Company Registration No. 4250459

ARSENAL HOLDINGS LIMITED

Annual Report and Financial Statements

31 May 2021

ARSENAL HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 MAY 2021

CONTENTS	PAGE

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

The directors present their strategic report for the year ended 31 May 2021.

Principal Activity and Strategy

The principal activity of the Group is that of a professional football club playing in the Premier League. The Group is also engaged in a number of property developments.

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

Impact of COVID-19

The results for the financial year have been materially impacted by the Coronavirus pandemic which caused the majority of matches for the 2020/21 season to be played behind closed doors. For matches played behind closed doors there was a complete loss of ticket (and other match day) revenue.

The key components of the Group's P&L, such as broadcasting facility fees and match day revenues, are highly predictable and therefore the impact of the pandemic can be quantified with a reasonable degree of accuracy. For 2020/21 pre-tax losses (unaudited) of £85 million (2020 - £35 million (unaudited)) are considered to be attributable to the impacts of COVID-19. The main components of this impact are lost match day revenues, deferral of broadcasting revenues from the 2019/20 season into financial year 2020/21 net of the applicable broadcaster rebates, reduced commercial revenues and the costs of refinancing the Group's stadium debt together with the costs of introducing additional protocols and safety measures and a staff restructuring exercise. These losses were partially offset by savings of certain attributable direct costs, such as attended match staging costs, and cost reduction measures implemented to mitigate the financial impacts on the Club which included a wage reduction scheme agreed by the majority of the Men's First Team squad.

Throughout the pandemic, the Group has moved rapidly in making the decisions required to proactively manage and mitigate risk across all areas of its operations and, where possible, to provide appropriate support to its community and stakeholders. During the year the Group refinanced its stadium finance bonds and implemented a range of cost cutting measures. The financial challenge remains significant, but the Club continues to have the unwavering support and commitment of its ownership, Kroenke Sports & Entertainment.

Results for the year

The loss for the year after taxation was £107.3 million (2020 – loss of £47.8 million).

Review of the business

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

	2021 £m	**2020 £m**
Adjusted operating profit from football (see note 2 on page 26)	39.5	37.1
Exceptional costs	(39.0)	(10.4)
Amortisation and impairment of player registrations	(117.4)	(113.3)
Sale of player registrations / Loan of players	14.8	63.6
Property trading profits	-	0.3
Net interest costs (excluding exceptional items)	(7.6)	(13.6)
Other	(17.5)	(17.7)
Loss before tax	(127.2)	(54.0)

Football Revenue for the year was £327.6 million (2020 - £343.5 million). Despite playing 31 home matches (23 Premier League, including 4 fixtures deferred consequent to the 2019/20 season suspension, 6 UEFA Europa League and 2 domestic cup ties) only two of these games were played with any fans present. As a result, match day revenue fell by some £75 million to £3.8 million. However, broadcasting revenues increased to £184.4 million (2020 - £118.9 million) reflecting distributions relating to the completion of the 2019/20 season and the Club's progress to the semi-finals of the UEFA Europa League (compared to exiting at Round of 32 in the prior season). Commercial revenues were slightly reduced to £136.4 million (2020 - £142.3 million) mainly as a consequence of pandemic related factors.

Overall wage costs finished at £244.4 million (2020 - £234.5 million) with underlying growth in player wages offset by cost saving measures in response to COVID-19, including a wage reduction scheme agreed by the First Team players. The Club incurred exceptional costs of £6.7 million in connection with staff restructuring measures taken in response to COVID-19 impacts.

The total profit on sale of player registrations was £11.8 million (2020 - £60.1 million) and player loans amounted to £3.1 million (2020 - £3.5 million). Player trading profits continue to have a significant impact on overall profitability and the Club's ability to realise profits during 2020/21 may have been adversely impacted by market conditions with reduced overall liquidity as clubs' acquisition budgets were impacted by the financial pressures of the pandemic. Average annual profits on sale of player registrations over the last five years, including 2020/21, have been £42.2 million.

During the year there was limited activity in the Group's property development business.

Net finance charges of £39.8 million (2020 – £13.6 million) were impacted by one-off exceptional costs of £32.2 million relating to the redemption of the Group's stadium finance bonds and their refinancing via a loan provided by the Group's ultimate parent company, KSE UK Inc. The refinance was a direct consequence of the pandemic as significant elements of the stadium finance bond arrangements were linked to gate revenues.

Balance Sheet

Following additions to player registrations at a cost of £114.8 million and amortisation charges, the book value of intangible fixed assets (player registrations) was reduced to £294.2 million (2020 - £303.5 million).

The year end cash position was significantly impacted by COVID-19 and the delay to the normal season ticket renewals process with closing balances of £18.8 million (2020 - £110.0 million). The levels of debtors and creditors were influenced by pandemic related factors and 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

The Group has a £70 million working capital facility with Barclays Bank.

In addition, funding is provided 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 to refinance the stadium finance bonds and for working capital purposes as required.

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.

