Arena Events Group plc
Annual Report & Accounts 2017

arena
GROUP PLC

Global events. Designed and delivered.

Table of Contents

Overview

Strategic Report

Governance

Finance

US PGA – August 2017

Group Snapshot

Arena Group is an international events solutions Company, designing and delivering complete environments for the most prestigious sporting, commercial and cultural occasions around the world.

Markets

Sports
Corporate
Ice Rinks
Ceremonial
Mass participation
Music
Exhibition
Conference

Products & services

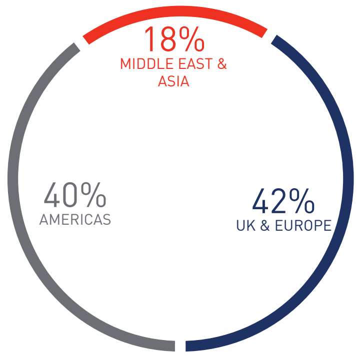
Temporary structures
Scaffolding
Furniture
Ice
Seating
Interiors
Tableware
Project Management

Promising our customers over 250 years of industry experience & expertise, efficiency and flexibility, on time delivery, premium quality, innovative & elegant design, value for money and safe solutions every time.

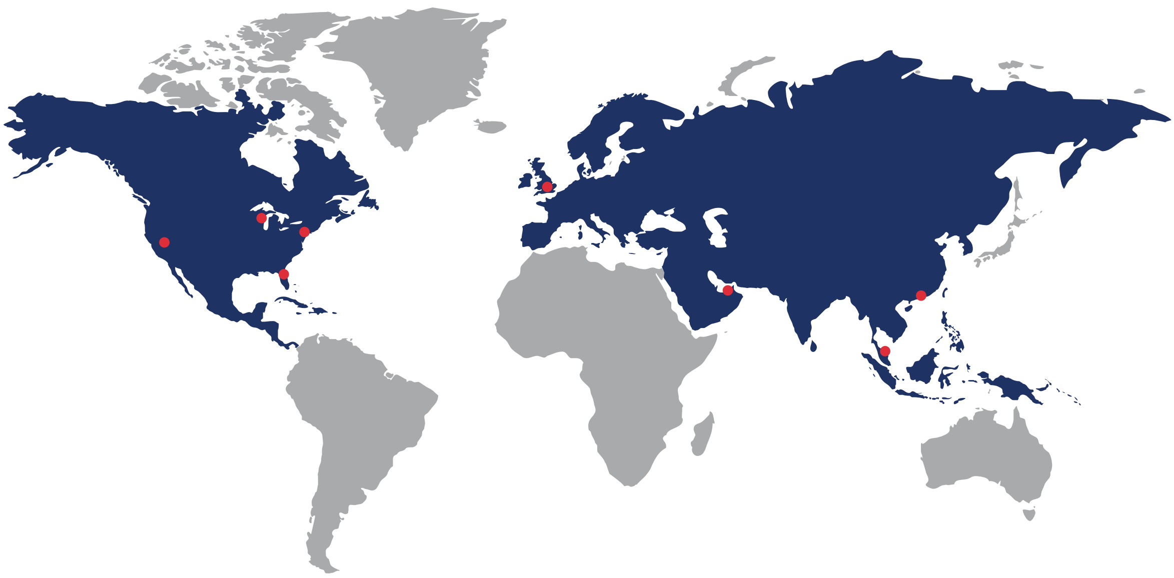
Revenue
2016: £93.2m

£109.6m
Growth 18%

Revenue by region



OPERATING ACROSS 3 REGIONAL DIVISIONS: **Americas** | **UK & Europe** | **Middle East & Asia**



SOME OF OUR CLIENTS

When the first ever CJ Cup golf tournament came to the Club at Nine Bridges on South Korea’s Jeju Island, Arena Middle East & Asia was on hand to supply temporary hospitality structures.

Overview

CJ Cup Korea – October 2017

Our Business

The Group is a global provider of event rental solutions with operations based in 14 depots in 7 countries across the UK & Europe, ME&A, and US regions.

We operate and manage the business on a regional basis and each of our three regional divisions have their own management teams and mix of physical inventory.

We provide a full turnkey solution for our customers, starting with design and project management, moving to delivery and installation.

We own the large majority of the physical assets which we deliver, construct and hand over to clients for their events. Our core assets are temporary structures, ranging from simple marquees to triple deck temporary buildings; temporary seats both indoor and outdoor; furniture; scaffolding and ice rinks. On certain projects we supplement our own assets with additional equipment, for example fencing or portacabins or temporary toilets to provide a full turnkey solution to the customer.

The Arena Standard

An integral part of Arena Group's value, and what has contributed to its longstanding history and relationships is our '*Arena Standard*'. The Group is renowned for delivering the "*Arena Standard*" of service across all regions, promising our customers a world class service and product delivery that is essential for a client base such as ours.

Our Customers

We are fortunate to work with some of the best-known sports venues, sports organisations, sports clubs, cultural and exhibition businesses, brand owners and rights owners right across the globe. We focus on building strong, lasting relationships based on trust and event delivery. This has enabled us to foster long term relationships with our customers where we focus on becoming part of our clients' planning and delivery teams. We refer to this approach as becoming part of our client's DNA where we completely understand the needs of our clients enabling us to deliver at or above their expectations.

Employees

Coupled with an emphasis on delivering the '*Arena Standard*' for all our customers we have worked with each regional team to create a "One Team" philosophy with shared values that include integrity, teamwork, a positive attitude, wellness and accountability. We are focused on delivering a sense of belonging to Arena Group, whether you are working in Kuala Lumpur or Milwaukee. This is important not only for our global team but also for our global customer base that expects that, as a Group, we deliver to the highest industry standards anywhere in the world. In the past year we have seen the physical manifestation of this philosophy with a number of senior employees moving to other regional divisions within the Group.

We believe that this year, more than ever, we are beginning to see the benefits of this clear corporate philosophy as the business has seen more growth in each region than ever before. This is, of course, in large part to the commitment and professionalism of each and every one of the over 800 employees that work with us across our three regions. One of the guiding principles of a great business is that "people are the primary determinant of a business's success". We are fortunate that we have a great team of people that make what we do happen – and we are eternally grateful to each and every one of the Arena Team that deliver on this principle.

Our Offering

Temporary Structures

From triple deck structures to I-Novation buildings that look & feel like permanent environments. Events include the Ryder Cup and Cheltenham Festival where our iconic triple deck structure is installed.

Demountable seating

Whether you are the next Olympic Organising Committee looking for thousands of temporary seats, or a local sports club requiring a small grandstand, we have both the products and the people to deliver your temporary seating infrastructure to the highest standards.

Tableware

We offer the finest crockery, cutlery, glassware, furniture and linen available for event hire. Our tableware brand 'Well Dressed Tables' supplies some of the most prestigious events across the UK and the US with premium and elegant tableware

Furniture

We have a wide range of furniture items available for hire, helping to transform a temporary event environment into a permanent-feel venue

Interiors

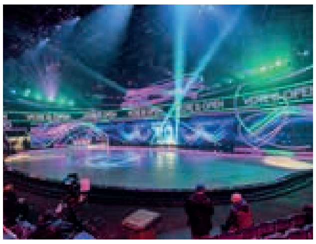
We design and install complete interiors according to our client's specific needs, we have delivered luxurious hospitality at the Wimbledon Championships and exhibition venues at the Farnborough International Air Show.

Ice rinks

Providing tailored packages from supply-only to full turnkey solutions, including bespoke structures, VIP hospitality and catering. Our ice experts have designed and delivered rinks, in iconic locations across the UK including Hyde Park Winter Wonderland, the Natural History Museum and Tower of London.

Scaffolding

Our scaffolding event professionals specialise in the provision and installation of event scaffolding, constructing sub-structures for temporary buildings and seating grandstands and broadcast structure supports.



Project Management

Our specialism is taking your initial concepts and transforming them into extraordinary live event environments. From our in-house team of CAD designers to the collective expertise of our senior staff, we have the capability to deliver on even the most challenging of briefs.

Key Milestones

1761

Arena Group dates as far back at 1761 with a company set up by Sir Richard Edgington to manufacture and sell tents, flags, ship ropes, and decorations for public events.

2000-2007

Under the ownership of Candover, the business becomes the premier temporary seating and structures business in the UK

2007

Greg Lawless and Dermott Divilly buy Arena Structures and Arena Seating to form Arena Group.

2010

Growth continues with the company's first overseas base with 45% investment in Harlequin Marquees in Dubai, UAE.

2011

DECEMBER
Arena Group complete the acquisition of remaining 55% of Harlequin in Dubai.

2012

FEBRUARY
MML Partners and Sports Investment Partners (SIP) take a significant stake in the Group, injecting additional equity, to fund future growth. This investment provides the Group with the necessary financial resources to deliver over £30 million of products and services for the 2012 London Summer Olympic Games.

2012

JUNE
Arena Group provides seating and structures for multiple events during the London Summer Olympics

2013

APRIL
Acquisition of Karl's Events – the Group's first step in the USA.

2013

MAY
Acquisition of Asia Tents – the Group's first permanent base in Malaysia.

2016

AUGUST
Acquisition of 51% of Ironmonger Marquees in Hong Kong.

2016

Acquisition of RIM Scaffolding – a premier provider of event scaffolding in the UK and Asia

2017

APRIL
Acquisition of the seating and mass participation divisions of Wernick Events

2017

JULY
Arena Group is listed on AIM on the London Stock Exchange, raising £56 million for future growth and expansion

Cheltenham Races – March 2017

Our Vision, Mission and Values

Vision
Become the leading, most respected, integrated event solutions business in the world

Mission
Deliver the 'Arena Standard' to the world

Our Shared Values

Integrity
We act with integrity

- Treating our employees and clients with respect
- Upholding transparency and trust in everything we do
- Providing value for money to our customers
- Acting with honesty and accountability

Teamwork
We are one team

- Building on each other's strengths from around the world
- Helping each other wherever possible
- We are accountable for our actions
- We lead with a positive attitude

Excellence
We pursue excellence in all our work

- Providing the highest quality products and services for our clients
- Always looking to improve our product and service
- Striving to be the best in our industry
- Delivering a high-quality service and product on time, every time

The Arena Standard

Our distinctive high standard of products and services has become revered and sought after, and is known as the 'Arena Standard', resulting in long-standing relationships with some of the most prestigious events in the world

Experience & expertise

250 years of experience in the events industry. We pride ourselves in our people, the foundation of our success

Premium quality & style

Dedicated to delivering high quality elegant products, and a premium and personal client experience

Innovation & creativity

Innovative and creative solutions that exceed our customers' expectations

Solutions-focused

We take a tailored approach to each project, providing bespoke solutions that fit the needs of the customer. We are determined to find the best solution to our client's challenges

Reliability & efficiency

Designing and delivering global events on time, every time. Our clients feel safe knowing they can rely on Arena Group, entrusting their live event to our in-house experts

Fully integrated offering

A diverse, extensive product range and integrated service offering around the world

Value for money

Putting our customers first, and providing value for money solutions

Health & Safety

The health and safety of our employees and clients is paramount

Arena UK & Europe provided a temporary I-Novation structure for the BFI London Film Festival

Strategic Report

BFI Festival – October 2017

Chairman's Statement

Ken Hanna
Arena Group Chairman

I am pleased to present the Group's first annual results as a publicly quoted company.

The Arena Group listed on the AIM market on 25 July 2017 and I became Non-Executive Chairman on that date. The Board is currently made up of four directors, myself, Ian Metcalfe, who chairs the Remuneration Committee, and two Executive Directors. The Board will keep this composition under review.

We have taken the decision as a Board, to adopt the highest standards of governance whilst ensuring the executive team continue to have the flexibility to manage the business without distraction or incurring excessive costs.

There is no doubt that 2017 has been a successful first year as a public company, with the achievement of excellent financial results, successful delivery of several major contracts and the creation of a strong leadership team.

The Board is pleased to recommend payment of a final dividend for the year ending 31 December 2017 of 0.9 pence. This gives a total dividend for 2017 of 1.35 pence per share, subject to approval at the Annual General Meeting, on 24 May 2018. The final dividend will be paid in July 2018 to shareholders of the Company on the Register of Members at the close of business on 8 June 2018.

The Group will continue to adopt the highest operational standards and to deliver the "Arena Standard" throughout its operations. We will also continue to explore value accretive acquisition opportunities in line with our stated strategy.

Finally, I would like to take this opportunity to express my sincere thanks to all Arena employees for their hard work and dedication. In a very fragmented and competitive industry, the level of service and commitment demonstrated by our employees differentiates Arena from its competitors.

Ken Hanna

Chairman
10 April 2018

HSBC Abu Dhabi Golf Championships, 2018

CEO's Report

I am pleased to present the Group's first Strategic Report to shareholders. 2017 was a year of excellent progress for the Group with the delivery of a number of key milestones that have laid the foundations for the future development of the business.

Greg Lawless
Arena Group CEO

Introduction

The history of the Arena Group is a long one and the Company can trace its origins back over 250 years. There will, no doubt, have been a number of years where significant milestones were achieved during this long history, but I do not believe that any previous year can match the historic milestones that the Group has achieved this year.

As milestones go, the listing of the Group on the AIM market of the London Stock Exchange on 25 July 2017 has to take pride of place. The Initial Public Offering ("IPO") which raised £56 million, net of expenses, not only significantly reduced the Group's net debt and strengthened our balance sheet but has also given us the shareholder base to support the value accretive acquisitions that are an integral part of the Group's ambitious strategic plan.

The listing also helped to raise our profile as a leading provider of event rental solutions delivering what we refer to as the "*Arena Standard*" wherever we are in the world. This standard is part of the Group's unique value proposition and promises that we will deliver to the highest standards in our industry - from any of our 14 bases spread across three regional divisions in the UK & Europe, Middle East & Asia, and the US.

Results

The Group delivered adjusted EBITDA of £10.6m (2016: £8.5m) and an adjusted net income of £4.0m (2016: £1.2m). The statutory operating profit was £0.3m (2016:£1.2m). The statutory loss before tax was £2.9m (2016: £3.6m), which includes £4.9m of costs considered to be exceptional or non-recurring, as well as the finance costs related to the high debt and loan note structure in place prior to the IPO. Given these one-off and exceptional costs, and to give a better understanding of the underlying performance of the business, we present adjusted EBITDA and adjusted net income. On this adjusted basis, 2017 was a record set of results, with the Group's adjusted EBITDA of £10.6m – exceeding £10m for the first time in the Group's history.

These results are described in more detail in the financial review on page 19 including a reconciliation of adjusted numbers to statutory figures. Our results were achieved from our normal contracted and recurring customer revenues coupled with the addition of a number of new multi-year contracts and one-off events as outlined in more detail in each of the regional CEO review sections on pages 24 and 29.

The most significant new multi-year contract win was in the US with the addition of a five year contract to deliver the three US PGA annual events, including the Men's PGA Championship, which was held in 2017 in Quail Hollow, North Carolina.

Industry Overview

The Global event rental sector is a highly fragmented and siloed (single product/service focused) industry. There are very few international organisations and typically businesses in the sector tend to be very single product focused. This landscape has not changed significantly during 2017 – with most industry transactions focused on increasing the size, rather than the product/service offerings, of the relevant company.

A number of significant transactions were, however, completed in 2017.

The main European transaction of note, was the acquisition of De Boer Structures by Losberger- creating the largest structures business in the world. This new group has, for the first time, seen the combination of a major structures manufacturer with a major structures rental business. This is a significant development as, traditionally, manufacture and rental businesses have remained distinctly separate.

In the US, the break-up of the former Classic Party Rentals business, based out of Los Angeles, has changed the landscape of the North American event rental sector. Classic was the largest single, event rental, business in the US with operations spread across more than ten locations from California to Florida. The disposal programme saw a number of different transactions with the largest transaction being the disposal of the Classic West Coast party rental business to Bright Rentals, based out of LA. This break-up has now eliminated the only truly national party and structures rental company in the US. This presents a significant opportunity for the development of the Arena business in the US as we outlined at the time of the listing.

Apart from these two major developments, the industry continues to see a good flow of acquisition activity in the smaller scale business units that operate within the sector. We continue to be active in this space as we look for value-accretive bolt on businesses that have the potential to enhance the performance of our existing business.

Growth Strategies

We outlined four key components of our strategic plan as part of the IPO process in 2017.

These four components are designed to help us deliver not only top line revenue growth, but more importantly improvement in EBITDA margins that we believe will continue to create demonstrable shareholder value over the coming years.

Geographic expansion

- Future geographic expansion will be initially focused on the US where the Group currently has approximately one per cent market share, and a predominantly Upper Midwest and East Coast presence. An improved presence on the West Coast would bolster the business's national tenting reach and allow the servicing of national customers across the entire North American continent on a more economic basis.

Product Extension

- We intend to replicate our UK multi-product offering in other parts of the Group.
- We will continue to review and expand our product range and service capabilities in all regions to ensure we are providing as broad a product offering as possible to our customers in each region.
- The April 2017 acquisition of Wernick Events, a seating and mass participation business based in Coventry, is a good example of this. This acquisition added some 24,000 tiered seats to our existing stock of 76,000, but also allowed us to enter the fast-growing mass participation sports market in the UK where we now deliver over 300 events each year for Cancer Research UK and other event organisers.

