Arena Events Group plc
Annual Report & Accounts 2018

arena

Global Events.
Designed and Delivered.

A turnkey temporary event solutions provider, designing and delivering complete live environments for the most prestigious sporting, commercial and cultural occasions in the global calendar. With over 250 years of experience, we promise our customers the 'Arena Standard' wherever they are, enabling extraordinary live experiences around the world.

Overview

Strategic Report

Governance

Financial Statements

Contact Information

FRONT COVER
Omega Dubai Desert Classic, January 2019

INSIDE FRONT COVER
Hockey Women's World Cup, July 2018

2018 Highlights

REVENUE
£135m +24%

2018	£135m
2017	£108.9m

ADJUSTED EBITDA
£12.1m +16%

2018	£12.1m
2017	£10.4m

ADJUSTED EPS
3.7p +19%

2018	3.7
2017	3.1

OPERATING PROFIT
£0.0m

NET DEBT/EBITDA
1.6x

DIVIDEND
1.5p

8
ACQUISITIONS

+5
NEW PRODUCTS

+300
MORE EMPLOYEES

Contract Wins

Professional Golfers' Association
7-Year seating contract with the PGA of America.

IMG
Saudi International Golf Tournament (first ever PGA Tour sanctioned event in Saudi Arabia).

Farmers Insurance (Golf Tournament)
6-Year Agreement to Provide Rental Equipment.

2019 Rugby World Cup
Temporary hospitality structure for the 2019 Rugby World Cup in Tokyo.

Group Snapshot

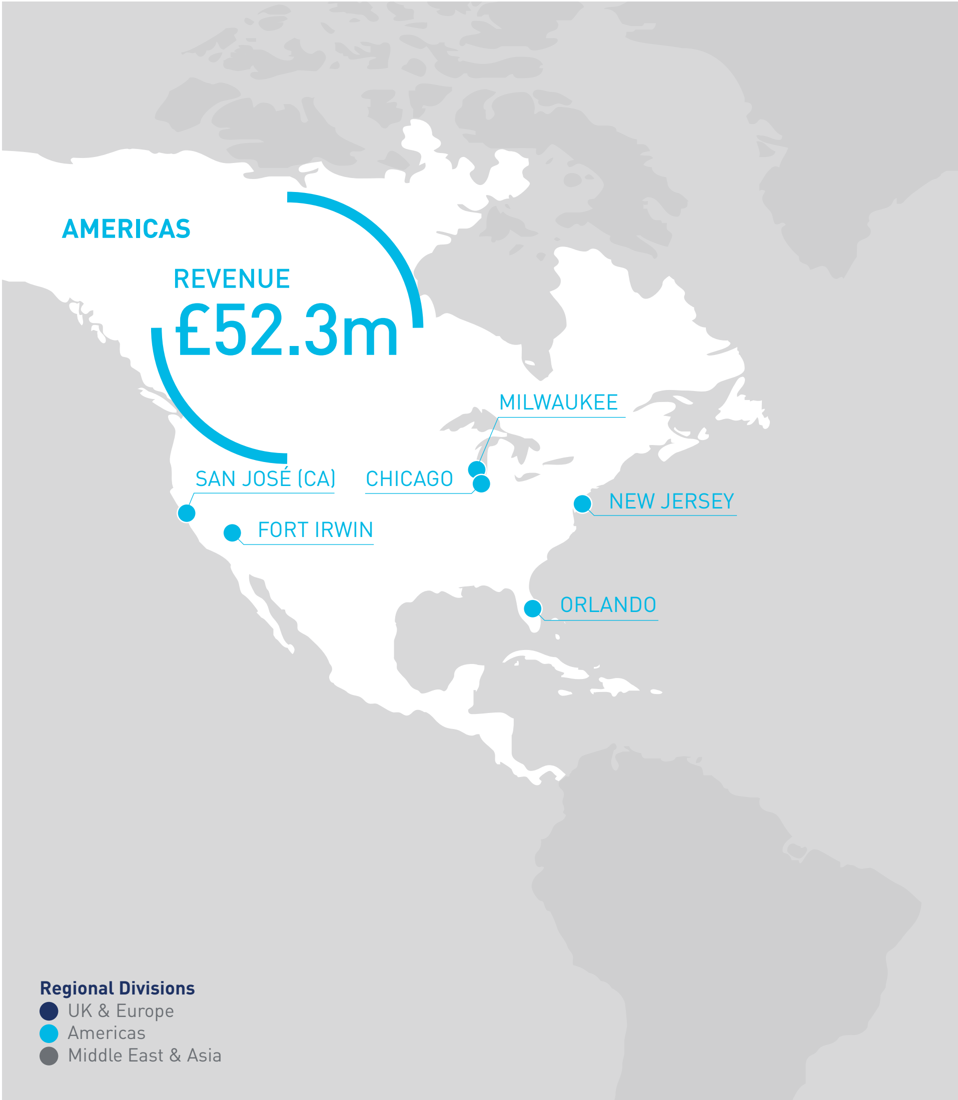
A global leader in turnkey event solutions.

1224
EMPLOYEES

+10
PRODUCT CATEGORIES

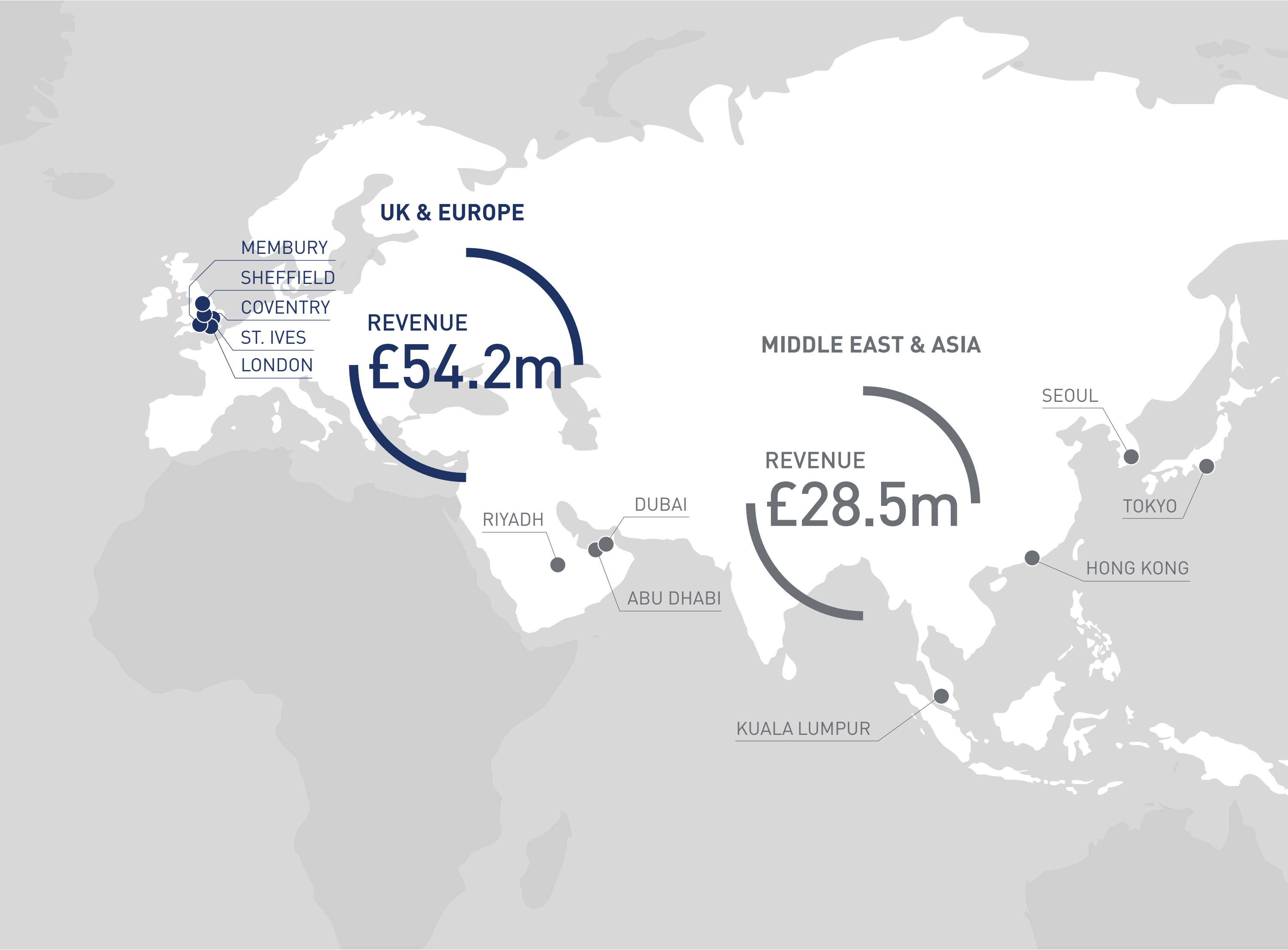
18
DEPOTS

8
COUNTRIES



SOME OF OUR CLIENTS

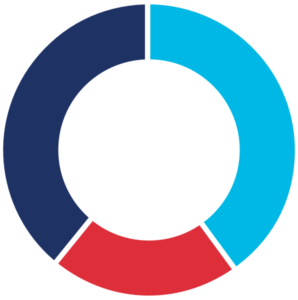
The Jockey Club Since 1750
IMG
Frieze Art Fair
The Championships Wimbledon
R&A
USGA
Virgin Money London Marathon
Google
Kentucky Derby
ATP World Tour



2018 REVENUE BY PRODUCT

- Structures **69%**
- Furniture & tableware **12%**
- Seating **9%**
- Other **10%**

2018 REVENUE BY REGION



- UK & Europe **40%**
- Middle East & Asia **21%**
- Americas **39%**

Product Categories

Structures
- I-Novation
- Multi-deck
- Semi-permanent structures
- Tensioned Fabric Structure (TFS)
- Arena Super Deck*

Seating
- Premier sport stands
- Covered grandstands
- Clearview*
- Samsonite

Furniture
- Soft furnishings
- Tables
- Chairs
- Temporary bars

Mass participation
- Start and finish gantries
- Stages
- Branding and signage

Interiors
- Full design & fit-out
- Season hire

Fencing & Barriers
- Pedestrian barriers
- Heras fencing
- Steel shield
- Front of stage barriers

Graphics & Signage
- Large format digital printing
- Office branding
- Promotional display units
- Vehicle graphics

Catering equipment
- Event kitchens & kitchen equipment
- Cutlery & Crockery
- Glassware
- Cold rooms
- Linens

Ice Rinks
- Fully managed solution including ticketing
- Ice rink installation

Exhibition Services
- Bespoke exhibition stand design
- Full turnkey service
- Brand activations

* refers to propitiatory product of Arena

The Arena Standard

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

Health & safety

The health and safety of our employees and clients is paramount, the Group recognises the responsibility we have for our employees safety & wellbeing.

Experience & expertise

With over 250 years of experience, we are event experts. When you use Arena, you get peace of mind knowing your event infrastructure needs are in the safe hands of our experienced teams across the globe.

Premium quality & style

We are dedicated to delivering high quality, sophisticated products coupled with a premium and personal client experience.

Innovation & creativity

We strive to bring our customers new & innovative solutions to their brief. Innovation also means challenging the status quo internally, finding more effective ways of working, and trying a different approach.

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.

Reliable & efficient

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

Fully integrated offering

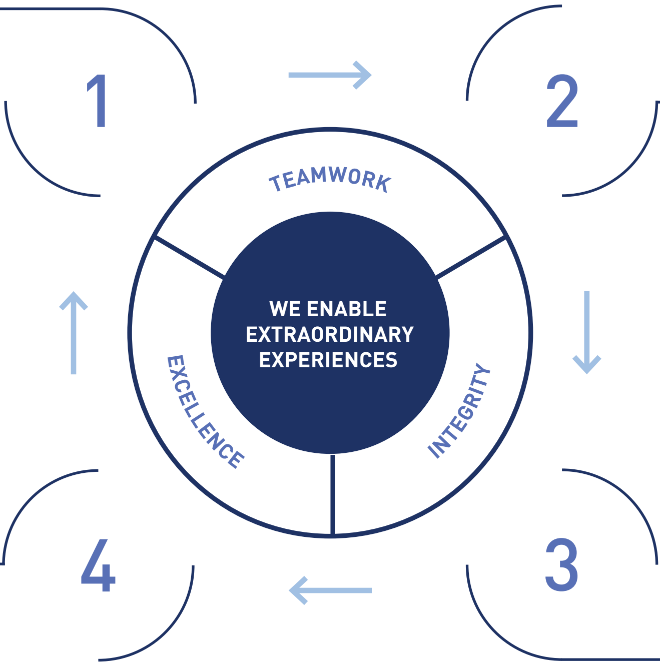
A diverse, extensive product range and integrated service offering around the world.