The Club was involved in certain proposals relating to a European Super League and the related costs associated with this project have been fully recharged to KSE UK Inc.

Key performance indicators

Non- financial:

- Premier League 8th place;
- Ticket sales versus capacity (whilst this remains a key metric there is no meaningful measurement for the year due to the attendance restrictions in place).

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 Financial Fair Play (FFP).

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

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's long-term performance. The Board meets regularly during the year 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.

The key business risks and uncertainties affecting the Group are considered to relate to:

- the impacts of COVID-19 on the Club's revenues, operations and cash flows;
- the performance and popularity of the first team;
- the recruitment and retention of key employees;
- the rules and regulations of the applicable football governing bodies;
- the negotiation and pricing of broadcasting contracts;
- 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 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, FFP, the division of broadcasting income, the eligibility of players and the operation of the transfer market. The Group monitors its compliance with all applicable rules and regulations on a continuous basis and also monitors and considers the impact of any potential changes.

Risks and uncertainties (continued)

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 already secured the majority of its TV rights sales for the next three year cycle, ending season 2024/25, with certain overseas rights 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 Directors do not expect there to be a material impact from the UK’s departure from the European Union. 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.

The Group’s financial performance has previously remained reasonably immune 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 debt finance arrangements 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 the Financial Fair Play regulations put in place by UEFA and the Premier League including the amendments to those rules put in place to mitigate the impacts of the pandemic.

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.

Supporters

Our fans are the lifeblood of the Club, and we are grateful for their outstanding support during the pandemic.

To ensure we have more dialogue and transparency with supporters we have formed the Arsenal Advisory Board which includes key fan representatives as well as Josh Kroenke from our owners Kroenke, Sports & Entertainment, Board Director Tim Lewis and our Chief Executive Vinai Venkatesham. It provides a strategic forum for supporters to engage directly with our ownership and board members. The AAB works alongside the long-standing Arsenal Fans' Forum which is held three times a year and gives fan representatives the opportunity to put questions to and discuss key issues with our Chief Executive and other senior Club officials. In addition, we keep in regular contact with our supporters through our membership schemes and our network of 185 supporters' clubs around the world.

Employees

Our staff 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 ensure equality and fairness in opportunity, pay and promotion decisions and publish our Gender Pay Gap report annually.
- We pay at least the London Living Wage hourly rate of pay to all employees and encourage our third-party suppliers to adopt the same approach to ensure we remain an employer of choice.

During the pandemic we have continued to operate in line with Government protocols and guidelines, ensuring we protect the health and safety of our staff, players and community participants.

- We have launched a number of initiatives to support our employees, including: value added healthcare services with access to GPs online, a buddy system, mental health first aiders and access to various wellbeing resources.
- We made discretionary payments to our matchday and non-match-day casual workers during the first two lockdown periods in recognition of their contribution and value to the Club.

Equality, Diversity, and Inclusion

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

We endeavour to ensure that everyone associated with the Club – employees, fans, 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.

In March 2021 we launched our #StopOnlineAbuse action plan to ensure we are fulfilling our responsibility to protect our players and our diverse, global family by stamping out online abuse. This involves:

- Punishing those responsible for online abuse
- Strengthening our internal procedures with the creation of a taskforce to give emotional and practical support for our players
- Running more workshops with our players at all levels to help them to protect themselves
- Continuing to provide educational sessions and resources both within our academy and through Arsenal in the Community initiatives
- Continuing to work with the Premier League and other clubs, partners such as Kick It Out, The FA, PFA, police and other authorities

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 – helping to positively change lives of people in our local and global communities.

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 scheme.

From June 2020 we delivered our community projects virtually. This included switching sessions from the classroom to online and filming football coaching sessions from our coaches' gardens to have them ready and available online. As well as the need to keep participants literacy levels up, we also filmed family fitness to do at home and other resources related to mental wellbeing.

With some regular sessions not taking place, our staff were still there to support the local community. Club cars were used by Arsenal in the Community staff to drive Islington and Camden NHS Foundation Trust staff daily to and from home and to their appointments. The Arsenal Hub was used as a flu vaccination centre in the winter months before being used as a lateral flow testing centre.

In December 2020, we reached the milestone of half a million meals donated to the local community. In addition, in the very early days of the pandemic we donated 1,000 face shields and 8,000 drinks to the Whittington Hospital and front-line Council staff. Our corporate partners helped to support our response; Intel donated 200 laptops to local children who otherwise would not be able to work from home, Lavazza donated 60,000 coffees to the NHS and Cadbury paid for 500 meal vouchers to support a local café.

The Gunners' Fund small grants scheme for the local area during 2020/21 was focussed on supporting the local charity, community and voluntary sector with a Covid-19 pandemic response. Arsenal in the Community was a member of the Local Authority's Crisis Response Board and through consultation with them and other local grant makers, the decision was taken to focus largely on food provision.

Sustaining our game

We are firmly committed to operating in a green and sustainable manner and we take our responsibility extremely seriously for the benefit of future generations.