Reduction of seasonality

- Our business by its nature is seasonal in each region. This means that typically each region suffers losses in the slow season.
- We plan to continue to expand into complementary markets to extend the season in each region, thus improving asset and labour utilisation.
- The expansion of our temporary ice rink business in the UK is a good example of this, where we now deliver 30 temporary ice rinks over the winter season including venues such as the Tower of London, Hampton Court, Canary Wharf and Liverpool. The Group is now EBITDA profitable nine months out of twelve and our objective is to ultimately have positive EBITDA every month of the year as a consequence of this strategic component.

Vertical Integration / manufacturing of temporary structures

- The Group already has two small manufacturing facilities, one in Malaysia and the other in the US.
- These units manufacture certain parts and bespoke products for a number of unique client requirements.
- Given the importance of being able to offer bespoke, innovative and cost effective product solutions to our customers we will look to add to these existing manufacturing facilities in order to continue providing our customers with state-of-the-art solutions across our regional divisions.

CEO's Report Continued

Acquisitions

I am pleased to report that we have, since the year end, made progress in a number of these areas with two acquisitions, each of which will contribute to the future growth of the Group.

Our first acquisition since the IPO was GLD Productions, a specialist provider of furniture into the music and event sectors, based in the UK. The deal was announced on the 2nd February 2018. This business has now been successfully integrated into our Spaceworks Furniture Hire unit in Membury and we believe will be a valuable addition to our UK & Europe Division.

We have also agreed the acquisition of Ironmonger Events in Hong Kong, a business operated and partly owned by the vendor of the structures business we acquired in Hong Kong two years ago. This transaction will allow us to offer a complete end-to-end event solutions business in this dynamic part of the world.

We continue to evaluate a number of other acquisitions and we are confident that we will have a number of additional acquisitions to announce before the end of 2018.

United States Attorney's Office investigation of Arena Americas

On 29 March 2018 we notified the market that our US subsidiary, Arena Event Services Inc ("Arena Americas"), had been informed by the US Attorney's Office ("USAO") that it had formally charged one of Arena Americas previous customers for a violation related to the Small Business set-aside program for business conducted between 2007 and 2017.

As a result of this, Arena Americas was notified by the USAO that it has launched an investigation into Arena America's relationship with this customer. Since 2013, when Arena acquired the Americas business, total revenue generated from contracts with this customer has been \$4m with EBITDA of approximately \$0.5m. Based on other similar cases, fines of up to two times revenues or profits have been imposed, implying a possible range of fines between \$1m and \$8m. Due to the level of uncertainty over the outcome, the Group has not made any provision for future costs in the annual financial statements related to this investigation.

We continue to pro actively engage with the USAO in order to draw this matter to a conclusion as soon as possible. However, at this date, we are not in a position to finalise this matter with the USAO. We hope to have further news within the next few months and will update the market accordingly.

Looking Ahead

We are pleased to have delivered a strong set of inaugural results, post IPO, in 2017. These results, on an adjusted basis, represent a significant increase over our adjusted 2016 numbers and were, in the main, delivered by strong organic growth.

We have started 2018 with the delivery of two value accretive acquisitions, a strong pipeline of future acquisitions, combined with a healthy first quarter trading. We remain confident that we can continue to grow the business organically and by way of acquisition over the next few years as we continue to leverage our new-found Plc status.

Greg Lawless

Group CEO
10 April 2018

Financial Review

Piers Wilson
Group Finance Director

Our financial results are summarised below

	YEAR ENDED 31 DECEMBER 2017 £M	YEAR ENDED 31 DECEMBER 2016 £m
REVENUE	**109.6**	**93.2**
GROSS PROFIT	**35.6**	**29.3**
Gross Profit %	*32.5%*	*31.4%*
Operating expenses (excluding exceptional costs, depreciation, amortisation and share option charge)	(25.0)	(20.8)
ADJUSTED EBITDA [1]	**10.6**	**8.5**
Depreciation and Amortisation	(5.3)	(5.7)
Share option expense	(0.1)	
Exceptional Costs	(4.9)	(1.6)
OPERATING PROFIT	**0.3**	**1.2**
Finance Costs	(3.2)	(4.8)
Tax	(0.2)	(0.2)
LOSS AFTER TAX / NET INCOME	**(3.1)**	**(3.8)**

(1) EBITDA excluding exceptional costs and share option expense

Revenue
Revenue in the year to 31 December 2017 grew by 18% from £93.2m to £109.6m. Revenue grew in all regions, with particularly strong organic revenue growth in the US, with the winning and delivery of three events for the US PGA adding some £5m of incremental revenue in 2017. The main PGA championship delivered higher than typical revenue in 2017 due to the location of the event and the type of product supplied, which will not be repeated in 2018.

In the Middle East & Asia region revenue grew by £4m, with the project for the Dubai World Trade Centre generating significant, but one off, sales revenue in the year. Finally, in the UK there was revenue growth of some £6m, the major factors being a full year of scaffolding revenue from the RIM acquisition in late 2016 and revenue from the Wernick Events seating and mass participation sports business acquired on 1 April 2017.

Gross Margin and Operating expenses
Gross profit margin improved by 1.1% to 32.5% due to a focus on operational efficiencies and targeted capital expenditure to reduce the need to hire in equipment for certain projects.

Operating expenses, excluding exceptional costs, depreciation, amortisation and share option charge, grew by £4.2m with additional overheads of the acquired Wernick business, the RIM scaffolding business (acquired in late 2016) and investment in permanent staff in all regions to manage the higher level of revenue and gross margin. In addition, from July 2017, additional costs were incurred post IPO for items such as Non-executive director fees, Nomad, registrar and Financial PR costs.

Exceptional Costs
The exceptional costs of £4.9m are set out in more detail in note 4 to the accounts, and primarily comprise costs incurred related to the IPO in July 2017; the finalisation of the restructuring programmes that started in 2016 in both the UK and the North East region of the US; and legal costs and a doubtful debt provision made in the US in relation to the legal matter described in the CEO report.

Finance Expenses
Finance costs comprise three main components; interest incurred on bank borrowings and finance

Financial Review Continued

leases of £1.4m; interest accrued on loan notes in place prior to the IPO of £1.1m (these costs ceased from 30 June 2017); and thirdly, the amortisation of bank loan and loan note arrangement costs incurred both in the year and in previous years of £0.7m, which are being amortised over the expected period of the facilities. To calculate an adjusted net income figure the non-recurring loan note costs and the amortisation of arrangement costs have been added back as well as an adjustment for the level of pre IPO bank interest, so that only normalised bank and finance lease interest is included in the adjusted net income figure.

Tax

The tax charge is low both in relative and absolute terms in 2016 and 2017 due to a combination of factors, including tax free operations in Dubai; no corporation tax charge in the US due to tax deductions for fixed asset purchases; and high bank interest charges prior to the IPO.

Going forward we expect the tax charge to increase modestly but remain lower than the standard UK tax rate due a number of factors including the portion of profits generated in Dubai, carried forward net operating losses in the US and the continued availability of significant US tax allowances for capital expenditure.

Earnings per share and Dividend

The actual earnings per share in 2017 was negative due to exceptional and IPO related costs as well as the high level of pre IPO finance costs described above. Using an adjusted earnings figure, shown in the table below, and the year end number of shares for the full year period, the adjusted basic earnings per share figure was 3.5 pence.

CALCULATION OF ADJUSTED NET INCOME	2017	2016
Statutory loss after tax	(3.1)	(3.8)
Add back		
Exceptional Costs	4.9	1.6
Adjusted Finance costs (loan note interest, amortisation of arrangement fees)	2.1	3.4
Share Option charge	0.1	
ADJUSTED EARNINGS	**4.0**	**1.2**
No. of shares (m)	114.6	114.6
ADJUSTED BASIC EARNINGS PER SHARE (PENCE)	**3.5**	**1.0**

As stated at the time of the IPO we intend to adopt a balanced approach to retaining capital for future growth opportunities and a progressive, but measured, dividend payment. An interim dividend of 0.45 pence per share was declared in September 2017; and the recommended final dividend is 0.9 pence per share. This will bring the total dividend to 1.35 pence per share for the 2017 year.

Acquisition

On 1 April 2017 the Group acquired certain business and assets from Wernick Events Ltd, comprising of the temporary seating business and the mass participation sports division, both based near Coventry. Total cash consideration for the acquisition was £2.1m.

Debt and Cash Position

At the year end the Group had total bank debt between the UK and US of £15.8m and total cash balances of £4.3m, to give a year end net bank debt figure of £11.5m. The Group has committed bank facilities in the US and UK, described in more detail in note 20 to the accounts. Subsequent to the year end, the Group secured an additional £5m committed facility from HSBC to fund small acquisitions.

Working Capital

The Group had total working capital at 31 December 2017 of £(0.1)m, compared to £(0.5)m at the previous year end. The Group typically operates with a negative or close to nil working capital position as a significant proportion of customer receipts are invoiced and collected ahead of the event date.

Capital Expenditure

Total capital expenditure in 2017 was £6.7m, of which £4m was maintenance capital expenditure to keep our existing level of rental and other inventory up to the standard required to service our existing customer and contract base. The balance of £2.7m was growth capital expenditure required to support additional revenue and margin from new contracts and opportunities identified during the year. The largest portion of this growth capital expenditure in 2017 was in the US and incurred in relation to the new five year US PGA contract that generated incremental revenue of over £5m in 2017; and in the UK for the purchase of a new style of structure (the I-Novation) which was used at a number of events in the year and reduced our requirement to hire structures from other companies, thereby also increasing our gross margin.

Alternative Performance Measures

The Group uses alternative performance measures such as adjusted EBITDA, adjusted earnings per share and adjusted ROCE (as defined below), to allow the users of the financial statements to gain a clearer understanding of the underlying performance of the business. By presenting these measures in addition to the statutory figures, the impact of items such as restructuring and reorganisation costs, acquisition costs and the costs related to the IPO and the pre-IPO debt structure of the Group, can be identified separately.

Performance Indicators

The Group monitors a number of key performance indicators ("KPIs") which are reviewed at divisional and Board level. The main KPIs reviewed are summarised in the table and described in more detail below.

KPIs	Year ended 31 December 2017	Year ended 31 December 2016
Adjusted EBITDA as a % of revenue	9.8%	9.1%
Adjusted Earnings per share (pence)	3.5	1.0
ROCE %	8.3%	4.2%
Net bank debt to Adjusted EBITDA	1.1x	3.5x

Adjusted EBITDA as a percentage of revenue is calculated as adjusted EBITDA (excluding exceptional costs and share option expense) as a percentage of total gross revenue.

Adjusted Earnings per share is the adjusted Group net income figure, divided by the average total number of shares in issue for the year. In the table above and due to the IPO in July 2017, the 31 December 2017 number of shares in issue has been used for both periods.

ROCE is calculated as the ratio of adjusted operating profit (being adjusted EBITDA less depreciation and amortisation) divided by average capital employed for the year. Capital employed is defined as the net book value of fixed assets, plus goodwill, plus working capital.

Net bank debt to adjusted EBITDA is the ratio of gross bank debt less cash at year end to the adjusted EBITDA figure for the year.

The Directors are satisfied with each of these measures in 2017.

Piers Wilson

Finance Director
10 April 2018

Principal Risks, Controls and Mitigation

Risks are reviewed annually by the Board and appropriate procedures put in place to monitor and mitigate them. The main risks identified by the Board and the related controls and mitigation strategies are set out below.

RISKS	CONTROLS AND MITIGATION
Health and safety The installation of temporary structures is complex and may require working at height. The Group has an excellent health and safety record, however, an employee incident relating to the use of Group equipment could have a detrimental effect on the future reputation and performance of the Group.	The Group has a stated commitment to, and a reputation for, rigorous health and safety compliance. There is a global H&S committee that reviews H&S practices and ensures best practice is shared between each region. There are nominated Health & Safety managers in each business and regular reporting of any safety incidents to the Board each month.
Dependence on key individuals / management Arena's future success is substantially dependent on a relatively small number of people and the Directors therefore view the continued service of certain of its Directors, senior management and other key personnel as important.	The Directors are taking steps to ensure that knowledge, skills and expertise are shared so as to avoid the Group being unduly dependent on individuals. The Board has requested that succession plans be developed for key individuals and will review these plans in 2018.
Equipment failure Due to the nature of the business, a catastrophic failure of equipment could lead to serious injury or loss of life. The repercussions of any such incident would almost certainly affect the Group's ability to win or retain business in the local geography and internationally, across all sectors in which Arena operate. In addition, the Group would likely incur significant associated costs that could be sizeable and have a material impact on the Group's profitability going forward.	The Group has a rigorous safety culture to ensure all temporary structures are constructed to appropriate standards, with third party sign off where relevant. All temporary structures acquired are designed and certified to meet all engineering and safety specifications. Continuous training is provided in safety measures and precautions for warehouse and construction staff.
Reduction in quality of service could have a negative impact on reputation The strength of the Arena brand and the Group's ability to deliver iconic, reliable events is fundamental to the Group's success in winning new business. As the Group expands internationally and acquires businesses it becomes more challenging to ensure a consistent quality of product and service.	To manage this risk the Group develops integration plans for any acquired businesses and actively promotes the 'Arena Standard' to all existing and new employees. Intra-company movements of staff is encouraged, enabling senior staff to lend their skills & experience to more developing divisions.

RISKS	CONTROLS AND MITIGATION
Competition The event rental industry is highly competitive, and the Group regularly comes under pricing pressure from competitors. On occasion the Group will therefore lose work to a competitor that has a different offering, usually priced at a discount to the Arena service. Competitive pricing pressure can therefore lead to a loss of revenue and margin and could have a material adverse effect on the Group's financial performance.	The Group typically differentiates itself from its competitors on quality of service and product and does not compete purely on price. To mitigate this risk however, the Group focuses on securing three to five year contracts with key customers for annual events where possible and building strong relationships with regular customers and event organisers.
Ability to recruit and retain personnel As the Group grows it will need to continue hiring staff, with a mix of experience in temporary structure construction and other related skills both in the field and office based roles. Any future challenges to the recruitment or retention process could have an impact on the Group's ability to take on new business or to service existing contracts. In the UK, the Group has considered the potential impact of Brexit on the ability to hire and retain staff for the UK business.	The Group has put in place appropriate recruitment and training programmes in each region to source and then train employees. Divisions anticipate and allow adequate time for recruiting for temporary positions during the busy season – ensuring sufficient training in health & safety. As noted above the Group has a policy in the UK of hiring and training staff required by the business over the full year. As the business becomes less seasonal, there is no significant reliance upon short term European seasonal workers and as such the Group considers that there is no material risk from Brexit.

Regional Highlights: UK & Europe

Introduction

Arena UK & Europe moved into its new six-acre state-of-the-art site in April 2017, with 3,700sqm of warehouse space and modern offices over two storeys, providing a centralised operations base servicing structures, seating, interior design, carpentry and ice rinks. Having such an impressive base for our operations has delivered greater efficiencies, better serving the Group's operations and providing new employment and career progression for our people. The move into the new St Ives hub was backed up with the creation of a new sales and project management office in Membury and a huge centralised furniture warehouse supporting our UK events and the Group's London tableware operation, Well Dressed Tables. The floatation and subsequent investment into infrastructure has underpinned our acquisition of GLD Productions, adding experienced staff, new product ranges and new clients to our furniture hire division. The sheer scale of our inventory of events equipment is staggering, and was boosted by the purchase of the seating and mass participation divisions of Wernick Events, including more than 30,000 temporary seats, back in the spring.

Outlook for 2018

2018 looks set to be an even bigger year. We have renewed many of our long-term contracts and have a number of fantastic new projects providing a whole set of exciting challenges for our delivery teams. It's a Ryder Cup year, and we will once again be heavily involved delivering event infrastructure in Paris. Our special projects team is also focussed on Tokyo for Rugby World Cup and Olympic related opportunities. I am pleased to be able to confirm over £3 million of capital investment to ensure that our products continually exceed expectations on quality. As always, we ensure that health and safety is at the centre of everything we do.

Wimbledon Championships

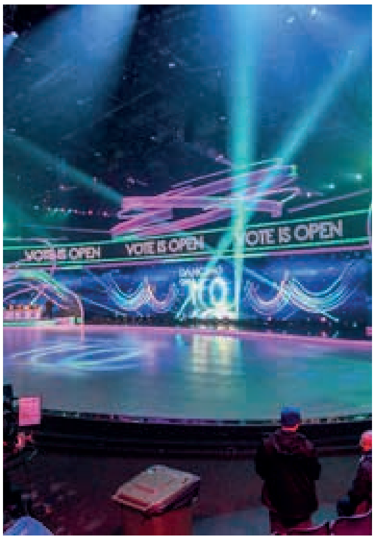
Key events

Dancing on Ice:

The UK & Europe division provided a bespoke ice rink and temporary film studio for ITV's spectacular show, Dancing on Ice. The show returned after a four-year absence with a stunning semi-permanent studio, which included, audience seating, and all the necessary production infrastructure to deliver a live show for 12 weeks.