Value for money

We provide the best quality product & customer experience at a fair price.

Business Model

We focus on creating long-term value for all of our stakeholders.



INPUTS
- Skilled, experienced staff
- Investment in equipment
- Strong customer relationships
- Robust financial strength
- Trust/brand recognition

WHAT WE DO
- Design and deliver temporary event infrastructure
- Provide event rental equipment for event organisers
- Provide customers with a fully managed and consultative service

WHY CUSTOMERS CHOOSE US
- The Arena standard
- Global reach
- Reliability: On time, every time
- Wide range of products
- Strong reputation

HOW WE GENERATE REVENUE
- Event equipment rentals
- Provide bespoke interior solutions
- Longer-term (2/3 years) rentals of temporary structures
- Management of events
- Provision of turnkey event services

THE VALUE WE CREATE

EMPLOYEES:
Career growth

Skills development

Intra-company movement

Employee benefits

CUSTOMERS:
- A one-stop shop
- Reliable provider
- Managed service

PUBLIC:
- A safe event environment
- Trustworthy event

SHAREHOLDERS:
- Long term growth
- Increased dividends
- Share price

Our Strategy

Our vision is to become the leading, most respected, integrated event solutions business in the world.

Strategy	Summary	Progress in 2018
Expand geographic reach & capabilities in the US	— Expand through acquisitions — Specific focus on growing US footprint (the West & East Coasts) — Aimed at increasing market share, creating synergies, and improving operational efficiencies	— Acquired California-based event rental company, Stuart Rentals in September 2018. — This acquisition is the largest in the Group's history, and our first base on the US West Coast – enabling access to attractive opportunities and create synergies with our existing US operations
Increase complimentary product offerings	— Increase product offerings in each region — Diversify revenue base — Reduce dependency on Structures revenues	— Expanded product offerings across all regions through bolt-on acquisitions — UK capabilities expanded with 3 new product categories including temporary cold rooms, barriers & fencing, and temporary bars — Middle East added exhibition services and graphics & signage to its product offering
Reduce seasonality	— Offer products & services which fill the lower season months — Level out peaks and troughs in revenues — Acquire businesses with different seasonal profiles	— Expanded into exhibition services in the Middle East with acquisition of TGP — Stuart Rentals provides an extended season of profitability
Vertical integration	— Reduce costs by bringing more activities & services in-house	— Purchased Middle East & UK business of TSG (The Structures Group), bringing the Arena Super Deck capability in-house and expanding overall structures capability in the Middle East region — TGP acquisition brings graphics capabilities in house in the Middle East — Acquisition of Ironmonger Events brings event management experience & capabilities in-house

2018 Milestones

FEBRUARY

THE UK & EUROPE DIVISION BOLSTERS THEIR FURNITURE CAPABILITIES WITH THE ACQUISITION OF GLD PRODUCTIONS.

Music-specialist furniture company GLD Productions becomes part of the UK & Europe operating division, integrating into our existing furniture & catering equipment brand Well Dressed Tables. The acquisition adds clients like Glastonbury and U2 concerts to the Group.

MAY

UK & EUROPE PRODUCT RANGE FURTHER EXTENDED WITH THE ADDITION OF TEMPORARY COLD-ROOMS TO THEIR PORTFOLIO.

We expand our UK & Europe product offering into temporary cold-rooms through the strategic acquisition of Ice House Rentals. The product is integrated into our existing furniture & catering equipment brand Well Dressed Tables.

JUNE

UK PORTFOLIO EXPANDS AGAIN WITH THE ACQUISITION OF EVENTS SOLUTION LTD.

The Group expands its UK product portfolio with the acquisition of specialist barrier and fencing company Events Solution Limited.

JULY

WE EXPAND INTO EVENT MANAGEMENT IN HONG KONG WITH THE ACQUISITION OF IRONMONGER.

At the end of July, the Group acquires event management company Ironmonger Group Ltd. Ironmonger most notably owns and manages the renowned Hong Kong 7's event in April in Hong Kong each year.

—
Qasr Al Jurf semi-permanent sales office & Ramadan structure, Abu Dhabi

AUGUST

WE LAUNCH OUR FIRST SHARE PLACING AND RAISE £20 MILLION FOR FURTHER ACQUISITIONS.

On 14 August, the Group raises £20 million by way of a placing of up to 33,333,334 new Ordinary Shares at a price of 60 pence per share. The net proceeds of the Placing are used to fund the acquisition of Stuart Rentals in the US, and TGP in the Middle East.

SEPTEMBER

THE GROUP EXPANDS ITS FOOTPRINT IN THE US WITH THE ACQUISITION OF STUART RENTALS.

The Group completes the acquisition of California-based event rental company Stuart Rentals at the beginning of September. The acquisition provides the Group with its first base on the US West Coast and enables synergies with our existing US operations.

STRUCTURES CAPABILITIES ARE BOLSTERED WITH THE ACQUISITION OF THE MEA & UK BUSINESS OF TSG.

The Group purchases the MEA & UK assets of The Structures Group Ltd (TSG) – primarily the renowned Arena Super Deck.

OCTOBER

THE MIDDLE EAST & ASIA DIVISION ADDS EXHIBITION SERVICES TO ITS CAPABILITIES WITH THE ACQUISITION OF TGP.

The Group completes the acquisition of Dubai-based exhibition services company TGP. The acquisition expands the Group's capabilities into exhibition services, and graphics & signage – bringing new skills & expertise into our Middle East operations.

Strategic Report

Ryder Cup, Paris


ALBATROS & AIGLE GALLERY
SEINE SUITES

Chairman's Statement

A challenging year of progress.

Ken Hanna
Chairman

We outlined our strategy in last year's annual report and I am pleased to say the Group successfully completed eight acquisitions during the year, including two significant opportunities, Stuart Rentals in California and TGP in Dubai. We are extremely pleased with all our acquisitions in 2018 and they have performed in line with expectations.

Although adjusted earnings per share increased by 19% during the year, with contributions from our acquisitions and organic growth from our Americas and Middle East divisions, the UK Structures and scaffolding Division had a difficult last quarter. Historically, the UK Structures division has been a consistent performer and it was particularly disappointing that their performance shortfall impacted the Group's results for the year. We have taken decisive action and made significant changes to the UK management team, including appointing a new UK & Europe CEO, Chris Morris, which we announced in March 2019.

While the Board remains committed to the strategy outlined at the time of our IPO, however, we recognise that 2019 will need to be a year of consolidation and improvement within certain parts of our business.

As we have previously indicated, the Group's revenues are significantly weighted towards the last quarter of the calendar year, and accordingly, the Board has decided a March year end is more appropriate. This change will take effect from 2019 and we will next issue audited results for the 15 months ending 31 March 2020. We will continue to report pro-forma results for calendar 2019 to allow comparison with prior periods.

Whilst we are disappointed with the outcome for 2018, I am pleased to say that we have continued to offer the highest standards of service to our customers and as noted in the Chief Executive's Report, we have successfully renewed a number of our long-term contracts. We were also pleased to secure contracts for the 2019 Rugby World Cup and the 2020 Tokyo Olympics.

The Board is recommending the payment of a final dividend for the year ending 31 December 2018 of 1 pence per share, which gives a total dividend for 2018 of 1.5 pence per share, subject to approval at the AGM on 22 May 2019. The final dividend will be paid on 8 July 2019 to shareholders of the Company on the Register of Members at the close of business on 14 June 2019.

Whilst the year has been challenging from a Group performance perspective, it has still required significant hard work and dedication and I would like to take this opportunity to thank all Arena employees for their contribution.

Ken Hanna
Chairman
9 April 2019

Fever-Tree Championships, Queens Club, London

CEO's Report

2018, whilst not without its challenges, was a year of significant progress towards developing the Group's geographical reach and product capabilities, in line with the our stated growth strategy.

Greg Lawless
Arena Group CEO

2018 was a year of continued progress and growth for the Group, both organically and through 8 strategic acquisitions across our three regional divisions. Each of these acquisitions contributes towards our ambition of becoming the leading, most respected, integrated event solutions business in the world. The Group operates now from 18 depots across eight countries with a permanent workforce of over 1,200. The Group also experienced a couple of unforeseen challenges during the year, with the underperformance of the UK Structures and Scaffolding units causing significant head winds for the Group in the last quarter of the year. We also had to address an investigation by the United States Attorney's Office (USAO) into Arena Americas in relation to the Small Business set aside programme which has now been successfully resolved.

Both the US and Middle East & Asia Divisions had a year of very solid progress with both delivering significant organic growth. In the US organic EBITDA growth of 34% was delivered on the back of a focused capital expenditure programme that was used to deliver more multi-year recurring contracts. Similarly, in the MEA, organic EBITDA growth of 24% was delivered on the back of winning a number of new long term multiyear recurring contracts which are the cornerstone of the Group's philosophy of creating a sound, solid base of business at the start of every financial year. These Divisions also successfully completed our two largest acquisitions to date, both of which are an important part of the Group's strategy of extending our national presence in the US and expanding our product and services offering in the Middle East.

Results

Group Revenue reached £135 million which is up 24% on 2017 (£108.9 million). Organic revenue growth was 12% and growth added from the acquisitions was 12%.

Adjusted EBITDA for the year was £12.1 million which is a 16% increase on the 2017 performance (£10.4 million). This robust performance demonstrates the value of our growing global base – a base that provides a valuable level of protection as a result of the international spread of our business.

Adjusted earnings per share reached 3.7p, up from 3.1p in 2017, an increase of over 19%.This increase in performance was achieved notwithstanding the issues discussed in detail below, which gives us the confidence that we will be able to continue to grow the business in line with our stated strategy.

We received the full support of our shareholders during the year with the completion of the Group's placing in August, raising £20 million to part fund two acquisitions, Stuart Rentals in California and TGP in Dubai – by far the most important and largest acquisitions of 2018.

Net bank debt at the end of the year was £19.2 million which leaves our Debt/ EBITDA ratio at 1.6 times.

"2018 was a year of continued progress and growth for the Group"

Acquisitions
The Group completed eight acquisitions during the year and each one aligns with the Group's strategic objectives as detailed on page 7.

UK & Europe:
The UK Division made four small bolt-on acquisitions, all of which are designed to increase the UK's product rental capabilities:

GLD Productions: A £1.3 million revenue furniture hire business with a focus on the music industry and now fully integrated into the Well Dressed Tables facility in Membury, Berkshire.

Ice House Rentals: A £1.4 million revenue temporary cold room business which extends the UK's product portfolio and is now also fully integrated into the Well Dressed Tables facility in Membury, Berkshire.

Events Solutions: A £1.8 million revenue barrier and fencing company that offers complimentary product extension capabilities and is now managed alongside our Mass Participation Sports business.

Bash Bars: A niche modern event bar system that was added to the Well Dressed Tables business unit at Wimbledon in the last month of the year.

All of the above acquisitions have been successfully integrated into the UK business and all performed well under Arena ownership. Whilst these are not major acquisitions, each one is an important addition to the Group that enables us to provide complimentary products to both new and existing customers, as well as diversify our revenue streams and reducing the weighting of Structures' revenues.

Middle East and Asia ("MEA"):
The MEA Division completed three acquisitions during 2018 as follows:

Ironmonger Events: A £2 million revenue event management company with a focus on delivering the highly successful and internationally renowned Hong Kong 7's Rugby event. This acquisition forms part of the Group's vertical integration strategy and enables our existing Hong Kong structures business to deliver a fully integrated "design to delivery" solution for this prestigious event. The 2018 event proved to be bigger and even more successful than the prior year and the company also produced a number of other smaller events in Hong Kong during the year.

TSG: A UK and MEA based steel deck temporary structures company that enables us to offer innovative and versatile temporary solutions to our customers. Their propitiatory product, the Arena Super Deck (ASD), was' used almost exclusively to deliver the newest European Tour event in Saudi Arabia at the start of the 2019 season. This acquisition has brought a new innovative product offering within our Structures unit that will provide an alternative over traditional vinyl covered structures for both existing and new customers.