The Group employs a Sustainability and Logistics manager who is focused on the identification and implementation of appropriate initiatives in this area.

Recent projects include the Club's match day programme becoming carbon free.

Streamlined Energy and Carbon Reporting (SECR)

The SECR disclosure presents the Group's carbon footprint within the United Kingdom and offshore for Scope 1, 2 and 3 emissions based on SECR Legislation, an appropriate intensity metric and the total energy use of electricity, gas and transport. The Group's operations have been impacted by the pandemic across both the years reported and this may impact comparability to future periods.

	2021	**2020**
Emissions from combustion of gas tCO_2e (Scope 1)	1,356	1,601
Emissions from combustion of fuel for transport purposes tCO_2e (Scope 1)	29	-
Emissions from purchased electricity tCO_2e (Scope 2)	2,014	2,807
Emissions from business travel in rental cars or employee-owned vehicles (tCO_2e) (Scope 3)	2	19
Total Scope 1, 2 and 3 emissions (tCO_2e)	3,401	4,427
Intensity ratio (tCO_2e/£M Turnover)	10.36	12.85
Energy consumption used to calculate emissions (kWh)	16,146,583	19,773,528

The Group continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including:

- LED lighting upgrades;
- Increasing investment in training staff about energy efficiency;
- Continuous monitoring and central control of heating, ventilation and air conditioning; and
- Replacement of diesel-powered vehicles by electric.

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

Commercial Partners

We have continued to develop our commercial partnerships and we have worked hard throughout the pandemic to ensure that we have continued 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 virtual 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.

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 2021/22 season is ongoing and the Club is competing to finish the season as strongly as possible in the Premier League. The Club did not qualify to compete in a UEFA competition for the 2021/22 season.

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

S. W. Wisely
Company Secretary
28 February 2022

The Directors present their annual report and the audited financial statements for the year ended 31 May 2021.

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 (2020 - £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 (appointed 18 June 2020)
Lord Harris of Peckham

In addition, K.J. Friar served as a director until the date of his retirement on 31 August 2020.

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 Group endeavours to keep staff at all levels informed of matters that affect the progress of the Group and are of interest to them as employees. The Group has a Staff Forum, which meets 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.

Equality and Diversity

The Group's aim is to ensure that equality and diversity is at the heart of Arsenal as a priority. This objective is pursued under the banner of Arsenal for Everyone, an initiative launched in 2008 as a celebration of the diversity of the Arsenal family. We endeavour to ensure that everyone associated with the Club – employees, fans, 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.

Disabled Employees

Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should, for whatever reason, an employee of the Group become disabled whilst in employment, every step, where appropriate will be taken to assist with rehabilitation and suitable retraining. 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. The Club has had Disability Confident Leader status since November 2017.

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
28 February 2022

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

DIRECTORS' RESPONSIBILITY STATEMENT

Directors' responsibilities 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.

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 2021 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.

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.

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:

- Revenue recognition within major contracts held with primary sponsors may be misstated due to the complexity of the contracts held. To address this risk, we have considered the recognition profile of contractual revenue for each primary partner , undertook a contract review of commercial deals entered into during the period and performed substantive testing on the revenue recognised.
- 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 the player model for reasonableness, 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.

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.

Paul Schofield

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

28 February 2022

ARSENAL HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 May 2021

		2021			2020		
	Note	**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		325,702	3,067	328,769	341,431	3,485	344,916
Share of turnover of joint venture		(547)	-	(547)	(389)	-	(389)
Group turnover	3	325,155	3,067	328,222	341,042	3,485	344,527
Operating expenses	4	(308,683)	(117,413)	(426,096)	(330,198)	(113,288)	(443,486)
Operating profit/(loss)		16,472	(114,346)	(97,874)	10,844	(109,803)	(98,959)
Share of joint venture operating (loss)		(1,313)	-	(1,313)	(1,492)	-	(1,492)
Profit on disposal of player registrations		-	11,770	11,770	-	60,050	60,050
Profit/(loss) before net finance charges		15,159	(102,576)	(87,417)	9,352	(49,753)	(40,401)
Net finance charges	5			(39,787)			(13,621)
(Loss) before taxation				(127,204)			(54,022)
Tax credit on loss	8			19,913			6,244
(Loss) for the financial year				(107,291)			(47,778)

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 2021

	2021 £'000	**2020 £'000**
(Loss) after taxation	(107,291)	(47,778)
Exchange differences	(32)	4
Total comprehensive expense	(107,323)	(47,774)