Nitto ATP World Tour Finals

We worked on the ATP World Tour Finals for the eighth year, continuing our tradition of improving our offering to the tournament, now sponsored by Nitto each year. Our bespoke I-Novation building was the cornerstone of the VIP village for the second year. The finished I-Novation structure contained the sponsors' area, players' lounge, players' restaurant and tennis family area overlooking the main practice court. We also supplied extensive media facilities, lighting, floor covering, air conditioning, temporary ceilings, walls, stairs, lifts and toilets.



Product offering

- Temporary structures
- Seating
- Interiors
- Furniture
- Tableware
- Project management
- Scaffolding
- Ice rinks

EMPLOYEES

342

REVENUE

£46.1m
2017
£39.8m
2016

Regional Highlights: Americas

Introduction

This was a year in which the Americas division posted several solid results. Our overall financial performance was on target, a result that was made possible by the contribution of every single employee. Arena Americas launched Well Dressed Tables in the Milwaukee and Illinois markets during the last quarter of the year.

Outlook for 2018

Overall, the division has also set some aggressive growth targets over the next five years, which will lead to some dramatic expansion as we look to continue to provide the highest quality work to our clients both new and longstanding.

US PGA – August 2017

Key events

US PGA Championship

The most significant new contract win was achieved in our America's division with the signing of a 5-year contract with the PGA of America. This contract saw the Group deliver temporary structures and flooring for the Men's Championship at Quail Hollow, the Ladies at Kemper Lakes Golf Club in Illinois and the Men's Senior event at the Trump National Golf Club in Washington, DC. This contract is now the largest annual contract in the Group.

Winter Village at Bryant Park

The home of the Bank of America Winter Village, Bryant Park is a city park nestled in a canyon full of skyscrapers, full of historical monuments and walking paths. Every year, from November to February, the park is transformed into a winter wonderland with something for everyone. This past year Arena Americas supplied multiple customised structures for the Winter Village including a double-deck structure, an offset ridge and single slope structure for use as restaurants, skate rental, games and events.

Product offering

- Tenting
- Flooring
- Climate control
- Tableware
- Project management

EMPLOYEES

343

REVENUE

£44.2m
2017

£38.0m
2016

Regional Highlights: Middle East & Asia

Introduction

In the Middle East and Asia we continue to deliver world-class events while introducing new products to the marketplace. In 2017 specifically, this involved the launch of the Arena Super Deck and Arena Seating to our clients in the Middle East. The division continues to grow and we are approaching 200 employees across all our regional offices. We now have a presence in Dubai, Abu Dhabi, Riyadh, Kuala Lumpur, Singapore, Seoul, and Hong Kong.

Outlook for 2018

The next 12 months are set to be game changing for Arena in the Middle East & Asia, with our team at the centre of some world-class events. We will be preparing for the Rugby World Cup in Japan (2019) and the Olympic Games in the same country (2020) thanks to a joint venture partnership with Nikken Lease and PERI Japan.

World Skills festival – October 2017

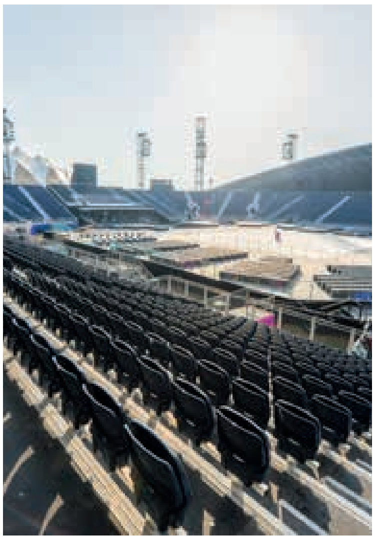
Key events

Dubai World Trade Centre

In February 2017, Arena was awarded the design and build contract to extend the centre's exhibition halls, becoming the sole contractor for the entire project. Beginning in May and completing in September, Harlequin Arena's team were rightly proud of the finished work, which stands as a strong example of how the company can transform existing spaces.

CJ Cup

The CJ Cup is the first PGA Tour-sanctioned regular season tournament to be held in South Korea and as such is creating huge interest not just in Korea but internationally. Asia Tents Arena was contracted to provide extensive temporary event infrastructure at The Club @ Nine Bridges on Jeju Island for the tournament, which took place from October 16th-22nd, 2017. We provided multiple single and double-deck hospitality structures, fully fitted out with bespoke interiors and balconies, to accommodate 20 sponsors.



Product offering

- Temporary structures
- Seating
- Interiors
- Climate control
- Furniture

EMPLOYEES

174

REVENUE

2017	£19.3m
2016	£15.4m

Corporate Social Responsibility

Introduction

Arena's Corporate Social Responsibility policy has two primary focuses; firstly our employees and local communities; and secondly the environment and sustainability.

In both areas we strive to meet the specific needs and interests of our stakeholders that also align with our Company goals.

Employees & Community

Our objectives are to:

- Improve the health and wellness of our employees
- Provide a supportive work environment enabling employees to develop within the group and fulfil their professional and life goals

Activities	
Employee Survey	An Employee Survey was carried out in each division in February 2018, reporting overall job and workplace satisfaction within each division and seeking recommendations for change.
Lifeworks (UK)	Lifeworks platform launched in Arena UK and Europe in December 2017. Providing a network to connect with fellow colleagues, have access to life and emotional support, and enjoy discounts from a range of companies in the UK.
Intra-group movements	A number of senior employees made intra-group movements between the UK and the ME&A and US divisions.
Hours Restriction (US)	The US division launched a working hours cap, and weekend working policy, for all operations staff to allow for a better work/life balance.
Wellness Benefits (US)	Increased communications of wellness benefits available to all staff, including gym memberships, diagnostic screening, weight loss programs and our employee assistance program that provides access to life and emotional support.
Community Outreach (US)	A Community Outreach Employee group has been developed in the US. Currently evaluating three causes that Arena Americas employees can help support through volunteer efforts.
Employee wellness (ME&A)	The Middle East division provides subsidised gym memberships to all employees in Dubai.

Environment & Sustainability

Our objectives are to:

- Acknowledging the impact our organisation's activities have on our environment, and taking steps to mitigate the impact
- Maintaining a sustainable business for all stakeholders through upholding the highest standards in our industry

Activities	
MUTA accredited member (UK)	Since 1919, MUTA has been working to improve standards in the marquees, tents and structures industry.
IEMA member (UK)	The UK division is part of the Institute of Environmental Management & Assessment ensuring sustainable business practices.
CHAS accredited member (UK)	CHAS is a trusted health and safety compliance organisation, ensuring Arena Group upholds the highest standards of health & safety.
ISO 14001 and ISO 20121 environmental certifications (UK)	Arena UK is a certified ISO member. The International Organization for Standardization (ISO) is an independent organization upholding international standardization across industries.
BSI member (UK)	BSI is a business standards company that assists Arena Group with improving its standards.
American Rental Association Member (US)	As members of ARA, Arena has opportunities for staff to apply for, and receive training and certification from the American Rental Association.
IFAI Members (US)	The Tent Rental Division of the IFAI provides member guidelines and online tool for ballasting of commercial tents. As an active IFAI member, Arena Americas can access tent rental safety standards.
Plastic reduction (ME&A)	Arena's Hong Kong division launched a campaign to reduce the use of plastic significantly. The initiative is being driven by Ironmonger at the Hong Kong Sevens. The Hong Kong Sevens Village is making a concerted effort to reduce single use plastics by 95% at the event. We have partnered with 'Life Solutions' who are a water filtration company, as part of this initiative.

Arena Ice supplies more than 30 rinks complete with leisure facilities and skate hire areas across the UK for the winter months

Governance

Bryant Park Ice Rink – December 2017

Board of Directors

Ken Hanna
Chairman

Ken was appointed as Chairman of the board in July 2017.

Ken has international experience, bringing financial and leadership expertise from his role as the Chairman of Aggreko plc, which he has held since 2012. He possesses knowledge of many different business sectors and is an experienced senior executive and leader, promoting robust debate and a culture of openness in the boardroom.

Ken is also currently Chairman of Inchcape plc and Chairman of Shooting Star CHASE Charity. Until 2009, Ken spent five years as Chief Financial Officer of Cadbury plc. He has also held positions as Operating Partner for Compass Partners, Group Chief Executive at Dalgety plc, Group Finance Director of United Distillers plc and Group Finance Director of Avis Europe plc and is a Fellow of the Institute of Chartered Accountants in England & Wales.

Greg Lawless
Group CEO

Greg became Group CEO of Arena Group in 2011, following the acquisition of Arena Structures and Seating in 2007.

He joined Davy Stockbrokers in 1987 and was a director of Davy Corporate Finance until 1992. In 1993 he joined Allegro Limited, an Irish distribution business, and was part of the senior executive team that carried out a buy-out of the business later that year. He left the business in 2000 shortly after the business was sold. He held a number of posts during 2000-2004, mainly on a consultancy basis and he acquired his first business in the event rental sector in 2004 called Hireall along with his former Allegro business partner, Dermot Divilly.

Greg qualified as a Chartered Accountant with Deloitte in 1982 and subsequently worked with KPMG in both Minneapolis and Dublin.

Ian Metcalfe
Non Executive Director

Ian was appointed Non-Executive Director of the board in July 2017.

Ian brings significant experience with sporting organisations to the Board. He is currently Chairman of Commonwealth Games England, having held the position since December 2014. Ian is a member of the Rugby Football Union (''RFU'') Council, having represented Cambridge University RUFC for eleven years, and has recently stepped down from the Professional Game Board of the RFU, after nine years in the role. He also held a Non-Executive director of England Rugby 2015 Limited, the organising body of the 2015 Rugby World Cup.

Ian is a qualified solicitor who retired as Managing Partner of International law firm Wragge & Co in April 2014 after eight years in post. Prior to managing the business, Ian was a corporate partner at the firm for fourteen years. Ian has an MA in Law from Cambridge University.

Piers Wilson
Group Finance Director

Piers has been the Group's Finance Director since May 2012, overseeing all financial matters including reporting, risk management, insurance, banking, acquisitions and fundraising.

Piers joined the Group from Managed Support Services plc, an AIM quoted company where he was Group Finance Director. Prior to that he worked at ED&F Man Ltd, Cable & Wireless Communications plc and Two Way TV Ltd.

Piers qualified as an accountant with Arthur Andersen and is a member of the Institute of Chartered Accountants in England & Wales.

Regional Leadership Team

Paul Berger
Arena Middle East & Asia CEO

Paul was appointed CEO of Arena Middle East & Asia in 2013, following the expansion of the group into Asia. He was previously the CEO of the Group's Dubai based business.. Paul is responsible for Arena's operations in the Middle East and Asia from the Group's Dubai HQ to the Malaysian hub overseeing South East Asia and the Hong Kong office which covers North Asia.

Paul brings a lengthy history of working in events to the Arena Group and knows the Middle East very well having moved to Dubai in 1993 with BBDO (part of OMNICOM Group), working as an account director for global brands such as Pepsi, Emirates and General Motors.

Four years after moving to Dubai Paul established the first leisure karting business in the UAE, running multiple indoor and outdoor tracks. Following this he created the Dubai Autodrome project, building the first racing circuit in the UAE.

In 2004 Paul set up his own sports marketing business, focusing on F1 and other motor sports. In 2008 he became a Director of Harlequin Marquees, becoming the CEO and a shareholder a year later, which was then acquired by Arena Group and became part of Arena Middle East & Asia.

Grahame Muir
Arena UK & Europe CEO

Grahame was appointed CEO of Arena UK & Europe in 2012.

Grahame's career began as a marketing manager at Scottish Enterprise before moving to Black & Edgington, firstly in Scotland before relocating to London.

Grahame considers one of his most pivotal achievements to be the securing of a £17 million design and build contract, delivering a permanent exhibition venue in Bahrain. This project was delivered successfully and demonstrated the Group's capabilities as a main contractor, which in turn provided confidence to Overlay organisers and thus major Olympic, Commonwealth Games and Rugby World Cup project wins.

Paul Bryant
Arena Americas CEO

Paul Bryant joined the Arena Americas division based in Wisconsin at the beginning 2017.

His most recent role was as Executive Vice President and COO of IEWC Corp, an employee-owned, Milwaukee-based global distributor of wire, cable and wire management products where he also served as trustee, committee member and executive director. Paul has also led various business units within NOVA Chemicals Corporation, a multi-billion dollar, publicly traded manufacture of refinery products, primary petrochemicals and polymers that is headquartered in Calgary, Alberta. During his time with Nova, Paul championed global businesses including Styrene & Aromatics as well as Low Density & Linear Low Density Polyethylene.

Paul holds an undergraduate degree in business from Wilfrid Laurier University and an MBA from the University of Windsor and is a trained facilitator in Covey's, "*7 Habits of Highly Effective People*".

Corporate Governance Statement

The Directors recognise the importance of sound corporate governance. Although compliance with the UK Corporate Governance Code is not compulsory for AIM quoted companies, and the Group does not formally comply with the Code, it has voluntarily chosen to apply certain principles of the Code, as set out below, to the extent considered appropriate and practicable for a company of our nature and size.

Role of the Board

The Board is collectively responsible for the long term success of the Group. It provides leadership, sets Group strategy, upholds the Group's culture and values, reviews management performance and ensures that the Group's obligations to shareholders are understood and met.

Board Composition and effectiveness

The Board comprises four Directors of which two are executives and two non-executives, reflecting a blend of different experience and backgrounds. The skills and experience of the Board are set out in their biographical details in the Board of Directors section. The experience and knowledge of each of the Directors gives them the ability to constructively challenge strategy and to scrutinise performance. The Board considers both of the non-executives to be independent.

Board Meetings

The Board meets regularly to review, formulate and approve the Group's strategy, budgets, and corporate actions and oversee the Group's progress towards its goals. The Board also receives each month a Board pack including the Group's internal management accounts and a report from the CEO and Finance Director. The Company Secretary compiles the Board and Committee papers which are circulated to Directors at least 48 hours prior to meetings. The Company Secretary then provides minutes of each meeting and every Director is aware of the right to have any concerns minuted.

Since the appointment of the Board in July 2017, there were three Board meetings held in 2017 and all Directors attended each meeting. In a full year it is the intention of the Board to meet at least six times per year, with additional meetings as required.

Matters reserved for the Board

Certain matters are reserved for approval by the Board. These include:

- Strategy and business plans including annual budget
- Acquisitions and disposals of businesses
- Share capital and dividends
- Board membership and delegation of authority
- Remuneration and employment benefits for senior management
- Corporate statutory reporting
- Appointment of auditors
- New debt facilities
- Corporate governance, policy approval, internal control and risk management

All other matters are generally delegated to the executive management subject to a schedule of delegated authority which defines levels of approval authority over such items as capital expenditure, commercial contracts, litigation and treasury.

Risk Management and Internal Controls

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Day to day management of the activities of the Group by the executive directors
- A detailed annual budget is prepared including an integrated profit and loss, balance sheet and cash flow. The budget is approved by the Board.
- Monthly reporting of performance against the budget is prepared and reviewed by the Board.
- A schedule of delegated authority is maintained which defines levels of approval authority over such items as capital expenditure, commercial contracts, litigation and treasury matters.

An assessment of the principal risks facing the Group, the controls and mitigation strategies for each, is set out in the Risk review

Board Committees

In accordance with best practice, the Company has established audit and remuneration committees with formally delegated duties and responsibilities and with written terms of reference. A report from each committee is included in this set of Report and Accounts. From time to time separate committees may be set up by the Board to consider specific issues when the need arises.

Audit Committee

The Audit Committee is chaired by Ken Hanna, who is a Chartered Accountant, and also includes Ian Metcalfe. The Audit Committee is responsible for monitoring the integrity of the Group's financial statements, reviewing significant financial reporting issues and monitoring the quality of internal controls and risk management. It is also responsible for overseeing the relationship with the Group's external auditor and reviewing reports from the auditors relating to the annual accounts. The Audit Committee will meet not less than twice in each financial year and will have unrestricted access to the external auditors.

Remuneration Committee

The Remuneration Committee is chaired by Ian Metcalfe and also includes Ken Hanna. The Remuneration Committee reviews the performance of the executive directors and makes recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet not less than twice in each financial year.

Share Dealing Code

The Company has adopted a share dealing code for Directors and other applicable employees. The Group also has adopted an anti-bribery policy and whistleblowing polices which are included in each employee's staff handbook.

Relations with Shareholders

The Group intends to maintain communication with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year preliminary results. Private shareholders are encouraged to attend the Annual General Meeting at which the Group's activities will be considered and questions answered. General information about the Group is also available on the Group's website. This includes an overview of activities of the Group and details of all recent Group announcements.

Ken Hanna

Chairman
10 April 2018

Audit Committee Report

I am pleased to present the Audit Committee Report for the period ended 31 December 2017. The Audit Committee is primarily responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role also includes monitoring the integrity of the financial statements, reviewing internal control and risk management systems, reviewing key accounting policies and advising on the appointment of external auditors. The Terms of Reference for the Committee were agreed at the time of the IPO and are available from the Group's registered office.