TGP: A £13m revenue exhibition stand design and build company based in Dubai that enables the MEA Division to provide complimentary services to the exhibition industry, not only in Dubai but the also the Gulf Cooperation Council (GCC) region. We anticipate that this new acquisition will deliver a number of synergies with the integration of a number of overlapping services currently provided by both companies, including CAD, joinery and graphics etc. This acquisition also positions the MEA business well for the upcoming Dubai 2020 Expo event, which we expect to provide additional revenue from the end of 2019 and into 2020.

CEO's Report Continued

We believe that the West Coast will provide significant organic growth opportunities"

US Division:
The US Division completed one acquisition in 2018.

Stuart Rentals: A £14 million under-the-tent party rental business that also provides tenting, staging equipment/flooring and fixtures. The business is based in San Jose in Northern California and provides Arena Americas with its first permanent base on the important West Coast of America. This acquisition is in line with the Group's strategy of expanding our geographic reach and product capabilities in the US. The business has annual revenues of circa $18 million and has the all-important 50/50 product mix between tenting/non-tenting. We believe that the West Coast will provide significant organic growth opportunities, with the powerful combination of a very solid and well-known local business base coupled with Arena's reputation for the delivery of large temporary events across the US.

United States Attorney's Office Investigation
In August, the Group announced that its US subsidiary, Arena Americas Inc, had reached an out of court settlement with the United States Attorney's Office (USAO) for a total of $4.8m payable over 5 years ($0.96m pa). There is a further contingent settlement amount of up to $3m ($600,000 per year), if Arena Americas Inc achieves revenues greater than $150m or net income greater than $2.5m in any year during the period FY18E – FY22E. 2018 revenues were $62.4m and net loss of $(2.4)m. This annual additional amount was therefore not payable on the 2018 results.

Ultimately, whilst the final settlement was a larger number than we would have liked (albeit approximately the middle of the potential settlement range indicated earlier in the year) it enabled us to resolve the matter. This in turn enabled our US senior executive team to completely focus on the running of the day-to-day business and the subsequent successful acquisition of Stuart Event Rentals in September.

UK Structures and Scaffolding Units
In early January 2019 we announced that whilst the UK Structures and Scaffolding units exceeded revenue expectations, an increase in new and one-off projects resulted in the division experiencing significant operational issues in its new base in St Ives, Cambridgeshire. These issues resulted in materially higher incremental costs to deliver these events and ensure that they were delivered to the usual Arena Standard.

In addition, the negative financial performance of these jobs was compounded by the poor integration of the Seating and Structures units into the new operational facility in St Ives. This integration was forecast to deliver synergy savings of up to £400,000, however these synergies were not achieved.

The above issues led to a significant reduction in the overall profitability of the UK division in 2018 with this Division reporting EBITDA materially behind internal budgets. This was extremely disappointing as all other UK units either achieved or exceeded their budget targets for the year. This underperformance was even more disappointing as the UK Structures unit has historically been one of the most reliable performing units over many years.

We have been working on improving the position at St. Ives for a number of months now in order to ensure that these operational issues are addressed. The first phase of this plan has been delivered with the closure of the Scaffolding unit, the appointment of a new Head of the UK Structures unit, who in turn has made a number of organisational changes that will help to improve the running of the St. Ives depot over the remainder of this year. We have also strengthened the senior UK & Europe Executive team with the appointment of Mr Chris Morris as the new UK & Europe CEO in addition to the appointment of Mr Andrew Lawson as the new UK & Europe Finance Director. We believe that these significant senior management changes will improve the overall profitability of this division.

Finally, I should say that none of the above issues impacted the delivery of the events for our customers and I am pleased to report that we have renewed a number of our multi-year recurring contracts for 2019 and beyond.

Industry Overview

Unlike 2017, where we saw a number of significant transactions within the industry, 2018 was a relatively uneventful year in regards to large transactions in the sector.

In the US there was the usual smaller local/regional company type transactions, however there were no large scale transactions. Currently, Arena Americas is the only event rental business capable of offering a national service throughout the US, albeit the business is still very structures product dominated. We therefore still believe that the opportunity remains to acquire a number of businesses of scale in the US that will enable us to expand our product capability and increase our national footprint.

In both the UK and the US, the industry continues to see labour shortages as the immigration policies of both countries continue to tighten the available labour pool. This will inevitably lead to higher labour costs across the industry. In the UK we are seeing evidence that corporates are taking a more cautious approach to committing to big new events as we see some of these types of opportunities being pushed into 2020.

In the MEA, our local business had a very strong year despite the Dubai market continuing to tighten. The region is looking forward to Dubai Expo 2020 with the potential for significant revenue opportunities for all business units. Asia continues to be slower than we might have expected some years ago with the new rulers in Malaysia not delivering the expected boost to the economy that was promised during the election. Conversely, we are seeing more opportunities in Korea and Japan. Saudi Arabia continues to look promising and we remain poised to leverage off the growth opportunities in this market place in 2019 and beyond.

2019 Priorities

Our first and foremost priority for 2019 is to continue to focus on the restructuring of our UK Structures unit. Operational excellence remains a key focus for the Group, as well as the successful integration of our acquired businesses.

As described above, the UK & Europe division now has in place a new management team and we will be working with them to implement the changes to improve performance during 2019. These changes will include operational improvements as well as additional focus on increased job margins.

Outlook

We remain confident that our overall strategic plan will produce enhanced profit margins as we continue to integrate the eight acquisitions delivered in 2018.

We are confident of further growth in 2019 and will be focusing on improving the UK performance and putting the Group in a stronger position for what is foreseen to be a very strong 2020, with the return of the US Open, a Ryder Cup close to our operations in Wisconsin and the Tokyo 2020 Olympics.

Our teams around the world have delivered exceptional results through their hard work and dedication and I would like to thank them for their continued commitment to the Group during 2018. I would also like to thank our Chairman, the Board and my fellow colleagues on our Senior Executive Leadership Team around our global network for their continued support and enthusiasm during a challenging but ultimately successful 2018.

Greg Lawless
Group CEO
9 April 2019

Financial Review

Piers Wilson
Finance Director

In the year ended 31 December 2018 the Group delivered Adjusted EBITDA of £12.1m, an increase of 16% on the prior period (FY17 £10.4m). Statutory operating profit after exceptional costs and share based payment charge was nil compared to a prior period profit of £0.1m.

Our financial results are summarised below

	YEAR ENDED 31 DECEMBER 2018	YEAR ENDED 31 DECEMBER 2017 (RESTATED[2])
	£m	£m
REVENUE	135.0	108.9
Gross Profit	41.8	35.4
Gross Profit %	31%	32.5%
Operating Expenses (excluding exceptional costs, depreciation and share option charge	(29.7)	(25.0)
ADJUSTED EBITDA [1]	12.1	10.4
Depreciation and Amortisation	(5.7)	(5.3)
Share option expense	(0.2)	(0.1)
Exceptional Costs	(5.4)	(4.8)
Acquisition costs	(0.8)	(0.1)
OPERATING PROFIT	(0.0)	0.1
Finance Costs	(1.6)	(3.2)
Tax	(0.4)	(0.2)
LOSS AFTER TAX / NET INCOME	(2.0)	(3.3)

[1] Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) excluding exceptional costs, acquisition costs and share option expense

[2] 2017 figures are restated for the impact of IFRS15

The Group uses alternative performance measures such as Adjusted EBITDA to allow the users of the financial statements to gain a clearer understanding of the underlying performance of the business without the impact of one off non-recurring costs of an exceptional nature.

Revenue

Revenue in the year to 31 December 2018 grew by 24% from £108.9m to £135m. Revenue grew in all regions, with organic growth in each region averaging 12% during the year. In the US, revenue growth was over £8m with around one third of that delivered organically.

In the MEA region revenue grew by £9m, with approximately 50% coming from organic growth, particularly in Dubai, Abu Dhabi and Saudi Arabia.

Finally, in the UK there was over £8m of revenue growth, most of which was organic but largely due to one off projects such as the Ryder cup in Paris and the Nordea Masters in Sweden.

Gross Margin and Operating Expenses

Group gross profit margin fell to 31% in 2018, from 32.5% in the prior year. As shown in the segmental analysis and highlighted in the CEO report, the major driver of this was a weaker than anticipated gross margin performance in the UK division due to the operational issues encountered in the Structures and Scaffolding units. As a result, the UK gross margin fell below 25%, compared to an average across the other two divisions of 35%. In the MEA margins reduced slightly to a more sustainable level. The US delivered a significant increase in gross margin percentage, with some profitable hurricane relief work delivered in the last quarter of the year.

Operating expenses, excluding exceptional and acquisition costs, depreciation, amortisation and share option charge, grew by £4.7m of which around £3m related to new acquisitions. Operating expenses as a percentage of total revenue fell in the year from 23% to 22%.

Exceptional and Acquisition Costs

The exceptional costs of £5.4 m are set out in more detail in note 4 to the accounts, and primarily comprise costs incurred and provisions made in relation to the settlement of the DOJ case in the US (£4.2m); the losses and closure costs of the discontinued UK scaffolding business (£0.6m); and costs related to the restructuring of the UK business and changes to the senior management team (£0.6m). Total acquisition costs of £0.8m were incurred on the eight acquisitions in the year.

Finance Expenses

Finance costs comprise mainly cash interest incurred on bank borrowings and finance leases (£1.0m), the non-cash write off of bank facility costs and loan note arrangement costs incurred in previous years (£0.5m), and imputed interest on deferred consideration balances (£0.1m). To calculate an adjusted net income figure the non-cash write off of previous bank facility arrangement costs (and loan note related costs in 2017) have been added back 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 2017 and 2018 due to a combination of factors, including tax free operations in Dubai, no tax payable in the UK and no corporation tax charge in the US legacy business due to tax loss carry forwards. The increase in tax charge in 2018 relates mainly to the acquired Stuart Rentals business in the US which as an asset purchase deal by a new subsidiary is in a tax paying position and cannot use existing US tax loss carry forwards.

Going forward we expect the tax charge to increase modestly but remain lower than the standard UK tax rate due factors including the portion of profits generated in Dubai, carry forward tax losses in the legacy US business and an assumption that the US tax code will continue to allow 100% tax deductions for capital expenditure.

Earnings per share and Dividend

The actual earnings per share in 2018 was negative due to the exceptional and acquisition costs described above. In order to better understand the underlying performance of the business, the table below sets out an adjusted earnings figure, and an adjusted basic earnings per share figure.

Calculation of Adjusted Net Income	2018 £m	2017 £m
Statutory loss after tax	(2.0)	(3.3)
Add back		
Exceptional Costs	5.4	4.8
Acquisition costs	0.8	0.1
Exceptional Finance costs (arrangement fees, loan note interest)	0.5	2.0
Share Option charge	0.2	0.1
ADJUSTED EARNINGS	4.9	3.6
Ave. No. of shares (m)	131.8	114.6
ADJUSTED BASIC EARNINGS PER SHARE (PENCE)	3.7	3.1

An interim dividend of 0.5 pence per share was declared in September 2018 and the recommended final dividend is 1.0 pence per share. This will bring the total dividend to 1.5 pence per share for the 2018 year, an increase of 11% over the 2017 dividend.

Acquisitions

The Group completed a total of eight acquisitions in the year. Two of these were significant transactions for which additional equity capital was raised. The other six acquisitions, two in the MEA region and four in the UK, were relatively small bolt on acquisitions that were funded from a mix of bank debt and operating cash flow, with some modest deferred consideration. All the acquisitions are already integrated into the relevant regional businesses and all performed well in the period.

Debt and Cash Position

At the year end the Group had total bank debt of £26.7m and total cash balances of £7.5m, to give a year end net bank debt figure of £19.2m, equivalent to 1.6x Adjusted EBITDA. During the year the Group negotiated a new global £30m facility with HSBC and used the enlarged facility to fully repay PNC Bank in the US. The Group now has operating accounts and relationships with HSBC in each major territory in which we operate.

In August 2018, the Group placed a total of 33.3m new shares at a price of 60 pence per share to raise net proceeds of £19m. Subsequent to the year end, the Group converted £5m from an HSBC £20m Accordion Facility, into its committed facility to increase the total committed facility to £35m. In addition, HSBC provide unsecured overdraft, bond and guarantee facilities in the US and Middle East.

Financial Review Continued

Working Capital

The Group had total working capital at 31 December 2018 of £(2.0)m, compared to £(0.7)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, although this can vary significantly during the year due to the seasonality of the business.