ARSENAL HOLDINGS LIMITED

BALANCE SHEET
As at 31 May 2021

		Group		Company	
		2021	**2020**	**2021**	**2020**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Tangible assets	9	401,477	416,852	-	-
Intangible assets	10	294,241	303,547	-	-
Investments	11	3,664	4,880	30,059	30,059
		699,382	725,279	30,059	30,059
Current assets					
Stock - development properties	12	8,294	8,116	-	-
Stock - retail merchandise		3,898	3,294	-	-
Debtors - due within one year	13	48,712	62,609	135,671	134,548
- due after one year	13	8,815	27,151	-	-
Cash at bank and in hand	14	18,777	109,974	30	720
		88,496	211,144	135,701	135,268
Creditors: amounts falling due within one year	15	(221,008)	(235,792)	(1,823)	(1,809)
Net current (liabilities)/assets		(132,512)	(24,648)	133,878	133,459
Total assets less current liabilities		566,870	700,631	163,937	163,518
Creditors: amounts falling due after more than one year	16	(290,023)	(302,954)	(16,271)	(15,828)
Provisions for liabilities	19	(39,092)	(52,599)	-	-
Net assets		237,755	345,078	147,666	147,690
Capital and reserves					
Called up share capital	20	62	62	62	62
Share premium account		29,997	29,997	29,997	29,997
Merger reserve		26,699	26,699	-	-
Profit and loss account		180,997	288,320	117,607	117,631
Shareholders' funds		237,755	345,078	147,666	147,690

The loss for the financial year dealt with in the financial statements of the Group's parent company, Arsenal Holdings Limited, was £24,000 (2020 – loss of £822,000).

These financial statements of Arsenal Holdings Limited (registered number 4250459) were approved and authorised for issue by the Board of Directors on 28 February 2022.

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 2021

Group	**Share Capital £'000**	**Share Premium £'000**	**Merger Reserve £'000**	**Profit and Loss £'000**	**Total £'000**
At 1 June 2019	62	29,997	26,699	336,094	392,852
Total comprehensive expense for year ended 31 May 2020	-	-	-	(47,774)	(47,774)
At 31 May 2020	62	29,997	26,699	288,320	345,078
Total comprehensive expense for the year ended 31 May 2021	-	-	-	(107,323)	(107,323)
As at 31 May 2021	62	29,997	26,699	180,997	237,755

Company	**Share Capital £'000**	**Share Premium £'000**	**Merger Reserve £'000**	**Profit and Loss £'000**	**Total £'000**
At 1 June 2019	62	29,997	-	118,453	148,512
Total comprehensive expense for year ended 31 May 2020	-	-	-	(822)	(822)
At 31 May 2020	62	29,997	-	117,631	147,690
Total comprehensive expense for the year ended 31 May 2021	-	-	-	(24)	(24)
As at 31 May 2021	62	29,997	-	117,607	147,666

ARSENAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 May 2021

	Note	2021 £'000	2020 £'000
Net cash inflow from operating activities	21a	50,045	22,502
Taxation received/(paid)		2,950	(3,900)
Cash flow from investing activities			
Interest received		129	667
Proceeds from sale of fixed assets		-	-
Purchase of fixed assets		(1,962)	(13,108)
Player registrations	21c	(101,042)	(57,959)
Net cash flow from investing activities		(102,875)	(70,400)
Cash flow from financing activities			
Finance charges paid (including exceptional break costs)		(33,823)	(10,714)
New debt issued		196,394	15,000
Repayment of debt		(203,888)	(9,471)
Net cash flow from financing activities		(41,317)	(5,185)
(Decrease) in cash and cash equivalents		(91,197)	(56,983)
Cash and cash equivalents at start of year		109,974	166,957
Cash and cash equivalents at end of year	14	18,777	109,974

NOTES TO THE ACCOUNTS
For the year ended 31 May 2021

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 2021. 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 budgets and forecasts. This financial assessment takes account of the continuing impacts of COVID-19, together with prudent assumptions with regard to on-field performance, the Club's key revenue streams, operating costs and cash-flows. It is acknowledged that the pandemic continues to create a significant level of uncertainty. Accordingly, the Club's 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's financial projections take account of the actions already taken to reduce the costs of the Club's operations and reasonably possible changes in trading performance.

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 not currently due for renewal, however, 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.

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 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	2% 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.

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. Financial liabilities

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

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

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

ii. Derivative financial instruments

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

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

(i) **Stock**

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

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

(j) **Grants**

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

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

1. Accounting policies (continued)

(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.

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 2021/22 season and advance income from executive boxes and Club Tier seats at Emirates Stadium.

(p) **Leases**

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

(q) **Pensions**

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

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

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

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

(r) **Taxation**

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

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

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

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

(s) **Goodwill**

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

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**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Turnover	327,586	343,453	636	1,074	328,222	344,527
Segment operating (loss)/profit	(97,712)	(99,230)	(162)	271	(97,874)	(98,959)
Share of operating loss of joint venture	(1,313)	(1,492)	-	-	(1,313)	(1,492)
Profit on disposal of player registrations	11,770	60,050	-	-	11,770	60,050
Net finance charges	(39,637)	(13,386)	(150)	(235)	(39,787)	(13,621)
(Loss)/profit before taxation	(126,892)	(54,058)	(312)	36	(127,204)	(54,022)
Segment net assets	178,820	285,842	58,935	59,236	237,755	345,078

Adjusted operating profit from football amounted to £39.5 million (2020 - £37.1 million); being calculated as segment operating loss (as above) of £97.7 million (2020 – £99.2 million), adding back depreciation (net of grant amortisation) of £16.2 million (2020 - £16.1 million), operating loss from player trading of £114.3 million (2020 - £109.8 million) and exceptional costs of £6.7 million (2020 - £10.4 million).