Members of the Audit Committee

The Committee consists of two independent non-executive directors, Ken Hanna (as Chair) and Ian Metcalfe, whose details and qualifications are set out in the Board of Directors section. The Committee met once in the period between the IPO in July 2017 and the year end at which both members were present.

Duties

The main items of business considered by the Audit Committee included:

- review of the FY17 audit plan;
- consideration of key audit matters and how they are addressed;
- review of suitability of the external auditor;
- review of the financial statements and Annual Report;
- consideration of the external audit report;
- going concern and viability statement review;
- review of the risk management and internal control systems; and
- meeting with the external auditor

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, Deloitte LLP, to ensure that auditor independence and objectivity are maintained. Deloitte LLP were appointed in 2013, following an audit tender process; and Jonathan Dodworth the current audit partner has held this role since the 2016 audit. The Committee will keep under review the need for an external audit tender.

As part of its review the Committee monitors the provision of non-audit services by the external auditor, however, no formal policy exists. The breakdown of fees between audit and non-audit services is provided in Note 4 of the Group's financial statements.

The non-audit fees primarily relate to on going tax advice and tax compliance work for the Group and non recurring work provided in relation to the IPO in July 2017. The Deloitte work for the IPO included tax advice and reporting on the historical financial information in the Admission document. Deloitte was chosen for this work for cost and efficiency reasons given their prior knowledge of the business.

The Audit Committee also assesses the auditor's performance. Having reviewed the auditor's independence and performance, the Audit Committee recommends that Deloitte LLP be reappointed as the Group's auditor at the next AGM, to be held on 24th May.

Audit process

The auditor prepares an audit plan for the review of the financial statements. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presented its findings to the Audit Committee for discussion. Significant issues considered this year, included accounting for the IPO transaction, valuation of the rental assets and the carrying value of goodwill. No major areas of concern were highlighted by the auditor during the period.

Internal Audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one. This decision will be reviewed each year.

Risk management and internal controls

As described in the corporate governance report, the Group has established a framework of internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the period, the Committee has reviewed the principal risks, controls and mitigating actions; and the Committee is satisfied that the internal control systems in place are currently operating effectively.

Whistle blowing

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing item on the Committee's agenda. The Committee is comfortable that the current policy is operating effectively.

Anti-bribery

The Group has in place an anti-bribery and anti-corruption policy which sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the current policy is operating effectively.

Annual Report and Accounts

Having taken all the matters considered by the Committee and brought to the attention of the Board during the year into account, we are satisfied that the annual report and accounts, taken as a whole, are fair, balanced and understandable.

The Board believes that the disclosures set out on pages 54 to 96 of the annual report provide the information necessary for shareholders to fairly assess the company's position and performance, business model and strategy.

Ken Hanna

Chairman
10 April 2018

Remuneration Committee Report

Introduction

The Remuneration Committee was created on Admission of the Company to AIM in July 2017. It is chaired by Ian Metcalfe and also includes Ken Hanna. The Terms of Reference for the Committee were agreed at the time of the IPO and are available from the Group's registered office. The Committee met once in the period between the IPO in July 2017 and the year end, at which both members were present. The Company is listed on the AIM market of the London Stock Exchange and, as such, the following disclosures are prepared on a voluntary basis.

Executive directors remuneration

The executive directors remuneration packages are designed to attract, retain and motivate directors of the highest calibre and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and the determination of their annual remuneration package is determined by the committee.

There are three main elements of the remuneration package for executive directors and senior managers

Basic salary and benefits

Base salary, benefits in kind and company pension contribution are determined by the committee with reference to the experience and responsibilities of each individual and having regard to prevailing market conditions.

Annual Performance related bonus

Each executive director has an agreed bonus plan for the financial year, with total bonus payment linked to a combination of company financial targets and personal performance objectives. In 2017 the maximum bonus payable to the executive directors was 50% of base salary. In 2018 the maximum bonus payable to the executive directors will be 60% of base salary

Share Options

A Group share option scheme is in place as described in further detail below and the share options issued on admission to AIM are set out in the table below.

Directors service contracts

On admission to AIM in July 2017, the executive directors signed new service contracts with a rolling notice period of twelve months to be given by either party.

The non-executive directors have appointment letters with a notice period of three months if given by the director and one month if given by the Company.

Directors Remuneration

	SALARY AND FEES £000	BENEFITS IN KIND £000	PENSION £000	BONUS £000	2017 TOTAL £000	2016 TOTAL £000
EXECUTIVE DIRECTORS						
Greg Lawless	225			45	270	245
Piers Wilson	175	2	13	35	225	210
NON- EXECUTIVE DIRECTORS						
Ken Hanna	44				44	n/a
Ian Metcalfe	17				17	n/a

The salary figures above for the non-executive directors are for the period from their appointment on 25 July to the end of the period. The annual fees for Ken Hanna are £100,000 and Ian Metcalfe, £40,000. With effect from 1 January 2018, G Lawless' salary was increased by 3.1% to £232,000 per annum and P Wilson's salary was increased by 2.9% to £180,000 per annum.

Employee Shareholder Incentive Scheme

In addition to the remuneration above both G Lawless and P Wilson received fully paid up shares as part of the Employee Shareholder Incentive Scheme at the time of the IPO. G Lawless received 201,760 shares, worth £110,968 at the IPO price of 55p per share and P Wilson received 115,742 shares, with a value of £63,658.

Cancellation of nil and partly paid shares

As part of the pre IPO reorganisation, a total of 30,200 shares held by P Wilson, but not fully paid up, were cancelled and the related balance owing to the company waived. Under the Taxation of Chargeable Gains Act of 1992 the total deemed value of this waiver, using an unrestricted market value for the shares, was calculated to be £143,969.

Highest Paid Director

Taking into account the remuneration set out in the table above, the value of the one-off Employee Shareholder Incentive Scheme and the one off deemed value of the waiver of nil paid and partly paid shares as part of the pre IPO reorganisation, P Wilson was, on this basis, considered to be the highest paid director in the year.

Directors share holdings and share options

	NUMBER OF ORDINARY SHARES 31 DEC 2017	% OF ORDINARY SHARES IN ISSUE	NUMBER OF SHARES UNDER OPTION	DATE OF GRANT	EXERCISE PRICE	VESTING PERIOD
EXECUTIVE DIRECTORS						
Greg Lawless	4,127,214	3.6%	1,280,000	25 July 2017	55p	From 25 July 2019
Piers Wilson	143,647	0.1%	600,000	25 July 2017	55p	From 25 July 2019
NON- EXECUTIVE DIRECTORS						
Ken Hanna	90,000	0.1%	181,818	25 July 2017	55p	From 25 July 2019
Ian Metcalfe	90,000	0.1%	–			

On 5 January 2018 the Company exercised its call option to acquire all the remaining loan notes issued by the Group and held by G Lawless. G Lawless used the proceeds of such sale to subscribe for 2,513,541 new ordinary shares of 1p each issued by the Company. As a result, G Lawless now has a total beneficial holding of 6,640,755 ordinary shares in the Company, representing 5.7% of the Company's issued share capital.

Group share option scheme ("the Scheme")

As described above the Executive directors have been granted options under the Scheme set up on Admission to AIM in July 2017. Further details of the Scheme are set out below.

The Scheme allows for options to be issued over ordinary shares, up to a maximum of 10% of the Company's ordinary shares in issue at the time of grant, over a ten year period.

The option exercise price will usually be the mid market price of the shares on the date of grant. Total options were issued at Admission equal to approximately 4.6% of the number of ordinary shares in issue, with an exercise price of 55 pence. These initial option awards have no performance conditions and vest equally after two, three and four years from the date of grant.

It is intended that future option awards will have performance conditions, to be determined at the time of issue, and vest equally over three, four and five years from the date of award.

Customary malus and clawback provisions apply to all awards.

Ian Metcalfe

Non-Executive Director
10 April 2018

Directors' Report

Review of Business

The Chief Executive's review provides a review of the business, the Group's trading for the year to 31 December 2017 and an indication of future developments.

Dividends

The Company declared an interim dividend for the 2017 year on 25 September 2017 of 0.45 pence per share, which was paid 3 November 2017.

The Directors have recommended a final dividend for the year ended 31 December 2107 of 0.9 pence per share, subject to the approval of shareholders at the AGM, payable to those shareholders on the register on 8 June 2018. This will bring the total dividend for 2017 to 1.35 pence per share.

Going concern

Based on the overall strength of the Group's balance sheet, including the availability of committed but undrawn banking facilities with expiry dates not before December 2019; and together with a review of its forecast future operating budgets and forecasts, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This review of future operating budgets and forecasts included certain reasonable downside scenarios and confirmed that even in the case of such downside scenarios the Group could continue to operate and comply with all covenants in our banking facilities. Accordingly, the Directors have adopted the going concern basis in preparing the Annual Report and financial statements.

Financial risk management (Financial instruments)

The Group adopts a prudent approach to financial risk management, with an appropriate level of debt facilities and prepares weekly cash forecasts to provide visibility of cash and facility usage. The two main financial risks are considered to be:

Credit risk

The Group sets credit limits for all new customers granted credit. The Group generally contracts with clients with a strong financial strength, and credit risk is also mitigated by ensuring that a significant proportion of a contract's value is collected before the handover of the project to the client.

Interest rate risk

Since the IPO the Group has far less exposure to interest rate risk due to the lower level of total bank debt. Bank interest is charged at a fixed margin to LIBOR which has been agreed as part of the current financing arrangements. Changes in LIBOR will have an effect on interest expense and cash flows however, this is minimised by monitoring interest expense requirements against available cash flows and operating within agreed cash facilities

Branches outside the UK

The Group has overseas subsidiaries as listed in Note 12 and a branch in South Korea.

Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

G Lawless
P Wilson
K Hanna
I Metcalfe

Details of each director's interest in the company and remuneration details are provided in the Remuneration Committee Report.

Directors' qualifying third party indemnity provision (Insurance)

Arena Events Group plc has indemnified, by means of directors and officers liability insurance, the directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions were in force during the year and are in force as at the date of approving the directors' report.

Material Interests

So far as the Board is aware, no director had any material interest in a contract of significance (other than their service contract) with the company or any of its subsidiary companies during the period.

Political contributions

No political contributions or donations were made during the year.

Capital Structure

Details of the issued share capital, together with details of the movements during the year, are shown in Note 22 to the Consolidated Financial Statements. The Company has one class of ordinary share and each ordinary share carries the right to one vote at general meetings of the Company.

Substantial Shareholdings

As at the most recent practicable date, the company had been notified of the following shareholders with a beneficial interest of over 3%.

	NO. OF ORDINARY SHARES HELD	% OF ISSUED SHARE CAPITAL
LOMBARD ODIER (EUROPE) S.A.	16,501,090	14.1%
MITON ASSET MANAGEMENT LIMITED	14,550,000	12.4%
ENNISMORE FUND MANAGEMENT LIMITED	8,725,000	7.4%
HARGREAVE HALE LIMITED	8,454,197	7.2%
BLACK ROCK INVESTMENT MANAGEMENT (UK) LIMITED	7,177,909	6.1%
TELLWORTH INVESTMENTS	6,979,368	6.0%
GREG LAWLESS (CEO)	6,640,755	5.7%
LIVINGBRIDGE EP LLP	4,555,000	3.9%
BMO GLOBAL ASSET MANAGEMENT	3,970,344	3.4%
ISLANDBRIDGE CAPITAL LIMITED	3,891,796	3.3%
RUFFER UK MID AND SMALLER COMPANIES FUND	3,635,000	3.1%

Subsequent Events

Details of events that have occurred after the balance sheet date can be found at note 36 to the account and are also set out below:

Purchase of loan notes and interest

On 5 January 2018 the Company exercised its call option to acquire all the remaining loan notes issued by the Group, held by G Lawless, CEO, and Gaitsford Investments Limited (a company owned and controlled by G Lawless) ("Gaitsford"). G Lawless and Gaitsford each used the proceeds of such sale to subscribe for an aggregate of 2,513,541 new ordinary shares of 1p each issued by the Company.

The new shares commenced trading on 11 January 2018 and from that date the total number of shares in issue and total voting rights was 117,153,481. As a result of these transactions, G Lawless has a total beneficial holding of 6,640,755 ordinary shares in the Company, representing 5.7% of the Company's issued share capital.

Amendment of HSBC Banking Facilities

On 12 January 2018 the Group agreed an amendment to the Group's non-US banking facilities with HSBC Bank to reduce the interest margin on its main facilities to between 1.5% and 2.5% depending on the level of leverage. An additional acquisition facility of £5m was secured, available to be drawn down until January 2019 on the same terms as the existing facilities described in Note 20 to the accounts.

Acquisition of the GLD Productions Ltd business

On 1 February 2018 the Group acquired the business and assets of GLD Productions Ltd for total expected consideration of £0.9 million. GLD supplies furniture to concerts, music festivals, fashion shows, sporting occasions and corporate hospitality events across the UK. GLD's stock and staff have been incorporated into Arena's Spaceworks Furniture Hire division at its Membury facility. This acquisition is expected to add approximately £1.5m in annual revenue in 2018.

US Legal matter

Arena Event Services Inc ("Arena Americas") was notified by the US Attorney's Office ("USAO") in March 2018, that it has launched an investigation into Arena America's relationship with a previous customer. This customer, we were informed by the USAO, has formally been charged for a violation related to the Small Business set-aside program for business conducted between 2007 and 2017. Since 2013, when Arena acquired the Americas business, total revenue generated from contracts with this customer has been $4m with EBITDA of approximately $0.5m. Based on other similar cases, fines of up to 2 times revenues or profits have been imposed, implying a possible range of fines between $1m and $8m. We continue to pro-actively engage with the USAO in order to draw this matter to a conclusion as soon as possible. However, as this date, we are not in a position to finalise this matter with the USAO.

Directors' Report continued

Employee involvement

The Group places considerable value on the involvement of its employees and keeps them informed on all aspects of the business and its progress, which the directors consider to be relevant. Communication is effected through regular internal newsletters and an annual employee survey is undertaken to better understand any employee concerns or suggestions to improve our employment practices.

Disabled employees

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Equal opportunities

It is Group policy and practice that selection for employment and promotion is based on the objective assessment of ability and experience, free from discrimination on any grounds.

Greenhouse Gas Emissions

Given that the Company was only incorporated during the year it has not been possible or practical to collect any meaningful data with regard to greenhouse gas emissions from the groups operating units. However, the Group looks to minimise any greenhouse gas emissions where possible and further information is included in the CSR report. GGE data will be collected where possible in 2018 and reported in the 2018 report and accounts.

Viability Statement

The Directors have assessed the viability of the Group over a three year period, taking account of the Group's current position and prospects, its strategic plan and the principal risks and how these are managed. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period.

In making this assessment, the Directors have considered the resilience of the Group in severe but plausible scenarios, taking into account the principal risks facing the Group as detailed in the Risk and Mitigation report and the effectiveness of any mitigating actions. The Directors' assessment considered the potential impacts of these scenarios, both individually and in combination, on the Group's business model, future performance, solvency and liquidity over the period. Sensitivity analysis was also used to stress test the Group's strategic plan and to confirm that sufficient headroom would remain available under the Group's credit facilities. The Directors consider that under each of these scenarios, the mitigating actions would be effective and sufficient to ensure the continued viability of the Group.

The Directors believe that three years is an appropriate period for this assessment, reflecting the nature of the Group's contract base; key markets; and the nature of its businesses and products.

Auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Directors are aware, there is no relevant audit information of which the auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Deloitte LLP has indicated their willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

P Wilson

Company Secretary
10 April 2018

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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 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 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 10 April 2018 and is signed on its behalf by:

Greg Lawless

Chief Executive Officer
10 April 2018

Piers Wilson

Group Finance Director
10 April 2018

Arena installed a 3,500sqm stage and 8,000 seats at the WorldSkills Competition, the worlds biggest vocational education and skills event.

