.

13. Debtors

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amounts recoverable within one year				
Trade debtors	37,169	16,995	-	-
Other debtors	18,085	30,531	-	-
Amount due from group undertakings	-	-	136,515	136,080
Prepayments and accrued income	16,953	5,472	-	-
Corporation tax recoverable	-	760	-	-
	<u>72,207</u>	<u>53,758</u>	<u>136,515</u>	<u>136,080</u>
Amounts recoverable in more than one year				
Other debtors	11,230	10,742	-	-
Prepayments and accrued income	686	618	-	-
	<u>11,916</u>	<u>11,360</u>	<u>-</u>	<u>-</u>

Other debtors include £26.7 million in respect of player transfers (2022 - £40.4 million).

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

14. Cash at bank and in hand

The Group uses short-term bank treasury deposits as a means of maximising the interest earned on its cash balances.

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Cash at bank and in hand	42,769	28,918	30	30
Cash equivalents (short-term deposits)	-	1,038	-	-
	<u>42,769</u>	<u>29,956</u>	<u>30</u>	<u>30</u>

15. Creditors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Trade creditors	13,175	12,065	-	-
Other tax and social security	28,934	19,162	-	-
Amounts due to group undertakings	-	-	1,786	1,786
Other creditors	155,491	120,059	10	10
Accruals and deferred income	176,535	120,303	33	33
	<u>374,135</u>	<u>271,589</u>	<u>1,829</u>	<u>1,829</u>

Other creditors, above and as disclosed in note 16, include £239.5 million (2022 - £188.0 million) in respect of player transfers.

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

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Balance due to parent undertaking	258,937	217,581	-	-
Debenture loans	17,238	16,768	17,195	16,727
Other creditors	89,189	80,517	-	-
Grants	2,985	3,075	-	-
Accruals and deferred income	6,012	5,128	-	-
	<u>374,361</u>	<u>323,069</u>	<u>17,195</u>	<u>16,727</u>
Debenture loans comprise:				
Par value of debentures plus accumulated interest	31,933	31,465	17,506	17,038
Costs of raising finance	(311)	(311)	(311)	(311)
Fair value adjustment	(14,384)	(14,386)	-	-
	<u>17,238</u>	<u>16,768</u>	<u>17,195</u>	<u>16,727</u>

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

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

Under the issue terms A and B debentures with a par value of £14,427,000 are repayable at par after 120 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 5 years and carry cumulative compound interest at 2.75% per annum.

The balance due to the parent undertaking, KSE UK Inc., comprises of a loan which is repayable on two years notice. No such notice has been received and therefore the balance is shown within amounts falling due after more than one year.

The costs of raising debt finance is amortised to the profit and loss account over the term of the underlying debt. The amortisation charge for the year was £1,013,000 (2022 - £1,462,000).

	2023 £'000	2022 £'000
The Group's financial liabilities/debt are repayable as follows:		
After five years	17,238	16,768
Total debt	<u>17,238</u>	<u>16,768</u>

17. Financial instruments

The Group's financial instruments comprise mainly of cash and bank balances, 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:-

	2023 £'000	2022 £'000
Financial Assets		
<i>Measured at undiscounted amount receivable:</i>		
Cash at bank	42,769	29,956
Trade and other debtors	66,484	58,268
	<u>109,253</u>	<u>88,224</u>
Financial Liabilities		
<i>Measured at amortised cost:</i>		
C & D Debentures	(17,195)	(16,727)
Balance due to parent undertaking	(258,937)	(217,581)
<i>Measured at fair value through profit and loss:</i>		
A & B Debentures	(43)	(41)
<i>Measured at undiscounted amount payable:</i>		
Trade and other creditors	(257,855)	(212,641)
	<u>(534,030)</u>	<u>(446,990)</u>

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

17. Financial instruments (continued)

Financial Liabilities (continued)

The Group's cash and bank deposits earn interest at rates linked to UK base rates. The Group's other financial assets do not earn interest. The interest rates attaching the Group's debentures are detailed in note 16. Total interest income for the year is shown in note 5.

18. Financial Derivatives

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:

	2023 £'000	2022 £'000
Expiring in:		
Less than one year	<u>70,000</u>	<u>70,000</u>

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 UEFA competitions and from contracted player transfers.

There were no foreign currency contracts in place at the balance sheet date.

Included in cash and cash equivalents are amounts of £0.4 million (2022 - £0.4 million) denominated in Euros and £0.2 million (2022 - £0.3 million) denominated in US dollars.

Included in trade debtors are amounts of £2.3 million (2022 - £1.3 million) denominated in US dollars. Included in other debtors are amounts of £16.1 million (2022 - £15.5 million) denominated in Euros.

Included in prepayments and accrued income are amounts of £5.6 million (2022 - £Nil million) denominated in Euros and £2.2 million (2022 - £Nil million) denominated in US dollars.

Included in deferred income is £4.0 million (2022 - £Nil million) denominated in US dollars.