Capital Expenditure

Total net capital expenditure in 2018 was £10.8m, of which £5m was maintenance capex to keep our existing quantity and quality of rental inventory up to the standard required to service our existing customer and contract base. The balance of £5.8m was growth capex required for additional rental inventory to support revenue from new contracts won during the year and reduce the amount and cost of product rented during our peak season. The main elements of this growth capex included equipment for the new US Farmers Insurance golf event (£1.4m), although this event was in January 2019, £2m invested in the UK for new temporary structures to improve the overall product portfolio quality and size. In the Middle East we invested £1m on a new high leg structure first used at the new and enlarged multi-year contract for the ADIPEC oil and gas conference in Abu Dhabi in November.

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 2018	YEAR ENDED 31 DECEMBER 2017
Adjusted EBITDA as a % of revenue	9.0%	9.6%
Adjusted Earnings per share (pence)	3.7	3.1
ROCE %	8.0%	7.7%
Net bank debt to Adjusted EBITDA	1.6x	1.0x

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

Adjusted EBITDA % fell in the year due to the financial impact of the operational issues in the UK, despite the acquisition of higher EBITDA margin business in the year and improvements in the US division EBITDA margins. Adjusted EPS grew by 19% largely due to the strong performance of the acquired businesses in the post-acquisition period, particularly Stuart Rentals and TGP. ROCE% increased marginally in the year and net debt to EBITDA remains at a comfortable level.

Accounting Standards

As noted above we implemented IFRS 15 in 2018 and restated our 2017 results as shown in the detailed notes to the Accounts. IFRS 9 was also implemented with no material impact.

In 2019 we will implement IFRS 16 (leases) which will mean that almost all leases will be recorded as an asset and a corresponding liability on the balance sheet and rather than reporting rental payments as an operating expense, there will be additional depreciation and interest charges. Our initial analysis indicates that in 2019 this will result in an additional right of use asset and corresponding debt of around £20m; EBITDA some £3m higher, but a small overall reduction in earnings as in the early years of a rental lease the depreciation and interest charge will be higher than the rental payment. This increase in debt will not impact our ability to comply with the covenants associated with our banking facility, as these are tested by reference to accounting policies that were in place at the time the facility was entered into.

Year End Change

The Company intends to change its accounting reference date from 31 December to 31 March. The reason for this change relates to the seasonality of the business, with a material weighting of projected earnings generated in the last quarter of the year, the Board believes that a March year end will be more suitable and enable the directors to better manage the business.

In line with the new year end, the Group intends to report the following:

- Unaudited results for the six months ending 30 June 2019 by 30 September 2019;
- Unaudited results for the six months ending 31 December 2019 by 31 March 2020 (including a table aggregating the two interim periods to show the unaudited 12 months to 31 December 2019); and
- Audited results for the 15 months to 31 March 2020 by no later than 31 July 2020 (including a table showing the 12m results to 31 March 2020)

Piers Wilson
Finance Director
9 April 2019

Non-financial Information Statement

Introduction

The Directors, in preparing this Strategic Report, have sought to comply with s414C of the Companies Act 2006 in relation to providing relevant non-financial information. This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Arena Events Group plc and its subsidiaries when viewed as a whole.

Non-financial information statement

The table below references where non-financial information is included within the Annual Report:

Information	Reference
The Group's business model	Page 6
The Group's strategy	Page 7
The Group's development, performance and position and impact of its activity, relating to environmental matters, employees, social matters, respect for human rights and anti-corruption and anti-bribery matters	Page 28-29
Principal risks & uncertainties	Page 22-24
References to, and additional explanations of, amounts included in the entity's annual accounts	Page 18-20

Principal Risks and Uncertainties

Potential business and operational risks are regularly reviewed by the Board and appropriate procedures put in place to monitor and mitigate them. The principal risks identified by the Board and the related mitigation strategies are set out below.

RISKS	MITIGATION
Health and safety The installation of temporary structures and grand stand seating is complex and may require working at height. Whilst the Group holds suitable insurance coverage, an employee or third party 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 (Health & Safety) 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. — Third party advisers and consultants are engaged where appropriate to support internal H&S teams.
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. — Succession plans are being developed for key individuals and these plans are reviewed by the Board at least annually.
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 Company's ability to win or retain business in the local geography and internationally, across all sectors in which Arena operate.	— The Group has a rigorous safety culture to ensure all temporary structures and grandstand seating is constructed to appropriate standards, with third party sign off where relevant. — All temporary structures and grandstand seating is designed and certified to meet all engineering and safety specifications. — Continuous training is provided in construction standards, safety measures and precautions for 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 events on time, every time, 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 and experience to more developing divisions.

RISKS	MITIGATION
Market pricing pressure 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. Pricing pressure can also lead to existing contracts being extended at lower than normal levels of pricing, to ensure work is not lost to a competitor.	— The Group typically differentiates itself from its competitors on quality of service and product and does not compete purely on price. — To mitigate the risk of losing customers, 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 both the UK and US regions there are particular challenges to hire, train and retain field-based labour at current rates of pay given market conditions. If higher rates of pay are required to attract and retain employees, this will impact financial performance.	— 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. — The Group is reviewing market pay rates in each region and implementing a skills matrix to allow employees to clearly identify the skills required to progress and develop their career within the Group.
Increasing Costs In addition to payroll and agency labour costs, the largest portion of the Group's delivery costs are made up of items such as transport, plant hire, materials and consumables. If these costs increase by more than the overall regional RPI, then there is a risk that project margins will reduce on long term customer contracts where the customer price increase is limited to a maximum of RPI.	— Each major project delivered under a multi-year contract is reviewed each year and opportunities identified to reduce delivery costs where possible from more efficient use of resources or better procurement. — For all new contracts a detailed cost budget is prepared as part of the bidding process.
Economic Uncertainty Any economic uncertainty in the regions in which we operate can lead to discretionary or one-off events and projects to be postponed or cancelled. Whilst such contracts make up a relatively small proportion of our overall revenue, the loss of such work can have a material impact on overall profitability given the fixed costs of the Group.	— The Group has a sales and marketing process to identify, price and secure projects each year in addition to the base of contracted and recurring contracts. — The pipeline of significant contract bids is reviewed regularly.

Principal Risks & Uncertainties Continued

RISKS	MITIGATION
Operating in new territories As the Group grows it is likely that new contracts will be won and delivered in new territories and jurisdictions. For example, in 2019 the Group will be working in Japan for the first time and is likely to deliver a number of events in countries such as Korea and Saudi Arabia.	— When working in new territories the Group generally identifies a local partner and then works with that partner to support the local delivery of product and services. — Once a market becomes more established a local team and local advisers are then engaged.
Introduction of more onerous regulation The Group adheres to all local regulatory codes in each region, however, any material change to these rules, in particular with regard to Health and Safety or the application of certain H&S standards to the temporary event sector could lead to additional costs, not all of which can be passed on to the customer, which would result in an impact on profitability. In 2018 the Group has seen certain customers expect adherence to Construction Design and Management Regulations, which normally only apply to permanent construction type projects, be applied to temporary event projects.	— The Group ensures it is aware of relevant changes in regulations through training and use of external advisers — Any additional costs incurred as a result of such changes are passed on to the customer where possible, but for multi year contracts this may not be possible until the contract renewal.
Brexit At the time of writing it is currently unclear if or when the UK will leave the EU; and if it does whether this will be within a deal framework or no-deal framework. If the UK does leave with no deal it is possible that import tariffs could apply for the import or export of goods to Europe and there may be restrictions on the free movement of people.	— Whilst the Group does deliver a couple of events on mainland Europe, we believe these events can be supplied out of the UK, with yet unknown tariffs for the temporary importation of inventory from the U.K. These events could also be delivered by outsourcing any product requirements locally. — In addition, the Group does on occasion rent product on a temporary basis from its main structures supplier in Belgium. This rental is small in the context of the overall product delivered in the UK – and again the business may incur, yet undetermined tariffs on these rentals. — Neither of these matters are expected to be in any way material if tariffs on these temporary requirements were imposed.

Regional Highlights
UK & Europe

Overview
Despite encountering operational issues in the Structures unit, the UK division had a busy year in 2018. The team delivered the Arena Standard to numerous high-profile projects including the Ryder Cup in Paris and the Royal Wedding in May and added four new bolt-on acquisitions. These acquisitions align with the Group's strategy of extending its product offering to be able to deliver more of an integrated products service to both new and existing customers. All four acquisitions have been successfully integrated into the UK division and are trading well.

REVENUE

£54.2m +19%

2018	£54.2m
2017	£45.5m

EMPLOYEES

382 +12%

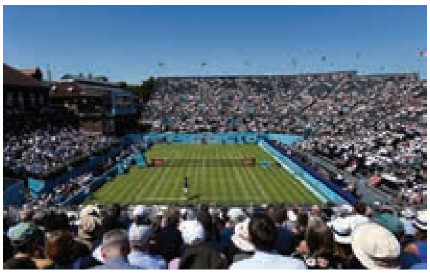
2018	382
2017	342

Highlights
- Four acquisitions GLD Productions, Events Solution, Ice House Rentals, and Bash Bars
- Delivered the largest ever triple deck structure at the Cheltenham Festival
- Won Award for Best Temporary Structure at the Festival Supplier Awards
- Implemented new senior executive team, and new marketing team
- Provided media towers for the Royal Wedding in May

People
As a result of the operational issues in the Structures and Scaffolding units, the Board has made significant senior management changes in the UK Division. A new senior management team has been implemented, including a new CEO (Chris Morris), a new Finance Director (Andrew Lawson) and a new UK Structures MD (Jonathan Hills). The appointment of this new senior executive team will help to address the issues identified in 2018 and position the division for sustainable organic growth.

Major events

Kensington Palace Pavilion, February 2018
We had the honour of designing and installing a bespoke semi-permanent structure for Kensington Palace in London whilst the Orangery event space is being refurbished for two years.



Fever-tree Championships, June 2018
We once again delivered a full turnkey solution for the Fever-Tree Championships at Queen's Club in London. Arena has been providing temporary seating for this event for more than 30 years and in 2018 this event won the ATP 500.

The Ryder Cup, September 2018
Arena delivered comprehensive event services for the 2018 Ryder Cup at Le Golf National in Paris in September 2018. Products included the Albatross temporary hospitality structure, scaffolding, walk ways, and furniture.

Regional Highlights
Middle East & Asia

Overview
The MEA division experienced strong growth in 2018, both organic and through acquisitions. In October, the division expanded into exhibition services with the acquisition of TGP in Dubai. The addition of TGP brings exciting new services to Arena's customers in the region, further extending the turnkey service offering. The MEA division and TGP are now based out of the same office in Dubai South and are already collaborating on major projects together including the Dubai Expo 2020 project.

REVENUE

£28.5m +46%

2018	£28.5m
2017	£19.5m

EMPLOYEES

329 +89%

2018	329
2017	174

Highlights
- Three acquisitions: Ironmonger Events, TGP, and The Structure Group ("TSG")
- Three new product categories: Event management, exhibitions services, and graphics and signage
- Opened new offices in Korea and Saudi Arabia
- Launched new website and completed rebranding
- Won the inaugural European tour golf tournament in Saudi
- Nominated four entries for MESE Awards 2018

People
The organisational structure of the division changed in 2018, consolidating the various companies into one division with regional managers and a Dubai HQ. This new structure enables more synergies across the different companies and improves the management of the division. The division welcomed 136 employees from TGP in October.

Major events

Al Jurf, May 2018
Arena provided a fully fitted-out, VIP Ramadan dining experience on the beach at Sheik Zayed's private Beach Palace, Qasr Al Jurf. We created a bespoke structure for the client using the new TSG product, the Arena Super Deck (ASD).

Hong Kong Sevens, April 2018
A flagship event for Arena, we provided a turn-key solution for the renowned sporting event, including event management by Ironmonger, temporary structures, scaffolding, furniture, and interiors.

Arabian Hotel Investment Conference (AHIC), April 2018
The Middle East team provided first class temporary structures, in-house interior and event design solutions, an in-house production department, as well as bespoke furniture and air conditioning services, offering the client a complete turnkey event solution.

Regional Highlights
Americas

Overview

In 2018, Arena Americas posted its strongest annual financial performance in the history of its operation. Whilst the business had a steady first half, it rebounded over the last six months of the year by securing several one-off events on short notice including disaster relief in the South Eastern region of the US. The consolidation of operations in the Midwest region along with the acquisition of Stuart Event Rentals also helped bolster Arena Americas overall financial performance. The division is now the only national provider for temporary structures in the US.