Finance

World Skills Festival – October 2017

Independent Auditor's Report to the Members of Arena Events Group PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Arena Events Group plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- 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 and parent company cash flow statement;
- the statement of principal accounting policies; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Carrying value of goodwill • Accounting for the IPO transaction • Valuation of hire fleet
Materiality	The materiality that we used for the group financial statements was £1.1m which was determined on the basis of 1% of revenue for the year.
Scoping	We focused our Group audit scope primarily on the audit work at three components, representing the Group's most material marketing operations and assets. These three components account for 90% of the Group's revenue, 99% of the Group's EBITDA and 93% of the Group's total assets.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of goodwill

Key audit matter description	We consider the carrying value of goodwill (£34.2m recognised for the three CGUs in the UK, US, and Middle East/Asia) and potential impairment to be a key audit matter because of the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability. We consider the key inputs into the impairment model to be the growth rate, discount rate and terminal value. Refer to Note 1 "Principal accounting policies" on goodwill, as well as to Note 9 "Goodwill".
How the scope of our audit responded to the key audit matter	We have challenged the reasonableness of management's key judgements, by performing the following: • Evaluating the design and implementation of controls around the impairment review carried out by management; • Engaging Deloitte industry valuation specialists to challenge the discount rate applied, and the assumptions and inputs used to calculate the discount rate, by comparing to independently derived assumptions; • Testing the clerical accuracy of management's impairment model; and, • Assessing one-off items which management has identified as impacting the current year and the risk of these items being pervasive in the business of each of the CGU at which goodwill has been recognised. We tested the sensitivity of the impairment test in relation to reasonably possible changes in each of the key assumptions and reviewed management's sensitivity disclosure to check compliance with the financial reporting standards. We also assessed whether the group's disclosures about the sensitivity of outcomes reflected the risks inherent in the valuation of goodwill.
Key observations	We concluded that the key assumptions used within management's goodwill impairment assessment were reasonable, and are consistent with the Group's longer term viability and going concern assessment

Independent Auditor's Report Continued

Accounting for the IPO transaction

Key audit matter description	During the year the Group floated on the Alternative Investment Market of the London Stock Exchange raising net £55.8m. The incremental costs directly attributable to the share issue need to be accounted for as a deduction from equity. All other expenses should be recognised as an expense for the year. The classification of these expenses affects the numbers presented on the income statement, the balance sheet and the cash flow statement. Refer to Note 1 "Significant judgements" on exceptional items and Note 22 "Share capital".
How the scope of our audit responded to the key audit matter	Our work focused on tracing expenses recognised against equity as part of the IPO transaction to supporting documents. Based on the description of the services provided we derived an understanding of the composition of these items and challenged management's assessment as to the incremental and direct nature in relation to the IPO based on the services received, their timing and purpose. We assessed the design and implementation of related controls. We evaluated the mathematical accuracy of these items and the appropriate allocation against equity components.
Key observations	We concluded that the items recognised against equity in the consolidated and Parent company balance sheet are reasonable in accounting for the IPO transaction.

Valuation of hire fleet

Key audit matter description	The underlying assumption used to determine the valuation of the hire fleet (fixed assets) of £34.0m at year end, have been reassessed by management during the year. In particular management has updated the useful economic life (UEL) for some assets to align global depreciation rates and the residual value (RV) of certain metal assets to 10%-15% of the original cost. Changes to the UEL and updating the RV impact the related depreciation charge and the value of the hire fleet (fixed assets) at the reporting date. Refer to Note 1 "Principal accounting policies" on tangible fixed assets, Note 1 "Key estimation uncertainties" on useful economic life and residual value and Note 11 "Tangible fixed assets".
How the scope of our audit responded to the key audit matter	We have challenged the assumption employed by Group management by comparing the UEL across subsidiaries and the inputs used by local management and assessing the reasonableness of these inputs against the past experience the business has had with useful lives of equipment. To determine the new RV for the hire fleet we compared the RV applied with average scrap metal prices in each geographical location. In particular we understood the justifications and reasonableness included in the paper prepared by management to support the reassessment. We assessed the design and implementation of the relevant review process control. We also tested the application of the new assumptions across the same asset classes and the accuracy of the related calculations.
Key observations	We concluded that the valuation of hire fleet and the changes in the accounting estimates are reasonable and in-line with the Group's operations and the valuation.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.1m	£595,000
Basis for determining materiality	1% of Group revenue for the year.	1% of Equity
Rationale for the benchmark applied	Revenue generated by the Group indicates its ability to generate returns on assets employed and is an indication of the effectiveness of the Group's commercial policy.	The Parent company holds the investment is all trading entities of the Group, and does not trade itself.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £55,000 for the group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

The Group operates through a number of legal entities which form reporting components based on geographical location. Audits for Group reporting purposes were performed over significant components, representing 90% of Group revenue and 99% of Group EBITDA for the year, and 93% of total assets as at year end.

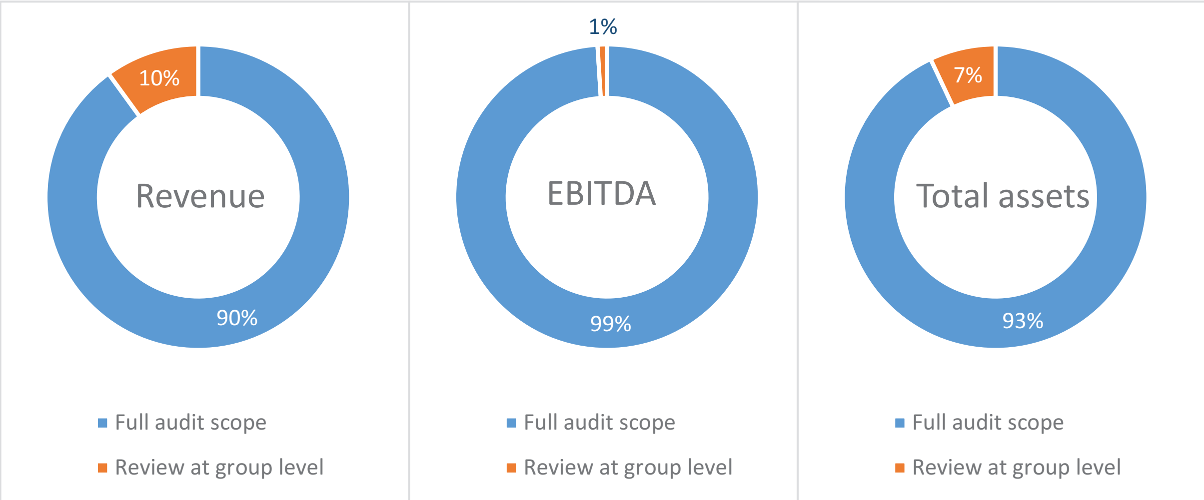
We focused our Group audit scope on components based in the following locations with component materiality ranging between £131k to £645k:

- UK
- US
- UAE

At the Parent entity level we tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit.

The work on all components was performed by the component auditors based in each location under the direction and supervision of the Group engagement partner. During the course of the audit telephone conference meetings were held with the local auditors covering planning, fieldwork and completion.

Independent Auditor's Report Continued



Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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 or 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.

Opinion on other matter prescribed by our engagement letter

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Jonathan Dodworth (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK

10 April 2018

Consolidated Income Statement

Year ended 31 December 2017

	Note	2017 £m	2016 £m
REVENUE	2	109.6	93.2
Cost of sales	3, 4	(74.0)	(63.9)
GROSS PROFIT		35.6	29.3
Administrative expenses	3, 4	(35.3)	(28.3)
Share of profit from joint venture		–	0.2
OPERATING PROFIT		0.3	1.2
Analysed as:			
Earnings before interest, taxation, depreciation, exceptional items, share option costs and intangible amortisation		10.6	8.5
Depreciation	4	(5.2)	(5.7)
Exceptional administrative expenses	4	(4.9)	(1.6)
Share option costs		(0.1)	–
Intangible amortisation	10	(0.1)	–
		0.3	1.2
Finance costs	7	(3.2)	(4.8)
LOSS BEFORE TAXATION		(2.9)	(3.6)
Tax on loss on ordinary activities	8	(0.2)	(0.2)
LOSS AFTER TAXATION		(3.1)	(3.8)
Attributable to:			
Owners of the Company		(3.2)	(3.9)
Non-controlling interests		0.1	0.1
		(3.1)	(3.8)
LOSS PER SHARE			
Basic pence per share	6	(2.8)	(3.6)
Diluted pence per share		(2.8)	(3.5)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
LOSS FOR THE YEAR	(3.1)	(3.8)
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		
Exchange differences on translation of foreign subsidiaries	(1.1)	1.0
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX	(1.1)	1.0
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR	(4.2)	(2.8)
Total comprehensive loss attributable to:		
Owners of the company	(4.3)	(2.9)
Non-controlling interest	0.1	0.1
	(4.2)	(2.8)

Consolidated Balance Sheet

As at 31 December 2017

	Note	Group 2017 £m	Group 2016 £m
NON-CURRENT ASSETS			
Goodwill and other intangibles	9,10	34.8	33.8
Property, plant and equipment	11	34.0	32.2
Interests in joint ventures		-	0.4
Trade and other receivables due after one year	14	0.4	1.1
		69.2	67.5
CURRENT ASSETS			
Inventories	13	4.3	2.7
Trade and other receivables	14	13.8	12.5
Cash and cash equivalents		4.3	1.6
		22.4	16.8
CURRENT LIABILITIES			
Trade and other payables	16	(11.4)	(9.9)
Current tax liabilities		-	(0.2)
Obligations under finance leases and hire purchase contracts		(0.7)	(0.4)
Borrowings		-	(1.5)
Accruals, deferred revenue and deferred consideration		(8.6)	(7.4)
		(20.7)	(19.4)
NET CURRENT ASSETS / (LIABILITIES)		1.7	(2.6)
TOTAL ASSETS LESS CURRENT LIABILITIES		70.9	64.9
NON-CURRENT LIABILITIES			
Borrowings	20	(15.2)	(29.2)
Loan note and interest	17	-	(33.3)
Net obligations under finance leases and hire purchase contracts		(0.8)	(0.8)
Deferred tax liabilities	19	(0.4)	(0.3)
		(16.4)	(63.6)
NET ASSETS		54.5	1.3

Consolidated Balance Sheet Continued

As at 31 December 2017

	Note	Group 2017 £m	Group 2016 £m
EQUITY			
Share capital	22	1.1	1.1
Share premium account	23	57.3	57.3
Merger reserve	24	10.9	(47.2)
Share option reserve	25	0.1	-
Retranslation reserve		(1.5)	(0.4)
Retained earnings		(13.4)	(9.7)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY		54.5	1.1
Non-controlling interest		-	0.2
TOTAL EQUITY		54.5	1.3

The financial statements of Arena Events Group Plc, (company registration number 10799086), were approved by the Board of Directors and authorised for issue on 10 April 2018.

P Wilson
Director

Signed on behalf of the Board of Directors

Company Balance Sheet

As at 31 December 2017

	Note	Company 2017 £m
NON-CURRENT ASSETS		
Investments	12	1.0
Trade and other receivables due after one year	14	5.1
		6.1
CURRENT ASSETS		
Trade and other receivables	14	58.8
Cash and cash equivalents		-
		58.8
CURRENT LIABILITIES		
Trade and other payables	16	(2.6)
Accruals, deferred revenue and deferred consideration		(0.3)
		(2.9)
NET CURRENT ASSETS		55.9
TOTAL ASSETS LESS CURRENT LIABILITIES		62.0
NET ASSETS		62.0
EQUITY		
Share capital	22	1.1
Share premium account	23	57.3
Merger reserve	24	1.1
Share option reserve	25	0.1
Retained earnings		2.4
TOTAL EQUITY		62.0

As permitted by Section 408 of the Companies Act 2006, the parent company's income statement has not been presented in these financial statements. The parent company's result for the financial year was a loss of £2.1m (2016: £nil). The financial statements of Arena Events Group Plc, (company registration number 10799086), were approved by the Board of Directors and authorised for issue on 10 April 2018.

P Wilson
Director

Signed on behalf of the Board of Directors

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

Group	Share capital £m	Share premium £m	Merger reserve £m	Share option reserve £m	Re-translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2016	1.1	57.3	(47.2)	–	(1.4)	(5.8)	–	4.0
Loss for the period	–	–	–	–	–	(3.9)	0.2	(3.7)
Other comprehensive income:								
Translation of foreign subsidiaries	–	–	–	–	1.0	–	–	1.0
Total comprehensive income for the year ended 31 December 2016	–	–	–	–	1.0	(3.9)	0.2	(2.7)
Balance at 31 December 2016	1.1	57.3	(47.2)	–	(0.4)	(9.7)	0.2	1.3
Loss for the period	–	–	–	–	–	(3.2)	(0.2)	(3.4)
Other comprehensive income:								
Translation of foreign subsidiaries	–	–	–	–	(1.1)	–	–	(1.1)
Total comprehensive income for the year ended 31 December 2017	–	–	–	–	(1.1)	(3.2)	(0.2)	(4.5)
Transactions with owners:								
Dividends paid	–	–	–	–	–	(0.5)	–	(0.5)
Issue of share capital	–	–	58.1	–	–	–	–	58.1
Share option reserve	–	–	–	0.1	–	–	–	0.1
Total transactions with owners	–	–	58.1	0.1	–	(0.5)	–	57.7
Balance at 31 December 2017	1.1	57.3	10.9	0.1	(1.5)	(13.4)	–	54.5

Company Statement of Changes in Equity

For the year ended 31 December 2017

Company	Share capital £m	Share premium £m	Merger reserve £m	Share option reserve £m	Retained earnings £m	Total equity £m
Balance at 01 June 2017	–	–	–	–	–	–
Loss for the period	–	–	–	–	(2.1)	(2.1)
Other comprehensive income:						
Dividend received	–	–	–	–	5.0	5.0
Total comprehensive income for the year ended 31 December 2017	–	–	–	–	2.9	2.9
Transactions with owners:						
Dividends paid	–	–	–	–	(0.5)	(0.5)
Issue of share capital	1.1	57.3	1.1	–	–	59.5
Share option reserve	–	–	–	0.1	–	0.1
Total transactions with owners	1.1	57.3	1.1	0.1	(0.5)	59.1
Balance at 31 December 2017	1.1	57.3	1.1	0.1	2.4	62.0

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
NET CASH FROM OPERATING ACTIVITIES	32	3.3	–
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in joint venture		–	(0.2)
Investment in business combination, net of cash acquired		(0.3)	(0.6)
Other assets acquired		(0.6)	(0.9)
Acquisition of business assets	26	(2.1)	–
Deferred consideration		(0.4)	(0.8)
Proceeds on disposal of property, plant and equipment		0.2	0.3
Purchases of property, plant and equipment		(6.7)	(4.1)
NET CASH USED IN INVESTING ACTIVITIES		(9.9)	(6.3)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in borrowings	33	2.0	18.8
Decrease in borrowings	33	(16.9)	(12.9)
Principal repayments under finance lease		–	(0.2)
Proceeds on issue of shares net of costs		55.7	–
Repayment of loan notes	33	(20.6)	–
Payment of loan note interest		(10.4)	–
Dividend paid	35	(0.5)	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		9.3	5.7
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2.7	(0.6)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		1.6	1.9
Effect of foreign exchange rate changes		–	0.3
CASH AND CASH EQUIVALENTS AT END OF YEAR		4.3	1.6

Company Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 £m	2016 £m
NET CASH FROM OPERATING ACTIVITIES	34	(1.9)	–
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received		5.0	
NET CASH GENERATED FROM INVESTING ACTIVITIES		5.0	–
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds on issue of shares		55.7	–
Lending to subsidiaries		(58.3)	–
Dividend paid	35	(0.5)	–
NET CASH USED IN FINANCING ACTIVITIES		(3.1)	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		–	–
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		–	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		–	–

Notes to the Financial Statements

1 Principal accounting policies

Basis of preparation

The principal accounting policies of the company are set out below. They have all been applied consistently throughout the year and the preceding year.

Arena Events Group Plc (the company) is a public company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The consolidated financial statements of Arena Events Group Plc are available from the registered office at 4 Deer Park Road, London SW19 3GY.

The principal activities of the company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 1.

The financial statements have been prepared for Arena Events Group Plc and its subsidiaries (referred to as "the Group").

The financial statements are prepared in accordance with applicable IFRS including standards and interpretations issued by the International Accounting Standards Board as adopted by the EU and in accordance with Article 4 of the IAS Regulation. The financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies below certain items, including derivatives, held for trading investments and available for sale investments, are shown at fair value.

The preparation of the financial statements requires estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If, in the future, such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Going concern

In 2017, the Group traded well and generated an operating profit of £0.3m (2016: £1.2m) and complied with all covenants on its UK and US bank borrowings (note 20).

The directors have prepared detailed trading forecasts for the Group for 2018 and 2019, and these indicate that all interest and capital repayments due for the foreseeable future will be made, and that the Group will be cash positive. As such, the directors have a reasonable expectation that the Group will continue to have sufficient funds in order to meet all of its financial obligations as they fall due, not only in relation to the renewed financing arrangements but also to suppliers and other creditors as part of the ongoing trading of the Group.

Based on this assessment the directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future and have, therefore, prepared the historical financial information contained herein on a going concern basis.

Application of new and revised International Financial Reporting Standards

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 01 January 2017.

Notes to the Financial Statements Continued

Amendments to IAS7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of borrowings (note 19). A reconciliation between the opening and closing balances of these items is provided in note 19. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 19, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to IAS12 Recognition of Deferred Tax Assets for Unrealised Losses

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments (January 2018)
IFRS 15	Revenue from Contracts with Customers (January 2018)
IFRS 16	Leases (January 2019)
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions (January 2018)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Date to be confirmed)
Amendments to IAS 40	Annual Improvements to IFRS Standards 2014-2016 Cycle (January 2018)
IFRIC 22	Foreign Currency Transactions and Advance Consideration (January 2018)

IFRS 15, IFRS 16 and IFRS 9 are detailed further below. The group is not expecting any material changes from implementing the remaining other standards noted above.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes the previous revenue recognition guidance including IAS 18 Revenue and IAS 11 Construction Contracts, and is effective for the Group from 1 January 2018. The Group will therefore adopt IFRS 15 for the year ending 31 December 2018 and will adopt the full retrospective approach with restatement of comparatives.