2. Segmental analysis (continued)

Impact of COVID-19 (unaudited)

As described in the Strategic Report the results for the financial year have been materially impacted by the Coronavirus pandemic. This includes the playing of nearly all matches without fans in attendance and the inclusion of the matches to complete the 2019/20 football season. The changes to gate/match day and broadcasting revenues (see note 3) are in the main a direct consequence of this. The Directors consider that the exceptional impact of COVID-19 is fundamental to an understanding of the results for the year and accordingly the financial impacts have been set out in the Strategic Report on page 2. These financial impact disclosures are not repeated in the notes to the accounts as they cannot be audited.

Exceptional items (audited)

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

	2021 £'000	**2020 £'000**
Bond refinance break costs (see note 5)	32,217	-
Staff restructuring costs (see note 6)	6,741	10,374
	38,958	10,374

These exceptional costs form part of the overall COVID-19 impact. In the prior year, exceptional costs were mainly attributable to changes to the First Team management coaching and support staff.

3. Turnover

Turnover, all of which originates in the UK, comprises the following:	**2021 £'000**	**2020 £'000**
Gate and other match day revenues	3,763	78,743
Broadcasting	184,376	118,948
Commercial	136,380	142,277
Property development	636	1,074
Player trading	3,067	3,485
	328,222	344,527

4. Operating expenses

Operating expenses comprise:	**2021 £'000**	**2020 £'000**
Amortisation of player registrations	117,413	109,114
Impairment of player registrations	-	4,174
Depreciation and impairment charges (less amortisation of grants)	16,665	16,613
Total depreciation, amortisation and impairment	134,078	129,901
Staff costs (see note 6) (including exceptional costs)	244,438	234,478
Cost of property sales	40	201
Other operating charges	47,540	78,906
Total operating expenses	426,096	443,486

4. Operating expenses (continued)

Total operating expenses include:	2021 £'000	2020 £'000
Auditor's remuneration		
- audit of the company's annual accounts	26	16
- audit of the subsidiaries pursuant to legislation	101	78
Total audit fees	127	94
- assurance services other than auditing of company's accounts	21	28
- tax compliance services	80	10
Total non-audit fees	101	38
Operating lease rentals	131	263
Loss on disposal of tangible fixed assets	5	-

5. Net finance charges

Interest payable and similar charges:	2021 £'000	2020 £'000
Bank loans and overdrafts	296	2
Fixed/floating rate bonds	1,436	10,184
Other	2,266	787
Costs of raising long term finance	1,869	744
Total interest payable and similar charges	5,867	11,717
Interest receivable	(122)	(633)
	5,745	11,084
Change in fair value of financial instruments	1,825	2,537
Refinance break costs – exceptional	32,217	-
Net finance charges	39,787	13,621

6. Employees

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

	2021 Number	2020 Number
Playing staff	83	70
Training staff	70	77
Commercial and Administrative staff	364	432
Ground staff	117	124
	634	703

In addition, the Group used on average 422 temporary staff each month (2020 – 1,135). The Company had no employees in either year.

6. Employees (continued)

	2021 £'000	2020 £'000
Staff costs:		
Wages and salaries	212,416	204,700
Social security costs	28,673	27,105
Other pension costs	3,349	2,673
	244,438	234,478

Exceptional costs (non COVID-19 related) (see note 2) included within staff costs amounted to £Nil million (2020 – £9.5 million).

Exceptional costs (COVID-19 related) (see note 2) included within staff costs amounted to £6.7 million (2020 - £Nil million).

7. Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for services	1,098	529
Pension contributions	-	-
	1,098	529
The number of directors who were:-		
Members of a defined benefit pension scheme	1	1
Remuneration of the highest paid director:-	**£'000**	**£'000**
Emoluments	491	435
Pension contributions	-	-
	491	435
Remuneration of key management personnel	3,458	2,855

The Group's key management personnel comprised of the Board of Directors, the Chief Executive Officer and the Technical 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 Clifford Chance LLP in respect of services provided by T. J. Lewis.

8. Tax on loss

	2021 £'000	2020 £'000
UK corporation tax (credit) at 19% (2020 – 19%)	(380)	-
Overseas tax	1	-
Credit in respect of prior years	(380)	-
Total current taxation	(759)	-
Deferred taxation (see note 19)		
Origination and reversal of timing differences	(18,586)	(8,834)
Impact of change in tax rate	-	2,620
(Over) provision in respect of prior years	(568)	(30)
Total deferred taxation (credit)	(19,154)	(6,244)
Total tax (credit) on (loss)	(19,913)	(6,244)

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 March 2021 Budget announced an increase to main rate of UK corporation tax from 19% to 25% effective from April 2023. 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.