REVENUE

£52.3m +19.%

2018	£52.3m
2017	£43.9m

EMPLOYEES

465 +36%

2018	465
2017	343

Highlights

- Secured a new 7-year PGA Seating contract
- Acquired West Coast rental company Stuart Event Rentals in September
- Secured 6-year Farmers Insurance Open golf tournament contract
- Delivered disaster relief support for Hurricane Michael in October 2018

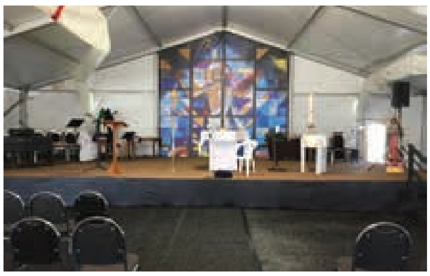
People

During 2018 the division welcomed several new leadership positions, including CFO, General Manager – Midwest Region, Director of Continuous Improvement, and Manager of Well-Dressed-Tables. The division welcomed 160 new employees from Stuart Event Rentals during early September.

Major events

Frieze Art Fair, May 2018
We once again delivered a temporary exhibition space for the Frieze Art Fair in New York City, this time with a different configuration from the usual serpentine design.

US PGA Championship, August 2018
We delivered premium tenting, flooring, and interiors for the 100th PGA Championship at Bellerive Golf Club in August 2018.



Hurricane Michael, October 2018
Arena was the only temporary structure provider available at the last minute, and with the capability, to support disaster relief efforts after Hurricane Michael.

CSR Report

The development of our people, support for our local communities, respect for the environment, and compliance with ethical & sustainability policies is essential for the development and long-term success of the Company. During 2018 each of our divisions carried out activities within the five segments detailed in the report below.

People

The Group recognises the importance of frequent communication to all employees within the Company, and each regional division engages with their local team across multiple channels. The Group and its divisions aim to continue to improve internal engagement with employees in 2019.

- In the UK & Europe, we have in place an employee support & wellbeing intranet 'Lifeworks'. The platform provides emotional & life support, discounts and perks, a recognition system, and updates on recent news within the division. As of March 2019, the platform had 194 members.
- Members of the newly expanded MEA division participated in a team building obstacle course, the Desert Warrior Challenge.
- We provide our employees the opportunity to relocate and transfer to our other regional operating divisions.
- The Global head office distributes an employee newsletter on a quarterly basis communicating recent news from the regional divisions, exciting projects, employee updates, and health and wellness tips.
- Announcements on any major company news are made via email to all employees on a timely basis
- An Employee Consultative Committee is held on a regular basis for UK employees, representatives from each product unit share their views on new and ongoing issues.
- In October 2018, the Group held its second ever Senior Executive Leadership Team Conference. 35 members of the Senior Executive Leadership Team (SELT) gathered in Wisconsin for three days to share ideas, progress in their divisions, and participate in team building activities.

Community

Each of our regional divisions carried out their own community initiatives throughout the year.

- Our Middle East & Asia division continues to support the non-profit rugby club team, the Dubai Exiles. Arena is excited to be a part of a club that inspires the youth every day to practice teamwork, respect, enjoyment, discipline and sportsmanship.
- Our US division donated food to the Hunger Task Force charity in the US. The Hunger Task Force works to prevent hunger and malnutrition by providing people in need adequate food throughout the year.
- In 2018, Arena Americas also supported Toys for Tots, the Salvation Army's Christmas Angel Tree, and Buddy Break for Discovery Church
- The UK & Europe division partnered with the Stephen Lawrence Trust and, long-standing client, the London Marathon to run a competition to design the Mile-18 marker for the 2019 London Marathon in commemoration of Stephen Lawrence.

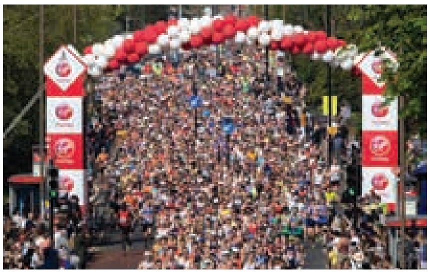
Sustainability & Environment

The Group believes in delivering a high standard of product and service to its customers. Maintaining industry standard accreditations guarantees a high level of quality, and health & safety standards for our stakeholders. We hold the following accreditations:

- MUTA accredited member
- CHAS accredited member
- ISO 14001:2015 certified
- ISO 9001:2015 certified

Each division has policies in place for managing their environmental impact of their operations, including compliance with regulations. Policies cover areas such as the disposal of materials, recycling, greenhouse gas emissions, and waste disposal.

2018 SELT Conference



Stephen Lawrence Trust

Desert Warrior Challenge

Compliance

Modern Slavery

The Group supports and complies with the UK Modern Slavery Act (2015), we are committed to acting with integrity and transparency in all business dealings and to maintain effective systems and controls in place to safeguard against any form of modern slavery taking place with the business or our supply chain. Due to the nature of our business being highly seasonal, it is necessary at times for us to employ temporary labour from within local communities, primarily through temporary labour agencies. We are aware that there is the risk of the occurrence of modern slavery practices through these sourcing arrangements. To mitigate this risk, Arena maintains an approved supplier list. All approved suppliers are required to submit to pre-qualification. The company will undertake an online search to ensure that no organisation has ever been convicted of offenses related to modern slavery. On site health and safety inspections will include a review of sub-contractors working conditions. A revised Modern Slavery Statement for the financial year ended 31 December 2018 is available of the Group's website.

Gender Pay Gap

Under UK legislation, all organisations with more than 250 employees are required to publish their pay gap data each year, and the actions they are taking to reduce the gap. Due to the nature of the business being primarily in construction, there is a higher proportion of men in the organisation. Senior positions are often obtained through internal promotion which explains the higher proportion of men in those roles. The latest gender pay gap report is available on the Group's website.

Anti-Bribery Policy

The Group enforces an anti-bribery policy across all of its divisions. This is reviewed on an annual basis by the Audit Committee.

Health & Safety

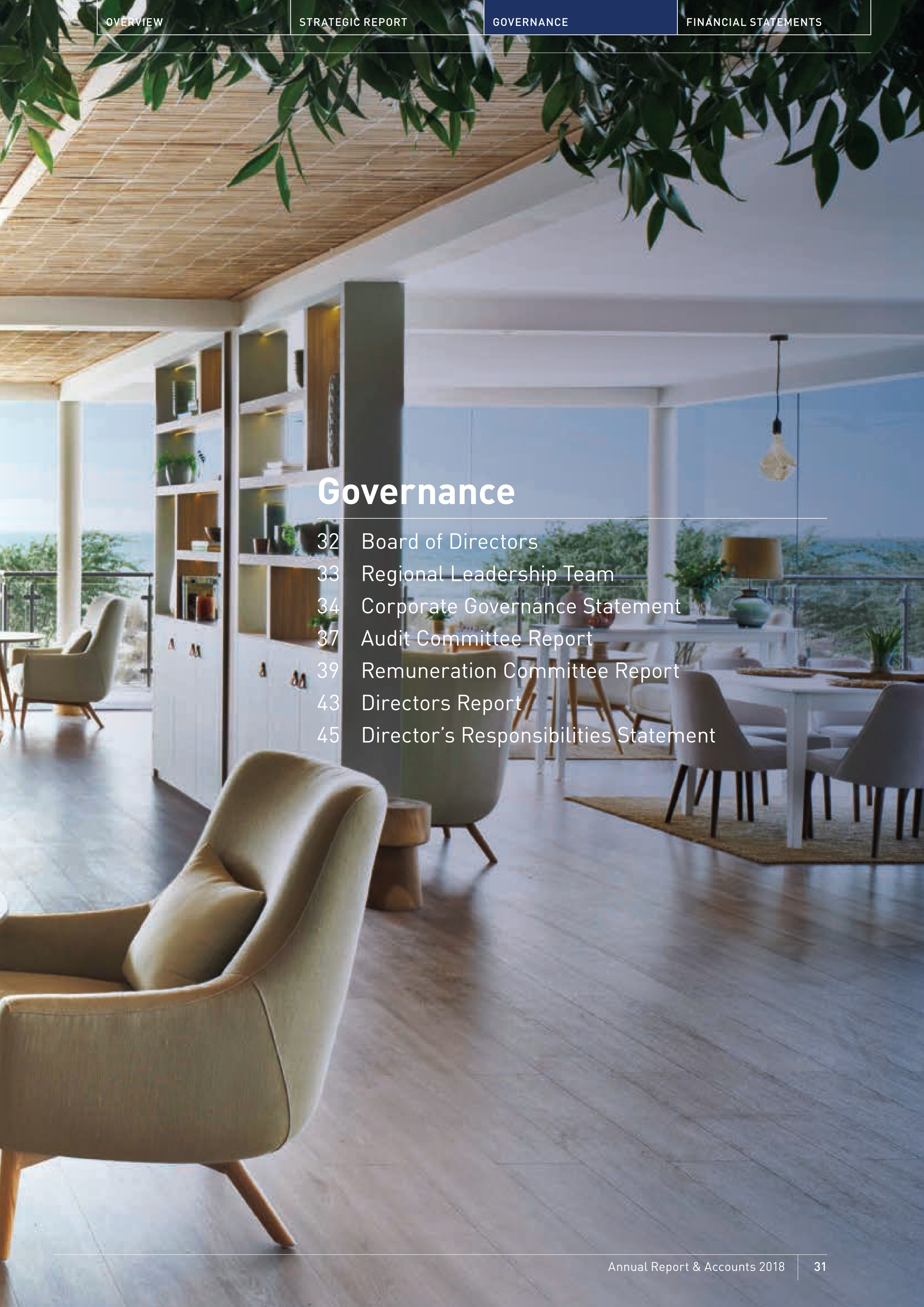
The Board regards Health & Safety a top priority in the Group's operations, recognising the responsibility we have for our employees' health and wellbeing. The installation of event infrastructure carries significant risk of injury, and each of our operating divisions implement the necessary and appropriate procedures to mitigate this risk.

— In the US division record keeping was enhanced, communication efforts increased, and a challenge coin was issued to help drive home the importance of safety in everything we do. Overall severity of reported incidents declined, and a large reduction in Worker's Compensation Insurance of $500k was achieved versus prior year.

— The UK & Europe division have engaged with Citation for audits, training support and advice. In addition, we have now appointed an in-house trainer to ensure a robust training regime is maintained

— The Middle East & Asia team attended the International Live Events Association (ILEA) Expert Safety session with the industry's biggest experts. The session introduced the newly launched UAE Fire and Life Safety Code of Practice 2018 edition. The session guided the team through the responsibilities of event organisers as well as best practices related to the new code. ILEA are set to launch a new series of exclusive sessions featuring several industry experts.

QASR AL JURF TEMPORARY SALES OFFICE, ABU DHABI



Governance

Board of Directors

Ken Hanna

Chairman

Ken was appointed Chairman of the Board in July 2017 and is Chair of the Audit Committee.

Ken has international experience, bringing financial and leadership expertise from his role as the Chairman of Aggreko plc, which he has held since 2012.

Ken is also Chairman of Shooting Star Children's' 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 and Wales.

Greg Lawless

CEO

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

Greg 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.

Greg qualified as an accountant with Deloitte in 1984 and is a member of the Institute of Chartered Accountants in England and Wales.

Ian Metcalfe

Non-Executive Director

Ian was appointed non-executive director of the Group in July 2017, and is chair of the Remuneration Committee.

Ian brings significant experience with sporting organisations to the Board and is currently Chairman of Commonwealth Games England. Ian is also a member of the Rugby Football Union (''RFU'') Council, having represented Cambridge University RFU for 12 years. He was also 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

Finance Director

Piers has been the Group's Finance Director since 2012, overseeing all financial matters including financial 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 and Wales.

Regional Leadership Team

Chris Morris

UK & Europe CEO

Chris was appointed CEO of the UK & Europe division in March 2019 and is based in St. Ives, Cambridgeshire.

Before joining Arena, Chris was most recently Managing Director of the Events and Destinations Division of CH & Co, a leading catering and hospitality group and spent 9 years working with the Rugby Football Union as Managing Director of Twickenham Experience Ltd. Prior to that, he was Managing Director of the Sports and Events Division of Compass Group plc.

Chris has an MBA from Henley Management College, and a BA Combined Hons in Ancient History and Archaeology from Exeter University.