The core principle of IFRS 15 is that an entity should recognise revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The following revenue streams have been identified as being impacted by the adoption of the new standard:

Area	Current treatment	New treatment under IFRS 15
Rental hire	Revenue and profit is recognised as supplied. For projects that extend over a period end, revenue and profit is recognised over the total project duration based upon estimated costs incurred and an internal assessment of the proportion of the project that has been delivered to the customer.	Contract revenue will be allocated between the four primary components of a contract, design, build, rental period and dismantle. A proportion of revenue will be allocated to each of these obligations and recognised on the relevant date in the case of design, build and dismantle and over the period between handover and dismantle in the case of the rental component.
Capital sales	Revenue and profit is recognised on handover at which point the risks and rewards are transferred to the customer.	Revenue and profit will be recognised on handover at which point the risks and rewards are transferred to the customer. i.e no change to current treatment.

The Group is still assessing the level of any potential impact of the adoption of this standard.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. IFRS 16 will supersede the current guidance on leases including IAS 17 and the related interpretations when it becomes effective for the Group's financial year commencing 1 January 2019.

Under IFRS 16, the distinction between operating leases (off balance sheet) and finance leases (on balance sheet) are removed for accounting purposes and replaced with a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees. As a result, all leases will be on balance sheet except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation. The lease liability is initially measured at the present value of the lease payments. Subsequently, the lease liability is adjusted for interest and lease payments. As a consequence EBITDA will increase because operating lease expenses currently included in EBITDA will be recognised instead as amortisation/depreciation of the right-of-use asset and interest expense on the lease liability. However, there may be an overall reduction in profit before tax in the early years of a lease because the amortisation and interest charges will likely exceed the current straight line expense incurred under IAS 17. In addition, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented within operating cash flows, whereas under IFRS 16 the payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of £14.3m (see note 28). A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify as short-term or low value leases. The new requirement to recognise a right-of-use asset and related lease liability is expected to have a significant impact on the amounts recognised in the Group's financial statements. Management are currently assessing the potential impact and at this stage it is not practicable to provide a reasonable estimate of the financial effect until this review is complete.

Notes to the Financial Statements Continued

IFRS 9 Financial instruments

IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Our initial review of IFRS 9 has indicated that the impact of this new standard on the Group's results is unlikely to be material.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the company and all its subsidiary undertakings made up to 31 December 2017. Business combinations are accounted for by the acquisition method of accounting. The results of subsidiary undertakings acquired during the period are included in the consolidated profit and loss account from the effective date of acquisition. Those companies sold during the year are included up to the effective date of disposal. Turnover and profits arising on trading between Group companies are eliminated fully on consolidation.

On the acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to these assets and liabilities that arise after the Group gained control of the subsidiary are charged or credited to the post acquisition profit and loss account.

All subsidiary undertakings have an accounting reference date of 31 December.

Reorganisation

On 25 July 2017, the Group completed the initial public offering ("IPO") of its ordinary shares and was admitted to the Alternative Investment Market of the London Stock Exchange. The Company was initially incorporated as Arena Events Group Limited on 01 June 2017 and was registered as a public company and changed its name to Arena Events Group Plc on 07 July 2017. Prior to listing, the Company became the holding company of the Group through the acquisition of the full share capital of AES Arena Event Services Group Holdings Limited ("Group Holdings") and its subsidiaries (the "Existing Group"). Shares in Group Holdings were exchanged for 1,906,099 shares in the Company. These shares were issued and credited as fully paid of 55 pence each giving rise to combined share capital and share premium of £1m.

Both the Company and the Existing Group were under common control before and after the reorganisation. As a common control transaction, this does not meet the definition of a business combination under IFRS 3 Business Combinations and as such, falls outside the scope of that standard. As a consequence, following guidance from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the introduction of the company has been prepared under merger accounting principles. This policy, which does not conflict with IFRS, reflects the economic substance of the transaction. Under these principles, no acquirer is required to be identified and all entities are included at their pre-combination carrying amounts. This accounting treatment leads to differences on consolidation between share capital and share premium in issue (£1.1m) and the book value of the underlying net assets acquired, this difference is included within equity as a merger reserve. Under these principals, the Group has presented its Financial Statements of the Group as though the current Group structure had always been in place. Accordingly, the results of the combined entities for both the current and prior period are presented as if the Group had been in existence throughout the periods presented, rather than from the restructuring date.

Foreign currency translation

During the year foreign currency transactions are translated using the exchange rate in operation on the date on which the transaction occurred. Any exchange gain or loss occurring as a result of a business transaction being settled at an exchange rate that differs from that used when the transaction was originally recorded is credited or charged to the profit and loss account.

On consolidation, foreign entities balance sheets and profit and loss are recorded using the closing rate method.

Goodwill

Goodwill is measured in line with IFRS 3, being the excess of the sum of consideration transferred over the amounts of the acquired net assets.

Goodwill is not amortised but is reviewed for impairment on an annual basis. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

Customer Relationship Costs

Customer relationship costs are an estimated value attributed to key current customers acquired.

The intangible asset arising is being amortised on a straight line basis in line of 3 to 5 years from the date the new business assets went into service. This is based on the expected beneficial life of the key customer. The directors consider this represents the useful economic benefit of the key customers.

Development Costs

Development costs are calculated as those costs incurred to develop a new product to add to the businesses offering.

The intangible asset arising on development is being amortised on a straight line basis over 15 years from the date the new product went into service. The directors consider 15 years to represent the useful economic benefit of the product.

Tangible fixed assets

Tangible fixed assets, which include assets acquired for hire, are capitalised at their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets on a straight line basis over their estimated useful economic lives as follows:

Hire equipment (metal)	Between 15 and 25 years
Hire equipment (non-metal)	Between 3 and 10 years
Plant and machinery	Between 2 and 7 years
Motor vehicles	Between 3 and 5 years
Fixtures and fittings	Between 3 and 6 years

During the year the Group reviewed the residual value of its hire equipment (metal) and useful economic life of its hire equipment assets. This had the effect of reducing the annual depreciation charge associated with these assets.

Notes to the Financial Statements Continued

Investments
Investments in subsidiary undertakings are stated at purchase cost of acquisition (including any incidental cost of acquisition), together with the amount of any long-term loans advanced to those undertakings.

Where, in the opinion of the directors, there has been an impairment of the investments, appropriate provisions are made and charged to the profit and loss account.

Inventories
Raw materials are stated at the lower of cost and net realisable value. Raw material cost is determined on a first in first out basis. Provision is made where necessary for obsolete, slow moving and defective stocks.

Work in progress has been valued at the lower of cost and net realisable value and includes costs incurred on long term contracts. Costs include direct materials and direct labour only. Provided that the outcome of any material long-term contracts ongoing at the year-end can be assessed with reasonable certainty, attributable profit earned to date is recognised in the profit and loss account and work in progress is stated net of amounts transferred to cost of sales, net of payments received on account.

Exceptionals
The Group considers material one-off items to be exceptional in nature. These are presented separately on the face of the income statement and detailed in note 4. Recognition of these costs as being exceptional in nature is to provide an indication of the Group's underlying business.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term bank deposits with maturity of three months or less, which are used by the Group in the management of its short term commitments.

Finance costs/income
Initial debt issue costs are charged to the profit and loss account on a straight line basis over the term of the facility. All other borrowing costs and finance income are recognised in the profit and loss in the period in which they are incurred.

Taxation
Current tax, including UK corporation tax and foreign 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.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

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 reserve, 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.

Revenue
Revenue, which excludes value added tax, sales between Group companies and trade discounts, represents the value of goods and services and is recognised as supplied.

For activities and events that extend over a period of time, revenue is recognised over their duration with the estimated revenue on the event evenly allocated over the event period.

Revenue received and receivable in advance of events that have not occurred before the year end are retained in deferred income.

Capital sales revenue is recognised on handover at which point the risks and rewards are transferred to the customer.

Pension costs
The group contributes to various defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. Contributions to the schemes are charged to the profit and loss account in the year/period in which they are incurred.

Share-based payment transactions
Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date (note 25). The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Leases
Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Where assets are financed by leasing arrangements which transfer substantially all the risks and rewards of ownership of an asset to the lessee, the assets are treated as if they had been purchased and the corresponding capital cost is shown as an obligation to the lessor, and the finance costs being written off to the profit and loss account over the primary period of the lease. The assets are depreciated over the shorter of their estimated useful lives and the lease period.

Financial assets
All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial liabilities
Financial liabilities held by the Group are classified as other financial liabilities at amortised cost.

Related party disclosures
Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation. Transactions between the group and its associates are disclosed in note 31.

Notes to the Financial Statements Continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the Group financial statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Significant key estimation uncertainties, and judgements are provided below.

Key estimation uncertainties:

Provision for bad debt	Provision for bad debts is made against specific balances that are considered by the group to be irrecoverable or where there may exist a risk that a debtor balance may not be fully recoverable. Depending on the customer profile, the specific provision is supplemented by a general amount to take into account a large number of smaller balances and the risk profile of customers with whom the Group trades. Trade debtor balances are shown net of amounts provided. 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.
Useful economic life and residual value of assets	The assessment of the useful economic life and residual value of the Group's fixed assets involves a significant amount of judgement based on historical experience with similar assets as well as anticipation of future events which may impact their useful life and residual value. A review of useful lives and residual value took place during the year.

Significant judgements:

Exceptional items	The Group applies judgement in identifying the significant non-recurring items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business performance.
Share options and other equity instruments	The selection of valuation models, such as the Black–Scholes model, and parameters used in order to determine the fair value of certain share awards requires judgement.

Other estimates, assumptions and judgements are applied by the Group which are evaluated on a continual basis but are not significant.

2 Segment Reporting

The Group has three reportable segments: UK and Europe (UKE), Middle East and Asia (MEA) and America (US). For each of the three segments, the Group's chief operating decision maker (the "Board") reviews internal management reports on a monthly basis.

The accounting policies of the reportable segments are the same as described in note 1. Information regarding the results of each reportable segment is included below. Segment results before exceptional items are used to measure performance as management believes that such information is the most relevant in evaluating the performance of certain segments relative to other entities that operate within these industries.

Year ended 31 December 2017	UKE £m	MEA £m	US £m	Total £m
Revenue				
Rental	44.9	18.2	42.5	105.6
Capital sales	1.2	1.1	1.7	4.0
TOTAL REVENUE	**46.1**	**19.3**	**44.2**	**109.6**
Gross Profit				
Rental	13.7	7.0	12.8	33.5
Capital sales	0.4	0.6	1.1	2.1
TOTAL GROSS PROFIT	**14.1**	**7.6**	**13.9**	**35.6**
Administration expenses	(8.9)	(5.7)	(9.5)	(24.1)
SEGMENT RESULT	**5.2**	**1.9**	**4.4**	**11.5**
Central administrative expenses				(0.9)
Earnings before interest, taxation, depreciation, exceptional items, share option costs and intangible amortisation				10.6
RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX				
Segment result				
Depreciation and amortisation				(5.3)
Exceptional costs				(4.9)
Share option costs				(0.1)
Net finance expense				(3.2)
LOSS BEFORE TAX				(2.9)

Notes to the Financial Statements Continued

Year ended 31 December 2016	UKE £m	MEA £m	US £m	Total £m
Revenue				
Rental	37.8	14.2	36.2	88.2
Capital sales	2.0	1.2	1.8	5.0
TOTAL REVENUE	**39.8**	**15.4**	**38.0**	**93.2**
Gross Profit				
Rental	11.1	5.9	10.0	27.0
Capital sales	0.7	0.5	1.1	2.3
TOTAL GROSS PROFIT	**11.8**	**6.4**	**11.1**	**29.3**
Administration expenses	(7.5)	(4.3)	(8.5)	(20.3)
SEGMENT RESULT	**4.3**	**2.1**	**2.6**	**9.0**
Central administrative expenses				(0.7)
Share of joint venture				0.2
Earnings before interest, taxation, depreciation, exceptional items, share option costs and intangible amortisation				8.5
RECONCILIATION OF SEGMENT RESULT TO PROFIT BEFORE TAX				
Segment result				
Depreciation and amortisation				(5.7)
Exceptional costs				(1.6)
Net finance expense				(4.8)
LOSS BEFORE TAX				(3.6)

Segmental assets and/or liabilities are not presented as this information is not regularly provided to the chief operating decision maker.

GEOGRAPHICAL INFORMATION

The Group's revenue from external customers by geographical location are as detailed below. Non-current assets (excluding, deferred tax assets and other financial assets) are situated: 69.6% UK, 11.7% MEA and 18.7% US (2016: 68.0% UK, 11.5% MEA and 20.5% US).

Analysis of revenue by geographical destination	Year Ended 31 December 2017 £m	Year Ended 31 December 2016 £m
United Kingdom	44.7	38.6
Europe (excluding the United Kingdom)	0.7	0.7
North America	44.2	37.9
Asia	8.9	8.2
Middle East	11.1	7.7
Rest of world	–	0.1
	109.6	93.2

Analysis of revenue by type	Year Ended 31 December 2017 £m	Year Ended 31 December 2016 £m
Rental	105.6	88.3
Capital sales	4.0	4.9
	109.6	93.2

3. Expenses by nature

	Year Ended 31 December 2017 £m	Year Ended 31 December 2016 £m
Changes in inventories of finished goods and work in progress	13.9	10.4
Transportation, carriage and packing	7.0	6.0
Employees remuneration and benefits	30.6	25.8
Depreciation and amortisation expenses	5.3	5.7
Bad debt write-off	0.2	0.2
Other expenses	52.3	44.1
	109.3	92.2

Other expenses include £4.9m (2016: £1.6m) of items exceptional in nature which have been disclosed separately on the face of the income statement in order to disclose underlying results. Neither 'adjusted EBITDA' nor 'exceptional items' are defined by IFRS however the directors believe that the disclosures presented in this manner provide clear presentation of the financial performance of the Group.

The current year exceptional items are detailed in note 4.

Notes to the Financial Statements Continued

4. Operating profit

Group operating profit is stated after charging/(crediting):

	Note	Year Ended 31 December 2017 £m	Year Ended 31 December 2016 £m
Amortisation of intangible assets	10	0.1	–
Depreciation of property, plant and equipment:	11		
Owned assets		5.0	5.5
Under finance leases and hire purchase arrangements		0.2	0.1
Profit on disposal of fixed assets		(0.1)	(0.2)
Share option cost		0.1	–
Items of an exceptional nature:			
Business development costs		0.6	0.4
Restructuring costs		1.2	1.1
US legal costs		0.4	–
Acquisition related costs		–	0.3
IPO related costs		2.7	–
		10.2	7.2

Business development costs relate to one-off costs incurred in relation to new markets. Restructuring costs relate to the restructuring that took place in the US in 2016 and the UK in 2017. All costs shown as exceptional are considered to be one-off and are presented as exceptional items so as to provide an indication of the Group's underlying business.

Auditor's remuneration

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Fees payable to company's auditor for the audit and their associates for the audit of the company's annual accounts		
Fees payable to the company's auditor for other services to the group:		
The audit of the company	0.1	0.1
The audit of the company's subsidiaries	0.1	0.1
Total audit fees	0.2	0.2
Other taxation advisory	0.1	–
Other services	0.2	–
Total non-audit fees	0.3	–

Other taxation advisory and other services were incurred as part of the IPO process.

5. Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year ended 31 December 2017 was:

Group	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
By activity		
Administration and finance	122	87
Sales and marketing	81	88
Technical support and maintenance	107	99
Warehouse, transport and distribution	549	500
	859	774

	Notes	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Staff costs (for the above persons)			
Wages and salaries		28.0	23.4
Social security costs		2.1	1.9
Other pension costs	30	0.5	0.5
		30.6	25.8

Company	Year ended 31 December 2017 Number	Year ended 31 December 2016 Number
By activity		
Administration and finance	5	–
Sales and marketing	1	–
	6	–

	Notes	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Staff costs (for the above persons)			
Wages and salaries		0.4	–
Social security costs		0.1	–
Other pension costs	30	–	–
		0.5	–

Notes to the Financial Statements Continued

6. Loss per share

Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the period.

The acquisition of AES Arena Event Services Group Holdings Ltd by Arena Events Group Plc on 07 July 2017 has been accounted for using reverse acquisition accounting principles. The effect of using reverse accounting principles on share capital is that the capital that existed at the point Arena Events Group Plc legally acquired AES Arena Event Services Group Holdings Ltd is accounted for as if it had been in existence as at the comparative period (31 December 2016) and as at the opening balance sheet date (01 January 2017).

The weighted average number of shares in issue for the current and prior year has therefore been stated to reflect the post IPO share capital structure, this adjustment assumes the total shares issued during the IPO were in issue throughout the whole of the current and previous period presented.