	2021 £'000	2020 £'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	(127,204)	(54,022)
Tax on Group (loss) before tax at standard UK corporation tax rate of 19% (2020 – 19%)	(24,169)	(10,264)
Effects of:		
Expenses not deductible	1,107	1,430
Impact of rate difference between corporation and deferred tax	181	2,620
Adjustments to tax charge in respect of prior years	(948)	(30)
Overseas tax	1	-
Tax losses not recognised for deferred tax	3,915	-
Group total tax (credit) for the year	(19,913)	(6,244)

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.

NOTES TO THE ACCOUNTS
For the year ended 31 May 2021

9. Tangible assets

Group	Freehold properties £'000	Short Leasehold properties £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 June 2020	419,806	23,065	157,466	600,337
Foreign exchange	-	-	(33)	(33)
Additions	-	-	1,412	1,412
Disposals	-	-	(266)	(266)
At 31 May 2021	419,806	23,065	158,579	601,450
Depreciation				
At 1 June 2020	81,606	8,162	93,717	183,485
Foreign exchange	-	-	(26)	(26)
Charge for the year	5,864	770	10,141	16,775
Disposals	-	-	(261)	(261)
At 31 May 2021	87,470	8,932	103,571	199,973
Net book value				
At 31 May 2021	332,336	14,133	55,008	401,477
At 31 May 2020	338,200	14,903	63,749	416,852

At 31 May 2021 the Group had contracted capital commitments of £Nil million (2020 - £Nil 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 2020	615,666
Additions	114,844
Disposals	(144,783)
At 31 May 2021	585,727
Amortisation of player registrations	
At 1 June 2020	312,119
Charge for the year	117,413
Impairment	-
Disposals	(138,046)
At 31 May 2021	291,486
Net book value	
At 31 May 2021	294,241
At 31 May 2020	303,547

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	
	2021	**2020**
	£'000	**£'000**
Accumulated share of profit of joint venture	3,639	4,855
Other investments	25	25
	3,664	4,880

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 2021 is as follows:

	2021	**2020**
	£'000	**£'000**
Fixed assets	317	480
Current assets	3,535	5,336
Liabilities	(213)	(936)
	3,639	4,880

Investments in subsidiary undertakings	**Company**
	£'000
Balance at 1 June 2020 and 31 May 2021	30,059

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

NOTES TO THE ACCOUNTS
For the year ended 31 May 2021

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 plc*	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 Overseas Limited*	Jersey	100%	Retail operations
Arsenal Securities plc*	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 Arsenal Overseas Limited (37 Esplanade, St Helier, Jersey JE1 2TR) and AOH-USA LLC (Suite 620, 954 W. Washington Blvd, Chicago, IL 60607). The Group shut down its subsidiary, Arsenal Football Club Asia PTE Limited, during the period.

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	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Amounts recoverable within one year				
Trade debtors	13,177	25,403	-	-
Other debtors	26,144	21,631	-	-
Amount due from group undertakings	-	-	135,671	134,548
Prepayments and accrued income	8,631	12,244	-	-
Corporation tax recoverable	760	3,331	-	-
	48,712	62,609	135,671	134,548
Amounts recoverable in more than one year				
Other debtors	8,087	26,312	-	-
Prepayments and accrued income	728	839	-	-
	8,815	27,151	-	-

Other debtors include £33.1 million in respect of player transfers (2020 - £46.5 million).

14. Cash at bank and in hand

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Debt service reserve accounts	-	27,452	-	-
Other accounts	18,777	82,522	30	720
	18,777	109,974	30	720

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

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash at bank and in hand	18,777	67,474	30	720
Cash equivalents (short-term deposits)	-	42,500	-	-
	18,777	109,974	30	720

15. Creditors: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Fixed rate bonds – secured	-	9,556	-	-
Trade creditors	4,058	3,731	-	-
Corporation tax	-	-	-	-
Other tax and social security	20,872	16,544	-	-
Amounts due to group undertakings	-	-	1,786	1,786
Other creditors	73,965	78,046	10	-
Accruals and deferred income	122,113	127,915	27	23
	221,008	235,792	1,823	1,809

Other creditors, above and as disclosed in note 16, include £133.1 million (2020 - £153.6 million) in respect of player transfers.