Included in other creditors are amounts of £62.6 million (2022 - £70.7 million) denominated in Euros and £2.4 million denominated in US dollars (2022 - £0.6 million). Included in provisions are amounts of £10.1 million (2022 - £11.8 million) denominated in Euros.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 May 2023

19. Provisions for liabilities

	Group	
	2023	2022
	£'000	£'000
Pensions provision (see note 25 (b))	739	1,282
Deferred taxation	-	-
Transfers	60,121	44,853
	<u>60,860</u>	<u>46,135</u>

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 £38.0 million were made during the year, £19.1 million of provisions were reclassified as creditors and £3.7 million of provisions were cancelled as no longer required.

The deferred tax charge/credit for the year was £Nil million (see note 8) (2022 – credit of £Nil million).

	Group	
	2023	2022
	£'000	£'000
Deferred tax provision		
Tax losses (including excess corporate interest)	(20,991)	(28,029)
Accelerated capital allowances	6,325	6,974
Capitalised interest	7,510	7,666
Rollover relief on player registrations	6,676	12,703
Other timing differences	480	686
	<u>-</u>	<u>-</u>
Total provision for deferred taxation	-	-

The Group has estimated corporation tax losses (including excess corporate interest) carried forward, on which no value has been placed, of £99 million. These tax losses do not have an expiry date.

20. Called up share capital

	2023	2022
	£	£
Allotted, issued and fully paid		
Subscriber Ordinary shares of £1 each	2	2
Ordinary shares of £1 each	62,217	62,217
	<u>62,219</u>	<u>62,219</u>

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 2023

21. Notes to the consolidated cash flow statement

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

	2023 £'000	2022 £'000
Operating loss	(55,244)	(60,985)
Amortisation of player registrations	139,060	124,567
Impairment of player registrations	18,091	2,456
Loss on disposal of tangible fixed assets	-	-
Depreciation (net of grant amortisation)	16,983	19,374
Operating cash flow before working capital	118,890	85,412
(Increase) in stock	(8,225)	(1,149)
(Increase) in debtors	(33,462)	(300)
Increase in creditors	59,733	6,977
Net cash inflow from operating activities	136,936	90,940

(b) Analysis of changes in net debt

	At 1 June 2022 £'000	Non cash changes £'000	Cash flows £'000	At 31 May 2023 £'000
Cash at bank and in hand	28,918	-	13,851	42,769
Cash equivalents	1,038	-	(1,038)	-
	29,956	-	12,813	42,769
Debentures	(16,768)	(470)	-	(17,238)
Balance due to parent undertaking	(217,581)	(1,013)	(40,343)	(258,937)
Net (debt)	(204,393)	(1,483)	(27,530)	(233,406)

Non cash changes represent £1,013,000 in respect of the amortisation of costs of raising finance, £468,000 in respect of rolled up, unpaid debenture interest and £2,000 in respect of the change in fair value of the Group's A and B debentures.

(c) Gross cash flows

	2023 £'000	2022 £'000
Player registrations		
Payments for purchase of players	(184,299)	(123,050)
Receipts from sale of players	34,850	36,606
	(149,449)	(86,444)

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS For the year ended 31 May 2023

22. Leasing commitments

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

	2023 £'000	2022 £'000
Group		
One year or less	37	2
Two to five years	37	8
Over five years	78	80
	<u>152</u>	<u>90</u>

23. 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 £18.6 million (2022 - £23.7 million).

The Group is monitoring certain ongoing matters relating to the closure of the European Super League project; if any additional costs arise as a consequence, these additional costs would be fully recharged to the parent entity, KSE UK Inc.

24. Related party transactions

Following a reorganisation of activities, the Group was not charged a fee by its joint venture entity, Arsenal Broadband Limited, in respect of the financial year ended 31 May 2023 (2022 – net charge of £Nil million). At 31 May 2023 the balance owing from Arsenal Broadband Limited to the Group was £0.1 million (2022 - £3.7 million owed by the Group to Arsenal Broadband Limited).

25. Pensions

a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to ££1,549,000 (2022 - £1,712,000).

b) Defined benefit scheme

	2023 £'000	2022 £'000
Provision at start of year	1,282	1,799
Payments in year	(543)	(517)
Increase in provision	-	-
	<u>739</u>	<u>1,282</u>
Provision at end of year		

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 2020 and indicated that the contribution required from the Group towards making good this deficit was £2.2 million at 1 September 2020 (the total deficit in the Scheme at this date was £27.6 million). The Group's share of the deficit is being paid off over a period of three years and eight months commencing September 2020.

ARSENAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 May 2023

25. Pensions (continued)

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 £0.5 million (2022 - £0.5 million) and the profit and loss account charge was £Nil (2022 - £52,000).

26. Post balance sheet events

Player transactions

Since the end of the financial year a subsidiary company, Arsenal Football Club Limited, has contracted for the purchase and sale of various players. The net payment resulting from these transfers, taking into account the applicable levies, is £155.9 million (2022 – net payment of £109.7 million). These transfers will be accounted for in the year ending 31 May 2024.

27. 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.