	Year ended 31 December 2017 pence per share	Year ended 31 December 2016 pence per share
Basic earnings per share		
Basic earnings per share from continuing operations	(2.8)	(3.6)
Diluted earnings per share		
Diluted earnings per share from continuing operations	(2.8)	(3.5)

Loss per share has been calculated by dividing the loss attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

The calculations of basic and diluted loss per share are:

	2017 £m	2016 £m
Loss for the year attributable to shareholders	(3.2)	(4.1)

Weighted average number of ordinary shares in issue:

	2017 Number	2016 Number
Basic	114,639,940	114,639,940
Adjustment for share options	1,362,583	1,362,583
Diluted	116,002,523	116,002,523

7. Finance costs

	Year ended 31 December 2017 Group £m	Year ended 31 December 2017 Company £m	Year ended 31 December 2016 Group £m	Year ended 31 December 2016 Company £m
Interest payable on bank loans and overdrafts	1.3	–	1.4	–
Interest payable on loan notes	1.1	–	2.3	–
Finance charges payable under finance and hire purchase arrangements	0.1	–	–	–
Amendment fees and costs on banking facility	–	–	0.4	–
Amortisation of loan note issue costs and bank refinance costs (note 19)	0.7	–	0.7	–
	3.2	–	4.8	–

8. Tax on loss on ordinary activities

	Note	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Current tax			
UK corporation tax on loss of the year		–	–
Adjustments in respect of prior year		–	(0.1)
		–	(0.1)
Overseas tax on loss of the year		0.1	0.1
Total current tax charge		0.1	–
Deferred taxation			
Origination and reversal of timing differences		–	0.1
Adjustments in respect of prior year		0.1	0.1
Effect of change in tax laws		–	
Total deferred taxation charge	19	0.1	0.2
Tax charge on loss on ordinary activities		0.2	0.2

Notes to the Financial Statements Continued

The tax assessed for the year is higher (2016: higher) than the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are explained below:

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Loss on ordinary activities before taxation	(2.9)	(3.6)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.20%)	(0.6)	(0.7)
Effects of:		
Expenses not deductible for tax purposes:	0.7	0.8
Other non-taxable income	–	0.1
Overseas subsidiary not subject to UK taxation	0.1	(0.1)
Adjustment in respect of prior year	–	0.1
Income tax expense reported in the income statement	0.2	0.2

The UK corporation tax expense within these financial statements has been provided for at the rate of 19.25% (2016: 20.00%). On 14 July 2016 the Government enacted the reduction in the main rate of Corporation Tax to 19% (effective 01 April 2017) and on 15 September 2017 the Government enacted the reduction in the main rate of Corporation Tax to 17% (effective 01 April 2020).

Deferred tax assets and liabilities are measured at tax rates that are enacted or substantively enacted at the balance sheet date and accordingly deferred tax has been recognised within these financial statements at 17%.

9. Goodwill

	£m
Cost	
At 1 January 2016	32.5
Additions in the year	1.0
Movement in FX	0.1
At 31 December 2016	33.6
At 1 January 2017	33.6
Additions in the year	0.6
Movement on FX	–
At 31 December 2017	34.2
Accumulated impairment losses	
At 31 December 2016 and 2017	–
Carrying amount	
At 31 December 2017	34.2
At 31 December 2016	33.6

Goodwill acquired in 2017 relates to acquisition of business assets of Wernick Seating (2016: investment in Arena Hong Kong and the acquisition of business assets of RIM Scaffolding Event Services and Brand Ice). Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2017 £m	2016 £m
CGU		
UKE	30.7	29.8
MEA	2.6	2.8
US	0.9	1.0
	34.2	33.6

The recoverable amounts of the CGUs are determined from the value in use calculations. The value in use calculations are based on a four-year forecast with a terminal value applied based on a long-term rate of 2%.

The key assumptions are those regarding discount rates, growth rates and margin percentages during the period. These assumptions have been reviewed in the year based on market rates and conservative estimates about the future. The revenue growth rate of 2% has been applied across all years of the four-year forecast. EBITDA % is based on the 2018 budget and has been applied by region to 2019, 2020 and 2021: US 10.8%, MEA 9.6% and UK 12.9%. Capex has been allowed at a rate of 30% to EBITDA across all regions.

The Group has conducted a sensitivity analysis on the impairment test of each CGU. A reduction of 2% in growth would leave the carrying value of goodwill in excess of its recoverable amount. An increase in the weighted average cost of capital of 1% would leave the carrying value of goodwill in excess of its recoverable amount. As the business continues to grow its business there is not expected to be any requirement for impairment in the foreseeable future.

The rates used to discount the CGU cash flows are a pre-tax discount rate derived from WACC of: UK 8.5%, MEA 10.0% and US 9.0% (2016: one rate was used for all CGUs of 8.53%). The WACC calculation used the cost of equity based on the CAPM model using available market information in relation to the risk free rate, beta coefficient and equity risk premium. The main driver of the difference in discount rate was the equity risk premium applied to each region.

Notes to the Financial Statements Continued

10. Other intangible assets

	Customer relationships £m	Development costs £m	Total £m
Group			
Cost			
At 1 January 2016 and 2017	–	0.3	0.3
Additions in the year	0.5	–	0.5
At 31 December 2017	0.5	0.3	0.8
Accumulated amortisation			
At 1 January 2016	–	0.1	0.1
Amount charged to operating expense for the year	–	–	–
At 31 December 2016	–	0.1	0.1
At 1 January 2017	–	0.1	0.1
Amount charged to operating expense for the year	0.1	–	0.1
At 31 December 2017	0.1	0.1	0.2
Net book value			
At 31 December 2017	0.4	0.2	0.6
At 31 December 2016	–	0.2	0.2

Customer relationships is the amount attributed to the value of key current customer relationships on acquisition of the business assets of Wernick Seating. These are amortised on a straight line over 5 years from the date of acquisition.

Development expenditure is the amount incurred by Arena Seating in respect of the Clearview seating system. The intangible asset arising on development is being amortised on a straight line basis of 15 years from the effective date the new Clearview system went in to service. The company had no intangible assets (2016: nil).

11. Tangible fixed assets

	Leasehold improvements £m	Plant and machinery and hire equipment £m	Motor vehicles £m	Fixtures and fittings £m	Total £m
Group					
Cost					
At 1 January 2016	0.8	44.0	0.5	0.8	46.1
Foreign exchange	0.1	5.7	0.1	0.1	6.0
Additions	0.4	4.0	0.1	0.1	4.6
Acquired on acquisition	–	0.6	–	–	0.6
Disposals	–	(1.0)	(0.1)	–	(1.1)
At 31 December 2016	1.3	53.3	0.6	1.0	56.2
Foreign exchange	–	(2.3)	–	–	(2.3)
Additions	–	6.3	0.2	0.2	6.7
Acquired on acquisition	–	1.5	–	–	1.5
Transfers	(0.1)	–	–	0.1	–
Disposals	–	(1.4)	(0.1)	–	(1.5)
At 31 December 2017	1.2	57.4	0.7	1.3	60.6
Accumulated depreciation					
At 1 January 2016	0.2	15.8	0.3	0.5	16.8
Foreign exchange	0.1	2.4	0.1	–	2.6
Charge for the financial year	0.1	5.3	0.1	0.2	5.7
Disposals	–	(1.0)	(0.1)	–	(1.1)
At 31 December 2016	0.4	22.5	0.4	0.7	24.0
Foreign exchange	–	(1.1)	–	–	(1.1)
Charge for the financial year	0.1	4.7	0.1	0.2	5.1
Transfers		(0.1)		0.1	–
Disposals	–	(1.3)	(0.1)	–	(1.4)
At 31 December 2017	0.5	24.7	0.4	1.0	26.6
Net book value					
At 31 December 2017	0.7	32.7	0.3	0.3	34.0
At 1 January 2017	0.9	30.8	0.2	0.3	32.2

The company holds no tangible fixed assets (2016: nil).

Notes to the Financial Statements Continued

Included above are assets held under finance lease and hire purchase contracts as follows:

	Plant, machinery and hire equipment £m 2017	Plant, machinery and hire equipment £m 2016
Net book value		
At 1 January	2.0	1.8
Additions in the year	1.3	0.1
Exchange movements	(0.1)	0.3
Depreciation charge for the financial year	(0.3)	(0.2)
At 31 December	2.9	2.0

Assets pledged as security

All Arena Event Services Inc fixed assets with a total net book value of £12.8m have been pledged to secure borrowings of the US division (note 19). The US division is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

12. Investments

	Shares in subsidiary undertakings £m
Company	
Cost and net book value	
At 1 January	–
Movement in the year	1.0
At 31 December 2017	1.0

The following information relates to the subsidiary undertakings of the Company as at 31 December 2017, all of which are incorporated in England except for Harlequin Marquees and Services Limited incorporated in the British Virgin Islands, Asia Tents Arena Sdn. Bhd. incorporated in Malaysia, Arena Event Services Inc. incorporated in the USA, Arena Ice BVBA incorporated in Belgium, Arena Hong Kong Ltd incorporated in Hong Kong and Arena Event Services PTE incorporated in Singapore.

The Group had no fixed asset investments.

In August 2017 the Group increased its shareholding in Arena Event Services Inc.from to 95.1% to 100%.

Name of Company	Percentage of ordinary shares held, %	Nature of business	Registered address
AES Arena Event Services Group Holdings Limited	100	Holding company	4 Deer Park Road, London, SW19 3GY, UK
AES Arena Event Services Holdings Limited	100*	Holding company	4 Deer Park Road, London, SW19 3GY, UK
Arena Ice BVBA	100**	Temporary ice rinks	Archimedesstraat 11 8400 Oostende Belgium
Arena Event Services Inc. (shareholding increased from 95.1% to 100% in August 2017)	100**	Temporary structures	c/o Corporations Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808
WB Co (1402) Limited	100**	Holding company	4 Deer Park Road, London, SW19 3GY, UK
WB Co (1403) Limited	100***	Holding company	4 Deer Park Road, London, SW19 3GY, UK
Arena Event Services Group Limited	100****	Temporary seating and structures	Needingworth Industrial Estate, Needingworth Road, St. Ives, England, PE27 4NB
Arena Structures Limited	100*****	Dormant	Needingworth Industrial Estate, Needingworth Road, St. Ives, England, PE27 4NB
Arena Event Services PTE Ltd	100*****	Temporary structures	35 Selegie Road, 09-14/15 Parklane Shopping Mall Singapore 188307
Harlequin Marquees and Event Services Limited	100*****	Temporary structures	Al Quoz, PO Box 114384 Dubai
Asia Tents Arena SDN. BHD	100*****	Temporary structures	Lot 863, Jalan Subang 8, Taman Perindustrian Subang, 47500 Subang Jaya, Selangor Darul Ehsan, Malaysia
Arena Hong Kong Ltd	51*****	Temporary structures	Room 902, Double Building, 22 Stanley Street, Central Hong Kong

* indirect holding, owned by AES Arena Event Services Group Holdings Limited

** indirect holding, owned by AES Arena Event Services Holdings Limited

*** indirect holding, owned by WB Co (1402) Limited

**** indirect holding, owned by WB Co (1403) Limited

***** indirect holding, owned by Arena Event Services Group Limited

All subsidiaries of the Group are included within the Group accounts.

Notes to the Financial Statements Continued

13. Inventories

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Consumables	1.7	–	1.2	–
Work in progress	2.6	–	1.5	–
	4.3	–	2.7	–

14 Trade and other receivables

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Amounts due in less than one year				
Trade receivables	10.8	–	9.5	–
Amounts due from other Group undertakings	–	58.8	–	–
Prepayments and accrued income	3.0	–	3.0	–
	13.8	58.8	12.5	–
Amounts due in more than one year				
Other receivables	–	–	0.4	–
Amounts due from other Group undertakings	–	5.1	–	–
Prepayments and accrued income	0.4	–	0.7	–
	0.4	5.1	1.1	–
Total trade and other receivables	14.2	63.9	13.6	–

Other receivables due in more than one year in 2016 relates to amounts uncalled and unpaid on issue of shares.

	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Trade receivables – gross	11.3	–	9.7	–
Allowance for doubtful debts	(0.5)	–	(0.2)	–
Trade receivables – net	10.8	–	9.5	–
Other receivables	–	63.9	–	–
Prepayments and accrued income	3.0	–	3.0	–
Current trade and other receivables	13.8	63.9	12.5	–

All of the other receivables and prepayment balances above are deemed to be current; the disclosures below relate only to the trade receivables balance.

The directors review the recoverability of trade receivables on a regular basis and calculate the allowance for doubtful debts on both a specific, customer by customer basis and a general basis.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. There is no one customer that accounts for more than 10% of the trade receivables balance. Accordingly the directors believe that there is no further credit provision risk required in excess of the allowance for doubtful debts.

Included within the group's trade receivables (gross) balance are debtors with a carrying value of £1.4m (2016: £1.0m) which are more than 90 days past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

15. Ageing of past due trade receivables

	2017 £m	2016 £m
Group		
60-90 days	1.1	1.2
90+ days	1.4	0.9
Total past due trade receivables	2.5	2.1
Current	8.8	7.6
Total trade receivables	11.3	9.7
Movement in the allowance for doubtful debts		
Balance at start of the period	0.2	0.1
Bad debt write off	–	(0.1)
Increase in doubtful debt estimate	0.3	0.2
Balance at end of period	0.5	0.2

The directors do not consider any of the trade receivables balances to be fully impaired, rather they are either in dispute or are only expected to be partially settled. Accordingly no ageing of impaired trade receivables is presented.

16 Trade and other payables falling due within one year

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Trade creditors	8.1	0.1	8.2	–
Amounts due to other Group undertakings	–	2.4	–	–
Taxation and social security	0.5	0.1	0.3	–
Loan note interest	1.4	–	–	–
Other creditors	1.4	–	1.4	–
	11.4	2.6	9.9	–

Trade creditors

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 57 days (2016: 68 days). For most suppliers, no interest is charged on the trade payables. The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the Financial Statements Continued

17 Creditors: amounts falling due after more than one year

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Shareholder loan notes (see note 20)	–	–	20.7	–
Other loan notes (see note 20)	–	–	1.9	–
Loan note interest	–	–	10.7	–
	–	–	33.3	–

18 Net obligations under finance leases and hire purchase contracts

	Group 2017 £m	Group 2016 £m
Repayable within one year	0.7	0.4
Repayable between two and five years	0.8	0.9
	1.5	1.3

The group believe that further information on the future finance charges of the lease and hire purchase obligations would not be of a material value and would not provide users of the accounts additional information to evaluate the significance of the financial instrument for its financial position and performance.

The company has no net obligations under finance leases and hire purchase contracts (2016: none).

19 Deferred tax

	Accelerated capital allowances £m	Short term timing differences £m	Total £m
At 1 January 2016	(0.2)	0.1	(0.1)
Charged to profit or loss	(0.2)	–	(0.2)
At 1 January 2017	(0.4)	0.1	(0.3)
Charged to profit or loss	(0.1)	–	(0.1)
At 31 December 2017	(0.5)	0.1	(0.4)

The company has a deferred tax asset of £0.1m and no unrecognised deferred tax asset.

20 Bank and other borrowings

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Senior debt (WB Co 1403)	5.0	–	17.0	–
Revolving credit facility (WB Co 1403)	–	–	0.6	–
Revolving credit facility (AES Inc.)	10.8	–	14.0	–
Shareholder loan notes	–	–	20.8	–
Other loan notes	–	–	1.9	–
	15.8	–	54.3	–
Less unamortised issue costs	(0.6)	–	(1.0)	–
	15.2	–	53.3	–

The company holds no bank and other borrowings and no bank or other borrowings were held in the prior year.

All banking covenants were complied with during the year.

As at 31 December 2017 and 31 December 2016, the Group had banking facilities with HSBC and PNC.

The HSBC facility included senior term debt of £5.0m and a revolving credit facility of £3.0m. At 31 December 2017 £nil of the revolving credit facility had been drawn down (2016 £0.6m).This debt was secured by fixed and floating charges over the assets of each of the UK, Middle East and Asia entities within Group. The facility is available until December 2019.

The PNC facility provides a $20.0m revolving credit facility subject to limitations based on asset valuation, eligible accounts receivable and inventory balances at each month end and bears interest at between 2.25% and 3.75% plus Libor. The facility is available until December 2019.

Total bank facility arrangement fees of £0.4m (2016: £0.4m) were amortised in the year. There were loan note issue costs of £nil in 2017 (2016: £0.3) amortised in the year.

The interest rate on the loan notes is variable based on the classification of loan note. The directors believe that there is no difference between the fair value and the book value of the above liabilities.

Borrowings interest rates

The analysis of the borrowings is as follows:

	Weighted average interest rate	2017 £m	Weighted average interest rate	2016 £m
Senior debt (WB Co 1403)	4.76%	1.5	4.75%	15.0
Other senior term debt (WB Co 1403)	4.26%	3.5	4.38%	2.0
Revolving credit facility (WB Co 1403)	–	–	4.38%	0.6
Revolving credit facility (AES Inc)	4.28%	10.8	3.66%	14.0
Shareholder loan notes	–	–	10.00%	20.8
Other loan notes	–	–	8.68%	1.9
Unamortised loan note costs	–	(0.6)	–	(1.0)
Total borrowings	4.30%	15.2	6.60%	53.3

Notes to the Financial Statements Continued

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Maturity of financial liabilities				
Less than one year	–	–	1.5	–
Between two and five years	15.8	–	52.8	–
Greater than five years	–	–	–	–
	15.8	–	54.3	–
Less unamortised issue costs	(0.6)	–	(1.0)	–
	15.2	–	53.3	–

	As at 31 December 2016 £m	Financing cash flow £m	Exchange movements £m	Non-cash movements £m	As at 31 December 2017 £m
Reconciliation of liabilities arising from financing activities					
Senior debt (WB Co 1403)	17.0	(12.0)	–	–	5.0
Revolving credit facility (WB Co 1403)	0.6	(0.6)	–	–	–
Revolving credit facility (AES Inc.)	14.0	(2.4)	(0.8)	–	10.8
Shareholder loan notes	20.8	(20.6)	–	(0.2)	–
Other loan notes	1.9	–	–	(1.9)	–
Net debt	54.3	(35.6)	(0.8)	(2.1)	15.8

The table above shows changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

The company had no borrowings.