NOTES TO THE ACCOUNTS
For the year ended 31 May 2021

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Balance due to parent undertaking	201,563	15,000	-	-
Fixed rate bonds – secured	-	102,761	-	-
Floating rate bonds – secured	-	48,586	-	-
Derivative financial instruments (see note 18)	-	26,376	-	-
Debenture loans	16,311	15,865	16,271	15,828
Other creditors	66,676	88,363	-	-
Grants	3,165	3,255	-	-
Deferred income	2,308	2,748	-	-
	290,023	302,954	16,271	15,828

Debenture loans comprise:

Par value of debentures plus accumulated interest	31,009	30,566	16,582	16,139
Costs of raising finance	(311)	(311)	(311)	(311)
Fair value adjustment	(14,387)	(14,390)	-	-
	16,311	15,865	16,271	15,828

Under the issue terms A and B debentures with a par value of £14,427,000 are repayable at par after 122 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 7 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 fixed rate bonds above and disclosed in note 17 comprised:	**2021**	**2020**
	£'000	**£'000**
Fixed rate bonds	-	113,771
Costs of raising finance	-	(1,454)
	-	112,317
Due within one year	-	9,556
Due after more than one year	-	102,761
	-	112,317

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

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

The floating rate bonds above comprised:	2021 £'000	2020 £'000
Floating rate bonds	-	50,000
Costs of raising finance	-	(1,414)
	-	48,586
Due within one year	-	-
Due after more than one year	-	48,586
	-	48,586

The floating rate bonds paid interest at LIBOR for three month deposits plus a margin of 0.55% (2020 – 0.55%) and the Group entered into interest rate swaps which fixed the LIBOR element of this cost at 5.75%.

As a direct consequence of the financial impact of COVID-19, in August 2020, the Group redeemed all of the Fixed Rate Bonds, Floating Rate Bonds and the related interest rate swap. At the same time the Group terminated the guarantee provided by Ambac Assurance UK Limited. Funding for the refinance, including the related break costs, was largely provided through a loan from the Group's parent undertaking, KSE UK Inc.

The costs of raising debt finance, including the fixed and floating rate bonds, is amortised to the profit and loss account over the term of the underlying debt. The amortisation charge for the year was £4,605,000 (2020 - £455,000) of which £2.8 million forms part of the exceptional break costs on refinance (see note 2).

The Group's fixed rate bonds and floating rate bonds were secured by a mixture of legal mortgages and fixed charges on certain freehold and leasehold property and certain plant and machinery owned by the Group, by fixed charges over certain of the Group's trade debtors, by fixed charges over certain of the Group's bank deposits, by legal mortgages or fixed charges over the share capital and intellectual property rights of certain subsidiary companies and fixed and floating charges over the other assets of certain subsidiary companies.

The Group's financial liabilities/debt were repayable as follows:	2021 £'000	2020 £'000
Between one and two years	-	10,525
Between two and five years	-	35,124
After five years	16,311	124,003
	16,311	169,652
Within one year	-	9,984
Total debt	16,311	179,636

17. Financial instruments

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

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

Financial Assets	**2021 £'000**	**2020 £'000**
Measured at undiscounted amount receivable:		
Cash at bank	18,777	109,974
Trade and other debtors	47,408	73,346
	66,185	183,320

Financial Liabilities		
Measured at amortised cost:		
Fixed rate and floating rate bonds	-	(160,903)
C & D Debentures	(16,271)	(15,828)
Balance due to parent undertaking	(201,563)	(15,000)
Measured at fair value through profit and loss:		
A & B Debentures	(40)	(37)
Interest rate swaps	-	(26,376)
Measured at undiscounted amount payable:		
Trade and other creditors	(144,699)	(170,140)
	(362,573)	(388,284)

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

The interest rates attaching the Group's fixed rate bonds, floating rate bonds and debentures are detailed in note 16.

18. Financial Derivatives

	Current 2021 £'000	Current 2020 £'000	Non-current 2021 £'000	Non-current 2020 £'000
Other derivatives:				
Interest rate swaps	-	-	-	(26,376)
	-	-	-	(26,376)

As described in note (16) the interest rate swap was terminated as part of the refinance exercise.

Interest rate risk

The Group is exposed to interest rate risk because part of its long-term debt is at floating rates of interest. The Group has previously entered into interest rate swaps the purpose of which was to minimise its exposure to this interest rate risk. The interest risk is substantially reduced following the refinance of the Group's fixed and floating rate bonds.

The interest rate profile of the Group's financial liabilities at 31 May 2021 was as follows:

	Fixed rate 2021 £'000	Floating rate 2021 £'000	Interest free 2021 £'000	Total 2021 £'000	Weighted average fixed rate %	Weighted average period for which rate is fixed yrs
Bonds – fixed rate	-	-	-	-	-	-
Bonds – floating rate	-	-	-	-	-	-
Debenture loans	16,271	-	40	16,311	2.8	7
	16,271	-	40	16,311		

The interest rate profile at 31 May 2020 for comparative purposes was:

	Fixed rate 2020 £'000	Floating rate 2020 £'000	Interest free 2020 £'000	Total 2020 £'000	Weighted average fixed rate %	Weighted average period for which rate is fixed Yrs
Bonds – fixed rate	113,771	-	-	113,771	5.6	9
Bonds – floating rate	50,000	-	-	50,000	6.8	11
Debenture loans	15,828	-	37	15,865	2.8	8
	179,599	-	37	179,636		

18. Financial Derivatives (continued)

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:

	2021 £'000	2020 £'000
Expiring in:		
Two years or less	70,000	50,000

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 as the Group's expected foreign currency designated cash flows were projected to be broadly in balance over the short term.