Paul Berger

Middle East & Asia CEO

Paul was appointed CEO of Arena Middle East & Asia in 2009. Paul is responsible for Arena's operations in the region which encompasses the UAE, Malaysia, Hong Kong, Japan, and South Korea.

Paul brings a long history of working in events and a strong knowledge of the Middle East, 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. 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.

Paul Bryant

Americas CEO

Paul Bryant joined Arena as CEO of the Americas division in early 2017.

Before joining Arena, Paul was EVP and CCO 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 Board recognises the importance of good Corporate Governance and during the year elected to adopt the QCA Corporate Governance Code ("QCA Code"). We believe that Arena Group's corporate values of integrity, teamwork and excellence provide a good foundation to uphold effective Corporate Governance and deliver long term shareholder value.

Ken Hanna
Chairman

Chairman's introduction

A robust Corporate Governance framework is integral to the effectiveness of the Board. The Board believes that it complies with all of the principles of the QCA Code, in a manner consistent and proportional to the size, risks and complexity of the Groups operations; and as described in more detail below.

Composition of the Board

The Board comprises of 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 and on the Group website. 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-executive directors to be independent. Details of the directors' remuneration is set out in the Remuneration Committee report and board meeting attendance is set out in the Directors report.

How the Board operates

The Board meets regularly to review, formulate, and approve the Group's strategy, budgets, corporate actions and to oversee the Group's progress towards its goals. The Board receives a Board pack each month which includes the Group's internal management accounts and a report from the CEO and FD. The Board aims to meet a minimum of six times per year.

The non-executive directors communicate directly with executive directors and senior management between formal Board meetings. In 2018 the Board met six times at which all directors were present. In addition, the non-executive directors attended the Group's Senior Executive Leadership Team conference for two days in October 2018.

The Company Secretary compiles the Board and Committee papers which are circulated to Directors prior to meetings. The Company Secretary prepares minutes of each meeting and every Director is aware of the right to have any concerns minuted and to seek independent advice at the Group's expense where appropriate. The primary matters reviewed by the Board during the period are as set out below;

- Strategy and annual budget
- Acquisitions of businesses
- Share capital and dividends
- Board membership and delegation of authority

— Remuneration and employment benefits for senior management

— Corporate statutory reporting

— Debt facilities and covenant compliance

— Corporate governance, internal controls and risk management

Board Committees

The Board is supported by the Audit and Remuneration committees, details of which are set out below. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. The Group does not have a Nomination committee as those duties that would be undertaken by such a committee are handled by the Board

— The **Audit Committee** is chaired by Ken Hanna, who is a Chartered Accountant, and 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. The Committee meets at least twice each year.

— 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 Committee meets at least twice each year.

Corporate culture

The Group upholds a corporate philosophy which comprises of a Vision, Mission, Values, and the Arena Standard. The Group's Vision is to become the leading, most respected, integrated event solutions business in the world and its Mission is to Deliver the Arena Standard to the World.

Election of Directors

All Directors of the Group will offer themselves for re-election at the Annual General Meeting. Descriptions of Directors' relevant experience, skills and qualities are set out in the Board of Directors section of this report.

Board effectiveness & development

The Chairman currently assesses the performance of the Board on an informal continual basis taking into account the contribution each Director makes to the business. Directors are also encouraged to provide feedback on all areas of the board efficacy, having due regard to the balance of skills, experience, independence and knowledge contributed by members of the Board.

The Board has not undertaken a formal evaluation of its effectiveness during the year, however, such an evaluation will be considered, including the composition of the Board, during 2019.

The Board considers and reviews the requirement for continued professional development. The Group's regulatory adviser, Nomad and other external advisers serve to strengthen this development by providing guidance and updates as required.

The Board and senior management from time to time seek advice on significant matters from external advisers. These advisers include, amongst others, the Group's nominated adviser and broker, public relations adviser, external auditors and legal advisers.

External Appointments

The Board may authorise Executive Directors to take non-executive positions in other companies and organisations, provided the time commitment does not conflict with the Director's duties to the Group. The acceptance of appointment to such positions is subject to the approval of the Chairman.

Internal controls & risk management

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 and procedures in place are appropriate for the current size, complexity and risk profile of the Group.

The principal elements of the Group's internal control system include:

— A detailed annual budget is prepared including an integrated profit and loss, balance sheet and cash flow. The budget is approved by the Board.

— Financial and operational performance against the budget is prepared and reviewed by the Board on a monthly basis.

— The Group has developed a set of Minimum Control Standards and each division's controls and procedures are reviewed by the Group on an annual basis.

— Each division has an appointed a H&S (Health and Safety) manager and there is a global H&S committee to share knowledge and best practice.

— Material contracts are assessed by the executive Directors and approved by the Board before they are entered into.

Corporate Governance Statement continued

— Board approval is required for key matters such as any business acquisitions, material capital expenditure and amendments to banking facilities.

— A post acquisition review is performed on all acquisitions, around one year after completion.

Further description of how the board identifies, assesses and manages risk is set out in the Principal Risks and Uncertainties Report on page 22-24.

Directors' Conflicts of Interest

Any related party transactions are noted in the Group's financial report. The Group adheres to MAR regulations and the AIM Rule of Directors' Dealings.

Time Commitments

All Directors recognise the need to commit sufficient time to fulfil their role. This requirement is included in their letters of appointment. The Board is satisfied that the Chairman and Non-executive Director are able to devote sufficient time to the Group's business.

Anti-Bribery Policy

The Group enforces an anti-bribery policy across all of its divisions. This is reviewed on an annual basis by the Audit Committee.

Relations with Stakeholders

The Group engages with its various stakeholder groups on a regular basis to make sure their needs are being served. Feedback from all stakeholders in the business allows the Board to monitor its corporate culture, ethical values and behaviours, ensuring that they are consistent with the Group's business model.

Employees

Each Division carries out regular employee surveys to get feedback and identify areas that need improvement. In response to the feedback from employees last year, the Group has continued to focus on internal communication this year including regular newsletters to all employees and regular employee updates by e mail. Each Division has developed its own intranet and an annual conference is held for the Senior Executive Leadership Team.

Customers

We strive to continually improve the quality of our service for our customers, achieving this through our dedication to the Arena Standard. The Group places significant importance on maintaining long term relationships with its customers and this is a key strategy for the Group.

Suppliers

Each division takes responsibility for their supplier relationships, ensuring they comply with the Group policies. We aim to maintain long term relationships with our key suppliers.

Relations with Shareholders

The Group is committed to engaging with and listening to its shareholders, ensuring that there is transparency and understanding of the Group's strategy, business model, and performance. The Group does this through investor roadshows, individual meetings and regular reporting. The Group maintains an investor section on its corporate website with up to date information for its shareholders, including financial reports, shareholder documents, corporate policies and Group announcements.

Private shareholders

The Group website is the primary resource for recent updates and information on the Group for private investors. The AGM serves as the main forum for dialogue with private investors. The Board attends the AGM and answers any questions posed by attendees.

Institutional shareholders

The Directors place importance on building a relationship with the Group's institutional investors. These relations are managed primarily by the Group's broker, financial PR firm and CEO. The Group communicates with all shareholders through the Annual report and accounts, the AGM, the interim accounts and RNS statements as required under the AIM rules. In addition, the CEO and FD make presentations to institutional shareholders and analysts twice each year following the release of the full-year and half-year results.

Annual General Meeting (AGM)

The Annual General meeting of the Group will be held on 22 May 2019. The Notice of Annual General Meeting and the resolutions to be put to the meeting are included in the Notice of AGM accompanying this Annual Report.

Ken Hanna

Chairman
9 April 2019

Audit Committee Report

I am pleased to present the Audit Committee report for the year ended 31 December 2018. The Audit Committee is primarily responsible for the integrity of the financial statements and ensuring that the financial performance of the Group is properly reported and reviewed. Its role also includes reviewing internal control and risk management systems, reviewing key accounting policies and advising on the appointment of external auditors.

Ken Hanna
Chairman

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 on page 32. The Group CEO, Finance Director and the external auditor (Deloitte LLP) also attend committee meetings by invitation. There have been no changes to the composition of the Committee during the year and the Board believes that the Committee members have the required skills, qualifications and experience to properly discharge their duties. The Terms of Reference for the Committee are available from the Group's registered office. The Committee met twice in the period, at which both members were present.

Duties

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

— Review of the financial statements and Annual Report

— Review of the audit plan;

— Consideration of key audit matters and how they are addressed;

— Review of suitability of the external auditor;

— 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.

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.

Provision of non audit work by the external auditor

The Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in Note 4 of the Group's financial statements.

Audit Committee Report continued

The non-audit fees primarily relate to ongoing tax advice and tax compliance work for the Group. During the year the provision of tax compliance and related tax advisory work in the UK was reviewed. As a result of this review the Group moved the FY18 tax related work to Smith & Williamson.

Audit process

The external auditor prepares an audit plan that sets out the scope of the audit, key areas to be targeted, audit materiality 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 acquisitions and 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 a formal independent internal audit function. However, during 2018 a set of minimum control and reporting standards were formally documented and distributed to each business to confirm compliance. These standards and compliance with them are reviewed at least once a year by a member of the Group finance team. The Committee believes that this allows management to derive sufficient assurance as to the adequacy and effectiveness of internal controls and risk management procedures.

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. 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 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 in 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
9 April 2019

Remuneration Committee Report

I am pleased to present this remuneration report, which sets out our remuneration policy and the remuneration paid to the Directors for the period.

Ian Metcalfe
Non-Executive Director

Introduction
The Remuneration Committee is chaired by Ian Metcalfe and also includes Ken Hanna. The Terms of Reference for the Committee are available from the Group's registered office. The Committee met twice in the period at which both members were present.

The Committee has taken into account the requirements for main market listed UK companies in presenting this report, although it is an AIM listed company and these requirements do not apply.

This report is split into a Directors' Remuneration Policy statement and an Annual Report on Remuneration setting out the remuneration earned by the Directors in FY18 and how we intend to apply the policy in 2019.

DIRECTORS' REMUNERATION POLICY

The Director's remuneration packages are designed to attract, retain and motivate directors of the highest calibre, to ensure that their interests are aligned with the shareholders 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.

Executive Directors
The main elements of the remuneration package for executive directors are as set out below:

Basic salary
Our aim is to provide a competitive base salary for the market in which we operate, to attract and retain executive directors of a suitable calibre. Base salaries are usually reviewed annually taking into account any changes in role or responsibilities, individual performance, market conditions and comparable market salaries. Any increases will normally be in line with percentage increases to other group employees, but can be higher in circumstances such as change in responsibilities, individual performance or alignment with market rates over time.

Benefits
We aim to offer market standard benefits as part of an overall remuneration package. These benefits are currently limited to the provision of private medical insurance and a company pension contribution. No company cars or car allowances are provided. The level of these benefits 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 Group financial performance targets and personal performance objectives. The Group financial targets are set each year by the Committee. In 2018 the maximum bonus payable to the executive directors was 60% of base salary. In 2019 the maximum bonus payable to the executive directors will remain at 60% of base salary.

Remuneration Committee Report continued

Share Options
A Group share option scheme is in place as described in further detail below. Share options are issued as determined by the Committee to align the executive directors medium term interest with those of the shareholders. Additional grants were made under the scheme during 2018, as set out below. These awards have performance conditions and vest equally over three years, commencing on the third anniversary of grant.

Non-Executive Directors
The remuneration policy for the Chairman and Non-Executive Directors is to pay fees necessary to attract the individual of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role. Details are set out below:

The fees of the Non-Executive Directors are agreed by the Board as a whole having taken advice from advisers.

Fees are set taking into account the level of responsibility, relevant experience and specialist knowledge of each Non-Executive Director and fees at companies of a similar size and complexity.

Non-Executive Directors are paid a fee for membership of the Board with no additional fees being paid for chairmanship of Board Committees. Fees are paid monthly in cash.

Neither the Chairman nor any of the Non-Executive Directors are eligible to participate in any of the Group's annual bonus incentive arrangements. However, at IPO the Chairman was granted share options by way of a deed of gift outside of the Group's share option scheme, but on the same terms as other grants made at the same time.

Directors service contracts
On admission to AIM in July 2017, the executive directors entered into 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.