21 Financial instruments

	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Categories of financial instruments				
Carrying value of financial assets:				
Cash and cash equivalents	4.3	–	1.6	–
Trade and other receivables	14.2	63.9	13.6	–
Total financial assets	18.5	63.9	15.2	–
Carrying value of financial liabilities:				
Trade creditors	8.1	0.1	8.2	–
Other payables	0.5	0.2	0.3	–
Borrowings	15.2	–	53.3	–
Total financial liabilities	23.8	0.3	61.8	–

Each regions working capital is manged through a weekly cashflow forecast that is reviewed at a Group level. This ensures that all financial liabilities and bank covenants are met. All bank borrowing requirements were met during the year.

Interest rate sensitivity analysis

If interest rates on all borrowings had been 0.5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by £0.1m (2016: £0.3m).

This has been calculated by applying the amended interest rate to the weighted average rate of borrowings for the year to 31 December 2017, other than borrowings which are held at a fixed interest rate as those borrowings are not sensitive to external variables, such as movement in interest rates.

Maturity of financial liabilities

The maturity of borrowings is included in note 19. Intercompany balances have no fixed repayment date. All other financial liabilities are expected to mature within six months of the year-end. The directors consider that the carrying amount of the other financial liabilities is approximate to their fair value.

Carrying value of financial assets

As noted in note 15 the directors do not believe any of the trade receivables to be impaired. A significant decrease in the net assets and trade of the owing company or a decline in the financial position of customers would trigger an impairment review.

Credit risk

In the opinion of the directors, the only financial instrument that is subject to credit risk is the trade receivables. The directors believe that the bad debt provision as disclosed in note 14 represents the directors' best estimate of the maximum expected exposure to credit risk at period-end. In order to minimise credit risk all new customers to whom credit is granted are checked through a credit rating company. Trade receivables aging is reviewed as part of the overall cash management process. Any potential risks are highlighted and sanctions taken where appropriate.

Notes to the Financial Statements Continued

Fair value of financial instruments

In the opinion of the directors, the fair value of the financial assets and liabilities are equal to their book values.

Liquidity risk management

The directors believe that the receivables are not impaired and that the customers with outstanding balances have sufficient net assets to repay the balances. Any potential liquidity risk is kept to a minimum by the use of continual cash flow forecasting and evaluation.

Capital risk management

As stated in the directors' report, the directors believe that the group is cash generative and self-sufficient and does not require additional external finance. The borrowings were taken out for acquisition purposes, not working capital funding. The directors maintain detailed cash forecasts which are frequently revised to actuals to ensure that the group has sufficient liquid resources to meet its requirements. The capital structure of the group consist of debt as described in note 19, cash and cash equivalents and equity attributable to equity holders of the parent.

Foreign currency financial assets and liabilities

Included within the above table are £37.1m (2016: £35.2m) of assets and £30.0m (2016: £29.9m) of liabilities relating to the overseas subsidiaries which have been translated in the consolidation at the period-end rate. These balances are subject to movements in exchange rates, as shown in the statement of changes in equity. The directors do not believe the risk is significant enough to warrant hedging against the investments in overseas companies.

Also included within the above table are foreign currency denominated external trade payables and receivables of £6.2m (2016: £5.9m) and £4.3m (2016: £3.8m) respectively.

The table below shows the Group's sensitivity to changes in foreign exchange rates on its financial instruments denominated in foreign currencies.

	As at 31 December 2017 £m	As at 31 December 2016 £m
10% appreciation of the above foreign currencies	0.2	0.2
10% depreciation of the above foreign currencies	(0.2)	(0.2)

This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the period. The analysis assumes that all other variables remain constant.

22 Share capital

Group and company

	2017 Group £m	2017 Company £m	2016 Group £m	2016 Company £m
Authorised, allotted and issued				
114,639,940 fully paid ordinary shares of £0.01 each	1.1	1.1	1.1	–

Authorised share capital is unlimited.

The company was incorporated on 01 June 2017. The acquisition of AES Arena Event Services Group Holdings Ltd by Arena Events Group Plc on 07 July 2017 was accounted for using reverse acquisition accounting principles. The effect of using reverse acquisition accounting principles on share capital is that the capital that existed as at the point Arena Events Group Plc legally acquired AES Arena Event Services Group Holdings Ltd is accounted for as if it had been in existence as at the comparative period end (31 December 2016) and as at the opening balance sheet date (01 January 2017).

Share capital therefore comprises the following transactions:

The company was incorporated on 01 June 2017, upon incorporation the company issued 1 ordinary shares at £1.00.

On 07 July 2017 the initial share was subdivided into 100 ordinary shares at £0.01. The shareholders of AES Arena Events Group Holdings Ltd transferred their shares to Arena Events Group Plc in a share for share exchange.

The share capital issued as part of this share for share exchange consisted of 1,906,099 shares of varying classes with a nominal value of £19,000. The varying classes were then converted to a single class of ordinary share in Arena Events Group Plc. Loan notes held in AES Arena Event Services Group Holdings Ltd by Greg Lawless and Gaitsford Investments were exchanged for 3,592,918 ordinary £0.01 shares in Arena Events Group Plc. After these transactions the company then had a share capital of 5,499,117 ordinary shares at £0.01 with a nominal value of £55,000.

On 25 July 2017 in an initial public offering Arena Events Group Plc issued 109,091,000 ordinary shares at £0.01 at a price of £0.55 resulting in an increase in share capital of £1,091,000. As part of the initial public offering 1,332,719 ordinary shares at £0.01 were repurchased from previous investors in AES Arena Event Services Group Holdings Ltd and 1,382,542 ordinary shares at £0.01 were issued as incentive shares to group management.

As at the end of 25 July 2017 there were 114,639,940 ordinary shares at £0.01 in issue resulting in £1.1m of share capital and £57.3m share premium. All shares carry equal rights.

23 Share premium account

The share premium reserve contains the premium arising on the issue of equity shares, net of issue expenses incurred by the company of £3.5m. On the 25 July 2017 in an initial public offering Arena Events Group Plc issued 109,091,000 ordinary £0.01 shares at a price of £0.55, resulting in additional share premium of £57.3m.

	Group 2017 £m	Company 2017 £m	Group 2016 £m	Company 2016 £m
Balance at 31 December	57.3	57.3	57.3	–

24 Merger reserve

The movement on the merger reserve is as set out in the consolidated statement of changes in equity.

The effect of reverse acquisition accounting on the merger reserve is that the share capital, share premium and other distributable reserves that existed in Arena Events Group Plc (the company) as at the point Arena Events Group Plc legally acquired AES Arena Event Services Group Holdings Ltd is accounted for as if it had been in existence as at the comparative period end (31 December 2016) and as at the opening balance sheet date (1 January 2017). The corresponding entry being the merger reserve so the overall net assets as at the comparative dates are not effected.

Notes to the Financial Statements Continued

25 Share option reserve

	Group £m	Company £m
At 1 January 2017	–	–
Share option provision	0.1	0.1
At 31 December 2017	0.1	0.1

The share option reserve represents the expected cost to the group to satisfy the group's share option scheme. The Black Scholes method was used to determine the value of the charge to the share option reserve.

A group share option scheme was set up on admission to AIM in July 2017. The Scheme allows for options to be issued over ordinary shares, up to a maximum of 10% of the Company's ordinary shares in issue at the time of grant, over a ten year period. The option exercise price will usually be the mid market price of the shares on the date of grant.

Total options were issued at admission equal to approximately 4.6% of the number of ordinary shares in issue, with an exercise price of 55 pence per share. These initial option awards have no performance conditions and vest equally after two, three and four years from the date of grant. The total number of shares under option as at 31 December 2017 were 5,374,545. The options are vesting in three equal amounts of 1,791,515 on 25 July 2019, 2020 and 2021.

26 Acquisitions

Acquisition of Wernick Seating

	Fair values acquired £m
Intangible: customer relationships	0.5
Tangible assets	1.0
Net assets acquired	1.5
Goodwill	0.6
Consideration	2.1
Satisfied by:	
Cash paid	2.1
	2.1

On the 03 of April 2017, Arena Event Services Group Ltd (a wholly owned subsidiary), acquired certain business assets including staff and contracts from Wernick Event Hire Limited in relation to Wernick Seating for a consideration of £2.1m. This acquisition was funded by an additional facility from HSBC of £2m. The acquisition was a strategic fit with the Group's existing Seating business and strengthens its offering within the UK. The goodwill recognised consists largely of the synergies and economies of scale expected from combining the operations of Wernick Seating with the Group. The acquisition contributed £2.6m of revenue and £0.2m of profit to the Group's results in 2017. Intangible assets recognised consist of ongoing customer relationships acquired.

27 Capital commitments

There are no amounts contracted for but not provided in the financial statements for the Group and for the Company (2016: nil).

28 Operating lease commitments

	Group 2017 £m	Group 2016 £m
Lease payments under operating leases recognised as expense in the year – land and buildings	3.9	3.3

	Group 2017 £m	Group 2016 £m
Land and buildings		
Leases expiring:		
Within one year	2.5	2.1
In the second to fifth years inclusive	5.8	4.4
After five years	3.5	0.6
	11.8	7.1

	Group 2017 £m	Group 2016 £m
Other		
Leases expiring:		
Within one year	0.8	0.6
In the second to fifth years inclusive	1.7	1.2
After five years	–	–
	2.5	1.8

The Group leases a number of offices, facilities and equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

The Company has no operating leases (2016: none).

29 Contingent liabilities

The Group has contingent liabilities in relation to its US division (2016: none). Further details are provided in the CEO report and the post balance sheet events note (note 36).

30 Pension commitments

Group

The Group operates various defined contribution pension schemes, the assets of which are held separately from those of the Group in independently administered funds. The Group incurs further costs in contributions to employees' own schemes. The cost of contributions to the defined contribution schemes amounts to £0.5m (2016: £0.5m) in the financial year.

Company

The Company did not operate a pension scheme in 2017 (2016: none).

Notes to the Financial Statements Continued

31 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, is set out below in aggregate for each of the relevant categories specified in IAS24 Related Party Disclosures:

	At 31 December 2017 £m	At 31 December 2016 £m
Short-term employee benefits	1.5	0.6
Share options	0.1	–
Contributions to money purchase pension schemes	–	–
	1.6	0.6

Of the key management personnel, three have retirement benefits accruing under money purchase pension schemes (2016: two).

32 Net cash flow from operating activities

Group

	Note	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Operating profit for the year		0.3	1.2
Adjustments for:			
Depreciation of property, plant and equipment	11	5.2	5.6
Amortisation of intangible assets	10	0.1	–
Impairment of JV		0.4	–
Gain on disposal of property, plant and equipment	4	(0.1)	(0.2)
(Increase)/decrease in inventories		(1.7)	0.1
Increase in receivables		(1.0)	(4.1)
Increase in payables		2.4	0.6
Cash generated by operations		5.6	3.2
Bank and finance lease interest paid		(1.6)	(1.2)
Loan issue costs		(0.4)	(1.7)
Corporation tax		(0.3)	(0.3)
Net cash inflow from operating activities		3.3	–

Cash and cash equivalents

	At 31 December 2017 £m	At 31 December 2016 £m
Cash and bank balances	4.3	1.6
Bank overdrafts	–	–
	4.3	1.6

33 Analysis of changes of net debt

Group

	As at 31 December 2016 £m	Cash flow £m	Exchange movements £m	Other non-cash changes £m	As at 31 December 2017 £m
Cash in hand and at bank	1.6	2.7	–	–	4.3
Debt due within one year	(1.5)	1.5	–	–	–
Debt due after one year	(51.8)	36.2	0.8	(0.4)	(15.2)
Finance lease due within one year	(0.4)	0.4	–	(0.6)	(0.6)
Finance lease due after one year	(0.9)	(0.5)	–	0.6	(0.8)
Net debt	(53.0)	40.3	0.8	(0.4)	(12.3)

Balances at 31 December 2017 comprise

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and bank balances	–	4.3	–	–	4.3
Loan notes	–	–	–	–	–
Finance leases	–	–	(0.6)	(0.8)	(1.4)
Borrowings	–	–	–	(15.2)	(15.2)
Net debt	–	4.3	(0.6)	(16.0)	(12.3)

Non-cash changes comprise amortisation of issue costs relating to issue of loan notes and movement in repayment due date.

34 Net cash flow from operating activities

Company

	Year ended 31 December 2017 £m	Year ended 31 December 2016 £m
Operating profit for the year	(2.2)	–
Adjustments for:		
Increase in receivables	(0.3)	–
Increase in payables	0.6	–
Cash generated by operations	(1.9)	–
Net cash flow from operating activities	(1.9)	–

Notes to the Financial Statements Continued

35 Dividends

Paid or to be paid

	2017 £m
Interim dividend for the year ended 31 December 2017 of 0.45 pence per share	0.5
Proposed final dividend for the year ended 31 December 2017 of 0.9 pence per share	1.1

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on 07 June 2018. The total final dividend to be paid is 0.9 pence per share and is expected to be paid on 4 July 2018. The payment for this dividend will not have any tax consequences for the Group.

Received

The company received a full and final dividend of £2.62 per share (£5m) from AES Arena Event Services Group Holdings limited during the year ended 31 December 2017.

36 Post balance sheet events

Purchase of loan notes and interest

On 5th January 2018 the Company exercised its call option to acquire all the remaining loan notes issued by the Group, held by Greg Lawless, CEO, and Gaitsford Investments Limited (a company owned and controlled by Greg Lawless) ("Gaitsford"). Greg Lawless and Gaitsford each used the proceeds of such sale to subscribe for an aggregate of 2,513,541 new ordinary shares of 1p each issued by the Company.

The new shares commenced trading on 11 January 2018 and from that date the total number of shares in issue and total voting rights was 117,153,481. As a result of these transactions, Greg Lawless has a total beneficial holding of 6,640,755 ordinary shares in the Company, representing 5.7% of the Company's issued share capital.

Amendment of HSBC Banking Facilities

On 12th January 2018 the Group agreed an amendment to the groups non-US banking facilities with HSBC Bank to reduce the interest margin on its main facilities to between 1.5% and 2.5% depending on the level of leverage. An additional acquisition facility of £5m was secured, available to be drawn down until January 2019 on the same terms as the existing facilities described in note 20 to the accounts.

Acquisition of the GLD Productions Ltd business

On 1st February 2018 the Group acquired the business and assets of GLD Productions Ltd for total expected consideration of £0.9 million. GLD supplies furniture to concerts, music festivals, fashion shows, sporting occasions and corporate hospitality events across the UK. GLD's stock and staff have been incorporated into Arena's Spaceworks Furniture Hire division at its Membury facility. This acquisition is expected to add approximately £1.5m in annual revenue in 2018.

Investigation into Arena America's relationship with a previous customer

Arena Event Services Inc ("Arena Americas") was notified by the US Attorney's Office ("USAO") in March 2018, that it has launched an investigation into Arena America's relationship with a previous customer. This customer, we were informed by the USAO, has formally been charged for a violation related to the Small Business set-aside program for business conducted between 2007 and 2017. Since 2013, when Arena acquired the Americas business, total revenue generated from contracts with this customer has been $4m with EBITDA of approximately $0.5m. Based on other similar cases, fines of up to 2 times revenues or profits have been imposed, implying a possible range of fines between $1m and $8m. We continue to pro-actively engage with the USAO in order to draw this matter to a conclusion as soon as possible. However, as this date, we are not in a position to finalise this matter with the USAO.

Company Offices

Arena Group PLC

Head Office
4 Deer Park Road
Wimbledon
London
SW19 3GW
+44(0)203 770 3838

UK & Europe

Head Office
Needingworth Industrial Estate,St
Ives, Cambridgeshire
PE27 4NB
+44 (0)1480 468 888

Middle East & Asia

Head Office
Warehouse No. 48,
Street 8, Al Quoz Industrial Area 1,
Dubai, UAE
PO Box 114384
+971 434 70110

Americas

Head Office
7000 S. 10th Street
Oak Creek, WI 53154
+1 800 3836332

Shareholder Information

Nominated advisor and broker:
Cenkos Securities plc
6.7.8 Tokenhouse Yard
London
EC2R 7AS

Solicitors to the company:
Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

Reporting accountants to the company:
Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Registrars:
Computershare Investor
Services (Ireland) Limited
Heron House,
Corrig Road,
Sandyford Industrial Estate,
Dublin 18,
Ireland

Financial PR:
Alma PR
Aldwych House
71-91 Aldwych
London WC2B 4HN


GUINNESS