Included in cash and cash equivalents are amounts of £4.6 million (2020 - £3.7 million) denominated in Euros and £Nil million (2020 - £0.6 million) denominated in US dollars.

Included in trade debtors are amounts of £1.5 million (2020 - £0.3 million) denominated in US dollars. Included in other debtors are amounts of £8.5 million (2020 - £14.4 million) denominated in Euros.

Included in prepayments and accrued income are amounts of £5.5 million (2020 - £3.4 million) denominated in Euros.

Included in other creditors are amounts of £75.8 million (2020 - £91.1 million) denominated in Euros. Included in provisions are amounts of £15.7 million (2020 - £16.6 million) denominated in Euros.

19. Provisions for liabilities

	Group	
	2021 £'000	2020 £'000
Pensions provision (see note 25 (b))	1,799	1,288
Deferred taxation	-	19,057
Transfers	37,293	32,254
	39,092	52,599

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 £14.2 million were made during the year, £6.9 million of provisions were reclassified as creditors and £2.2 million of provisions were cancelled as no longer required.

The deferred tax credit for the year was £19.2 million (see note 8) (2020 – credit of £6.2 million).

19. Provisions for liabilities (continued)

	Group	
	2021	**2020**
	£'000	**£'000**
Deferred tax provision		
Tax losses (including excess corporate interest)	(25,936)	(5,357)
Accelerated capital allowances	6,050	7,320
Capitalised interest	5,944	6,062
Rollover relief on player registrations	13,235	14,372
Other timing differences	707	(3,340)
Total provision for deferred taxation	-	19,057

The Group has estimated corporation tax losses (including excess corporate interest) carried forward, on which no value has been placed, of £20.0 million. These corporation tax losses do not have an expiry date.

20. Called up share capital

	£	**£**
Allotted, issued and fully paid		
Subscriber Ordinary shares of £1 each	2	2
Ordinary shares of £1 each	62,217	62,217

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

21. Notes to the consolidated cash flow statement

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

	2021 £'000	2020 £'000
Operating loss	(97,874)	(98,959)
Amortisation of player registrations	117,413	109,114
Impairment of player registrations	-	4,174
Loss on disposal of tangible fixed assets	5	-
Depreciation (net of grant amortisation)	16,665	16,613
Operating cash flow before working capital	36,209	30,942
(Increase) in stock	(782)	(1,348)
Decrease in debtors	16,471	11,090
(Decrease) in creditors	(1,853)	(18,182)
Net cash inflow from operating activities	50,045	22,502

(b) Analysis of changes in net debt

	At 1 June 2020 £'000	Non cash changes £'000	Cash flows £'000	At 31 May 2021 £'000
Cash at bank and in hand	67,474	-	(48,697)	18,777
Cash equivalents	42,500	-	(42,500)	-
	109,974	-	(91,197)	18,777
Debt due within one year (bonds)	(9,556)	-	9,556	-
Debt due after more than one year (bonds)	(151,347)	(2,868)	154,215	-
Derivative financial instruments	(26,376)	(1,825)	28,201	-
Debentures	(15,865)	(446)	-	(16,311)
Balance due to parent undertaking	(15,000)	(1,737)	(184,826)	(201,563)
Net (debt)	(108,170)	(6,876)	(84,051)	(199,097)

Non cash changes represent £4,605,000 in respect of the amortisation of costs of raising finance, £443,000 in respect of rolled up, unpaid debenture interest, £3,000 in respect of the change in fair value of the Group's A and B debentures and £1,825,000 in respect of the change in fair value of the Group's interest rate swaps.

(c) Gross cash flows

	2021 £'000	2020 £'000
Player registrations		
Payments for purchase of players	(132,951)	(100,669)
Receipts from sale of players	31,909	42,710
	(101,042)	(57,959)

22. Leasing commitments

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

	2021 £'000	2020 £'000
Group		
One year or less	2	105
Two to five years	8	8
Over five years	82	84
	92	197

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 £10.0 million (2020 - £18.1 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 2021 (2020 – net charge of £Nil million). At 31 May 2021 the balance owing from the Group to Arsenal Broadband Limited was £6.0 million (2020 - £8.3 million).

25. Pensions

a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £2,336,000 (2020 - £2,613,000).

b) Defined benefit scheme	2021 £'000	2020 £'000
Provision at start of year	1,288	1,756
Payments in year	(493)	(468)
Increase in provision	1,004	-
Provision at end of year	1,799	1,288

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.

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 (2020 - £0.5 million) and the profit and loss account charge was £1,013,000 (2020 - £60,000).

26. Post balance sheet events

Player transactions

Since the end of the financial year a subsidiary company, Arsenal Football Club plc, has contracted for the purchase and sale of various players. The net payment resulting from these transfers, taking into account the applicable levies, is £125.8 million (2020 – net payment of £54.0 million). These transfers will be accounted for in the year ending 31 May 2022.

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.