ANNUAL REPORT ON REMUNERATION

Directors Remuneration
The table below sets out the total remuneration earned by each Director for FY18 and FY17

	SALARY AND FEES £000	BENEFITS IN KIND £000	PENSION £000	BONUS £000	2018 Total £000	2017 Total £000
EXECUTIVE DIRECTORS						
Greg Lawless	232			nil	232	270
Piers Wilson	180	2	14	nil	196	225
NON- EXECUTIVE DIRECTORS						
Ken Hanna	100				100	44
Ian Metcalfe	40				40	17

The salary figures above for the Non-Executive Directors for 2017 are from their appointment on 25th July 2017 to 31 December 2017.

Base Salaries

The base salary for G Lawless increased from £225,000 to £232,000 on 1 January 2018. The base salary for P Wilson increased from £175,000 to £180,000 on 1 January 2018. No increases in the annual salaries of any Director is anticipated for 2019.

Benefits

G Lawless receives no benefits. P Wilson is provided with private medical insurance and receives a company pension contribution of 7.5% of base salary.

Bonus

The maximum annual bonus for the Executive Directors in FY18 was 60% of base salary. Despite a number of the Executive Directors personal objectives being met, based on the Group's performance in FY18, the Committee has determined that neither of the executive Directors will receive a bonus for FY18. For FY19 the maximum bonus opportunity will remain at 60% of base salary, subject to the achievement of stretching financial and operational targets.

Share Options

No share options vested in the period. The Committee granted a total of 2,300,000 new share options in the period, of which 825,000 were granted to the Executive Directors.

Directors share holdings and share interests

	NUMBER OF ORDINARY SHARES 31 DEC 2017	NUMBER OF ORDINARY SHARES 31 DEC 2018	UNVESTED SHARE OPTIONS AT 31 DEC 2018	VESTED, UNEXERCISED SHARE OPTIONS
EXECUTIVE DIRECTORS				
Greg Lawless	4,127,214	6,724,088	1,730,000	-
Piers Wilson	143,647	227,007	975,000	-
NON- EXECUTIVE DIRECTORS				
Ken Hanna	90,000	173,334	181,818	-
Ian Metcalfe	90,000	110,800	-	-

Group share option scheme

A Group share option scheme ("the 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 day before the date of grant. Total options were awarded at Admission equal to approximately 4.6% of the number of ordinary shares in issue at that time, with an exercise price of 55 pence per share. The initial option awards have no performance conditions and vest equally after two, three and four years from the date of grant.

In October 2018 a total of a further 2.3m share option awards were granted, of which 825,000 were awarded to the Executive Directors. These awards have an exercise price of 68 pence per share and vest equally over 3 years, commencing on the third anniversary of grant and have performance conditions as set out below. As at 31 December 2018, taking into account option awards that have lapsed during the year, total option awards issued and outstanding under the Scheme were approximately 4.5% of the number of issued shares. Customary malus and clawback provisions apply to all awards.

Remuneration Committee Report continued

The share options issued in October 2018 have the following performance criteria:

75% of the total award is subject to the Adjusted Earnings per share for the Group ("Adjusted EPS") having increased by a total amount in excess of 12.5% per annum over the period. If the compound growth is in excess of 12.5% per annum the award will vest in full. If the compound growth is below 10% per annum the award will be fall away. In between these two levels an adjusted number of options will vest on a straight line pro rata basis.

25% of the total award will vest at the discretion of the Remuneration Committee by reference to the success of the Group in integrating acquisitions (i) completed in the twelve months prior to the date of award, and (ii) subsequently completed, during the period between the date of the award and the test date.

Directors' share options

	NUMBER OF OPTIONS 31 DEC 2017	ISSUED IN THE YEAR	NUMBER OF OPTIONS 31 DEC 2018	EXERCISE PRICE (PENCE)	VESTING PERIOD
EXECUTIVE DIRECTORS					
Greg Lawless	1,280,000		1,280,000	55	July 2019 to July 2021
		450,000	450,000	68	Oct 2021 to Oct 2023
Piers Wilson	600,000		600,000	55	July 2019 to July 2021
		375,000	375,000	68	Oct 2021 to Oct 2023
NON-EXECUTIVE DIRECTORS					
Ken Hanna	181,818	-	181,818	55	July 2019 to July 2021
Ian Metcalfe	-	-	-	-	

Ian Metcalfe
Non-Executive Director

9 April 2019

Directors' Report

Review of Business
The CEO's report on page 14-17 provide a review of the business, the Group's trading for the year to 31 December 2018 and an indication of future developments.

Results and Dividends
The results for the year to 31 December 2018 are set out in the consolidated income statement on page 55. The company declared an interim dividend for the 2018 year on 19 September 2018 of 0.5 pence per share, which was paid on 1 November 2018.

The directors have recommended a final dividend for the year ended 31 December 2018 of 1.0 pence per share, subject to the approval of shareholders at the AGM, payable to those shareholders on the register on 14 June 2019. This will bring the total dividend in respect of 2018 to 1.5 pence per share.

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.

Financial risk management and 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 Group does not enter into any financial derivative transactions, nor trade in financial instruments. The two main financial risks are considered to be:

Credit risk
The Group sets credit limits for all new customers granted credit and generally contracts with clients with a strong financial strength, but 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
Bank interest is charged at a fixed margin to LIBOR which has been agreed as part of the current financing arrangements. This margin is between 1.65% and 2.4% dependent on the net debt leverage at each quarter end. Changes in LIBOR will therefore have an effect on interest expense and cash flows however this is not considered to be material.

Branches outside the UK
The Group has overseas subsidiaries as listed in note 12 and a branch in South Korea.

Brexit
The risks and mitigation strategy related to Brexit are detailed in the Principal Risks & Uncertainties on page 24.

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 SHARES HELD	% OF ISSUED SHARE CAPITAL
LOMBARD ODIER INVESTMENT MANAGERS	21,537,090	14.2
GRESHAM HOUSE ASSET MANAGEMENT	15,261,000	10.0
MITON ASSET MANAGEMENT	14,896,490	9.8
TELLWORTH INVESTMENTS	14,155,864	9.3
CANACCORD GENUITY WEALTH MANAGEMENT	9,065,000	6.0
DIRECTORS	7,235,229	4.8
BMO GLOBAL ASSET MANAGEMENT (UK)	5,729,424	3.8

Directors' Report continued

Subsequent Events
Details of events that have occurred after the balance sheet date can be found at Note 36 to the Consolidated Financial Statements.

Employees
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.

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.

Going Concern
Based on the overall strength of the Group's balance sheet, including the availability of committed banking facilities with expiry dates not before October 2022; 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.

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 and uncertainties facing the Group as detailed on pages 22-24, 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 average length 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.

Approved by the Board of directors and signed on its behalf.

P Wilson

Director / Company Secretary
9 April 2019

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 profit or 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 9 April 2018 and is signed on its behalf by:

Chief Executive Officer

Greg Lawless
9 April 2019

Finance Director

Piers Wilson
9 April 2019

US PGA Championship, Missouri, August 2018

Finance

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 of Arena Events Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 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 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 related notes 1 to 37.

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 Financial Reporting Council's (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: • Revenue cut-off • Acquisition accounting Within this report, new key audit matters are identified with
Materiality	The materiality that we used for the group financial statements was £1.4m which was determined on the basis of 1.1% 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. These three components account for 93% of the Group's revenue, 96% of the Group's EBITDA and 93% of the Group's total assets.
Significant changes in our approach	During 2018 the Group undertook two material acquisitions in the US and the UAE. Our scope has been extended to include the audit of these companies and we have identified an additional key audit matter for the current year relating to the acquisition accounting for these transactions, in particular the identification and valuation of intangible assets within the acquired businesses. During 2018 the Group adopted IFRS 15 "Revenue from contracts with customers", we have identified a significant risk with respect to revenue cut-off following the application of the new standard. Last year's report had the following key audit matters: Carrying value of goodwill, accounting for the IPO transaction and valuation of hire fleet. We did not consider these items to be key audit matters in the current year.

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.

Independent Auditor's Report Continued

The following items have not been regarded as key audit matters this year. Carrying value of goodwill as we did not consider there are indications this is a key audit matter, accounting for the IPO transaction, as this was a one-off event and valuation of hire fleet, as there have been no changes to the relevant accounting estimates.

Revenue cut-off

Key audit matter description	The application of the new revenue recognition standard IFRS 15 "Revenue from contract with customers" requires judgement to identify performance obligations under the existing contracts, even if this obligation is not explicitly stated, determine the transaction price under the contract and allocate this to each performance obligation. Judgement is also required to determine if revenue should be recognised over time or at a point in time depending on the terms of the contract entered into, and the underlying details of delivering the performance obligation. Refer to Note 1 "Principal accounting policies" and Note 37 "Impact of application of IFRS 15 Revenue from contracts with customers".
How the scope of our audit responded to the key audit matter	We: • Evaluating the design and implementation of controls around revenue cut-off as carried out by management. • Inquired of management and obtained information relating to projects that span the financial year end. • Read through the relevant contracts and challenged management on the obligations they identified with respect to these contracts based on the terms of each contract. • Tested through substantive procedures the inputs used to allocate the consideration agreed to the performance obligations identified in the contract. • Inquired and obtained corroborative evidence with respect to the delivery of the identified obligations to the client and the recognition of revenue based on the delivery/completion of the obligations.
Key observations	Based on our procedures, we concluded that revenue recognised in the year is appropriate.

Acquisition accounting

Key audit matter description	During the year the Group acquired Stuart Rentals in the US and Top Gear Productions in the UAE for £11.8m and £4.3m respectively as presented in note 26 of the financial statements. The judgements used in determining the value of goodwill and intangible assets and the allocation between these assets could, if performed inaccurately, lead to a material misstatement. There is significant judgement and complexity involved in the allocation of excess consideration over net assets of the acquirees between the fair value of the intangible assets and remaining goodwill. For the fair value of intangible assets, this includes estimates for growth rates, margins, discount rates and retention rates. Management must exercise judgement to accurately measure the fair value of the acquired assets and liabilities as at the acquisition date. Note 1 to the financial statements discusses this further.

How the scope of our audit responded to the key audit matter	We: • Obtained and reviewed the purchase agreements and performed procedures to assess whether the transaction has been accounted for appropriately in accordance with IFRS 3 Business combinations; • Evaluated the design and implementation of key controls relating to management's process for identification and valuation of intangible assets and for determining other fair value adjustments; • Used our valuation specialists to review and challenge the process applied by management for determining the separable intangible assets and to assess the appropriateness of the valuation methodologies adopted and the inputs applied in the valuation calculations. Together with our specialists we challenged the discount rate used through recalculation and benchmarking based on externally derived data; • Agreed cash paid in respect of the consideration to bank statements and confirmed the total amount of consideration by reference to the sale and purchase agreement; and • Agreed the terms used in the deferred contingent consideration calculation for new acquisitions to the signed sale and purchase agreements. We assessed the methodology used by management to determine the estimate of future deferred contingent consideration payable and considered the underlying data used in these calculations, assessing this against post-acquisition results.
Key observations	Based on our procedures we concluded that the judgements made by management in identifying and valuing intangible assets within the acquired business, and for determining their fair value, are reasonable.

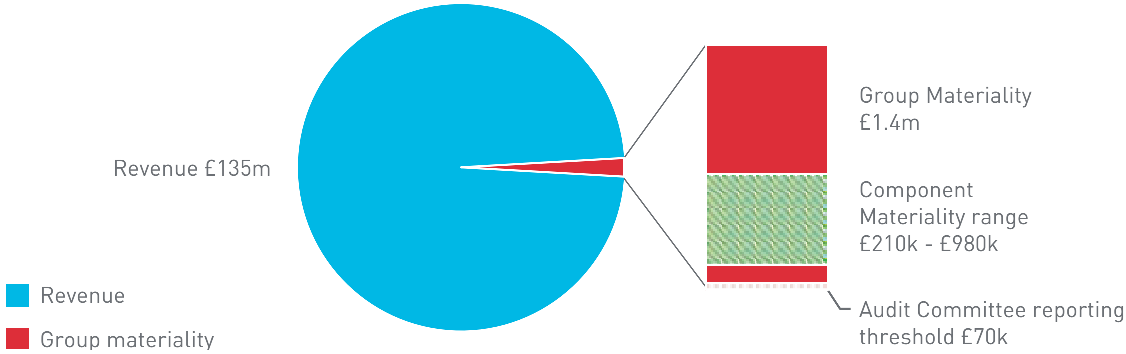
Our application of materiality

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	£1.4m (2017: £1.1m)	£800,000 (2017: £595,000)
Basis for determining materiality	1.1% of Group revenue for the year (2017: 1% of Group revenue for the year)	1% of Equity (2017: 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.

Independent Auditor's Report Continued



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £70,000 (2017: £55,000), 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

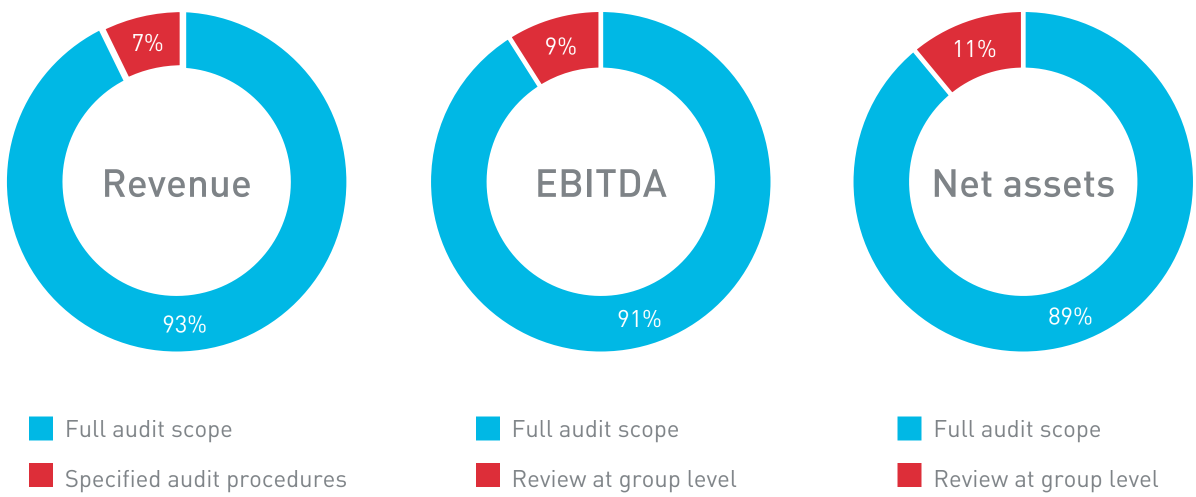
The Group operates through a number of legal entities which form reporting components based on geographical location. Audits for Group reporting purposes were performed over significant components, representing 93% of Group revenue and 91% of Group EBITDA for the year, and 89% of total assets as at year end.

We focused our Group audit scope on components based in the following locations, with component materiality ranging between £210,000 to £980,000 (2017: £131,000 to £645,000):

- 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.



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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Independent Auditor's Report Continued

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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.

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.

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

09 April 2019

Consolidated Income Statement

Year ended 31 December 2018

	Note	2018 £m	2017 Restated (note 37) £m
REVENUE	2	135.0	108.9
Cost of sales	3, 4	(93.2)	(73.5)
GROSS PROFIT		41.8	35.4
Administrative expenses	3, 4	(41.8)	(35.3)
OPERATING PROFIT		–	0.1
Analysed as:			
Earnings before interest, tax, depreciation, exceptional items, acquisition costs, share option costs and amortisation (Adjusted EBITDA)		12.1	10.4
Depreciation	4	(5.3)	(5.2)
Exceptional expenses	4	(5.4)	(4.8)
Acquisition costs	4	(0.8)	(0.1)
Share option costs		(0.2)	(0.1)
Intangible amortisation	10	(0.4)	(0.1)
Finance costs	7	(1.6)	(3.2)
LOSS BEFORE TAXATION		(1.6)	(3.1)
Tax on loss on ordinary activities	8	(0.4)	(0.2)
LOSS AFTER TAXATION		(2.0)	(3.3)
Attributable to:			
Owners of the Company		(2.0)	(3.4)
Non-controlling interests		–	0.1
		(2.0)	(3.3)
(LOSS) PER SHARE			
Basic pence per share	6	(1.6)	(3.0)
Diluted pence per share		(1.6)	(3.0)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Year ended 31 December 2018 £m	Year ended 31 December 2017 Restated £m
LOSS FOR THE YEAR	**(2.0)**	**(3.3)**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		
Exchange differences on translation of foreign subsidiaries	0.5	(1.1)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR NET OF TAX	0.5	(1.1)
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR	**(1.5)**	**(4.4)**
Total comprehensive loss attributable to:		
Owners of the company	(1.5)	(4.5)
Non-controlling interest	–	0.1
	(1.5)	(4.4)

Consolidated Balance Sheet

As at 31 December 2018

	Note	31 December 2018 £m	31 December 2017 Restated (note 37) £m
NON-CURRENT ASSETS			
Goodwill and other intangibles	9,10	57.9	34.8
Property, plant and equipment	11	47.3	34.0
Trade and other receivables due after one year	14	0.5	0.4
		105.7	69.2
CURRENT ASSETS			
Inventories	13	5.9	4.3
Trade and other receivables	14	27.7	12.7
Cash and cash equivalents		7.5	4.3
		41.1	21.3
CURRENT LIABILITIES			
Trade and other payables	16	(18.5)	(11.0)
Current tax liability		(0.2)	–
Obligations under finance leases and hire purchase contracts	18	(0.7)	(0.7)
Accruals, deferred revenue and deferred consideration	17	(19.7)	(8.6)
		(39.1)	(20.3)
NET CURRENT ASSETS		2.0	1.0
TOTAL ASSETS LESS CURRENT LIABILITIES		107.7	70.2
NON-CURRENT LIABILITIES			
Borrowings	20	(26.7)	(15.2)
Net obligations under finance leases and hire purchase contracts	18	(0.1)	(0.8)
Other creditors		(3.4)	–
Deferred consideration		(4.0)	–
Deferred tax liabilities	19	(1.5)	(0.4)
		(35.7)	(16.4)
NET ASSETS		72.0	53.8

Consolidated Balance Sheet Continued

As at 31 December 2018

	Note	31 December 2018 £m	31 December 2017 Restated £m
EQUITY			
Share capital	22	1.5	1.1
Share premium account	23	78.2	57.3
Merger reserve	24	10.9	10.9
Share option reserve	25	0.3	0.1
Retranslation reserve		(1.0)	(1.5)
Retained earnings		(17.9)	(14.1)
TOTAL EQUITY		72.0	53.8

The financial statements of Arena Events Group Plc, (company registration number 10799086), were approved by the Board of Directors and authorised for issue on 09 April 2019.

P Wilson
Director

Signed on behalf of the Board of Directors

Company Balance Sheet

As at 31 December 2018

	Note	31 December 2018 £m	31 December 2017 £m
NON-CURRENT ASSETS			
Investments	12	1.0	1.0
Trade and other receivables due after one year	14	10.8	5.1
		11.8	6.1
CURRENT ASSETS			
Trade and other receivables	14	91.6	58.8
		91.6	58.8
CURRENT LIABILITIES			
Trade and other payables	16	(2.7)	(2.6)
Accruals, deferred revenue and deferred consideration	17	(0.3)	(0.3)
		(3.0)	(2.9)
NET CURRENT ASSETS		88.6	55.9
TOTAL ASSETS LESS CURRENT LIABILITIES		100.4	62.0
NON-CURRENT LIABILITIES			
Borrowings	20	(13.7)	–
Inter company loan	20	(0.8)	–
NET ASSETS		85.9	62.0
EQUITY			
Share capital	22	1.5	1.1
Share premium account	23	78.2	57.3
Merger reserve	24	1.1	1.1
Share option reserve	25	0.3	0.1
Retained earnings		4.8	2.4
TOTAL EQUITY		85.9	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 £1.3m (2017: £2.1m). The financial statements of Arena Events Group Plc, (company registration number 10799086), were approved by the Board of Directors and authorised for issue on 09 April 2019.

P Wilson
Director

Signed on behalf of the Board of Directors

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

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 2017 as previously stated	1.1	57.3	(47.2)	–	(0.4)	(9.7)	0.2	1.3
Adjustments	–	–	–	–	–	(0.6)	(0.1)	(0.7)
Balance at 1 January 2017 restated	1.1	57.3	(47.2)	–	(0.4)	(10.3)	0.1	0.6
Loss for the period	–	–	–	–	–	(3.3)	(0.1)	(3.4)
Other comprehensive loss:								
Translation of foreign subsidiaries	–	–	–	–	(1.1)	–	–	(1.1)
Total comprehensive loss for the year ended 31 December 2017 restated	–	–	–	–	(1.1)	(3.3)	(0.1)	(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 restated	1.1	57.3	10.9	0.1	(1.5)	(14.1)	–	53.8
Loss for the period	–	–	–	–	–	(2.0)	–	(2.0)
Other comprehensive income:								
Translation of foreign subsidiaries	–	–	–	–	0.5	–	–	0.5
Total comprehensive loss for the year ended 31 December 2018	–	–	–	–	0.5	(2.0)	–	(1.5)
Transactions with owners:								
Dividends paid	–	–	–	–	–	(1.8)	–	(1.8)
Issue of share capital	0.4	20.9	–	–	–	–	–	21.3
Share option reserve	–	–	–	0.2	–	–	–	0.2
Total transactions with owners	0.4	20.9	–	0.2	–	(1.8)	–	19.7
Balance at 31 December 2018	1.5	78.2	10.9	0.3	(1.0)	(17.9)	–	72.0

Company Statement of Changes in Equity

For the year ended 31 December 2018

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	–	–	–	–	–	–
Profit for the period	–	–	–	–	2.9	2.9
Other comprehensive income:						
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
Profit for the period	–	–	–	–	4.2	4.2
Other comprehensive income:						
Total comprehensive expense for the year ended 31 December 2018	–	–	–	–	4.2	4.2
Transactions with owners:						
Dividends paid	–	–	–	–	(1.8)	(1.8)
Issue of share capital	0.4	20.9	–	–	–	21.3
Share option reserve	–	–	–	0.2	–	0.2
Total transactions with owners	0.4	20.9	–	0.2	(1.8)	19.7
Balance at 31 December 2018	1.5	78.2	1.1	0.3	4.8	85.9

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 £m	2017 Restated (note 37) £m
NET CASH FROM OPERATING ACTIVITIES	32	7.0	3.3
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in business combinations, net of cash acquired	26	(18.8)	(3.0)
Deferred consideration paid		(0.5)	(0.4)
Proceeds on disposal of property, plant and equipment		0.5	0.2
Purchases of property, plant and equipment		(11.3)	(6.7)
NET CASH USED IN INVESTING ACTIVITIES		(30.1)	(9.9)
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in borrowings		21.7	2.0
Repayment of borrowings		(13.0)	(16.9)
Principal repayments under finance lease		(0.6)	–
Proceeds on issue of shares net of costs		21.3	55.7
Repayment of loan notes		–	(20.6)
Payment of loan note interest		(1.4)	(10.4)
Dividend paid	35	(1.8)	(0.5)
NET CASH GENERATED FROM FINANCING ACTIVITIES		26.2	9.3
NET INCREASE IN CASH AND CASH EQUIVALENTS		3.1	2.7
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		4.3	1.6
Effect of foreign exchange rate changes		0.1	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		7.5	4.3

Company Statement of Cash Flows

For the year ended 31 December 2018

	Note	Year ended 2018 £m	Year ended 2017 £m
NET CASH USED IN OPERATING ACTIVITIES	34	(1.6)	(1.9)
CASH FLOW FROM INVESTING ACTIVITIES			
Dividend received		5.5	5.0
NET CASH GENERATED FROM INVESTING ACTIVITIES		5.5	5.0
CASH FLOW FROM FINANCING ACTIVITIES			
Increase in borrowings		14.4	–
Repayment of borrowings		(4.8)	–
Proceeds on issue of shares		21.3	55.7
Lending to subsidiaries		(33.0)	(58.3)
Dividend paid	35	(1.8)	(0.5)
NET CASH USED IN FINANCING ACTIVITIES		(3.9)	(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

For the year ended 31 December 2018

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. 2017 figures are updated following the adoption of IFRS 15 (note 37).

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 where specifically disclosed in the accounting policies below.

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 2018, the Group generated an operating profit of £nil (restated 2017 profit: £0.1m) 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 2019 and 2020, and these indicate that all interest payments due for the foreseeable future will be made, all bank covenants will be met 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.

Brexit

At the time of these financial statements the arrangements for the UK withdrawal from the EU are unclear. In reviewing the impact of Brexit the management has assumed that the UK will leave within a deal framework.

Whilst the Group considers that there could be an effect on judgements, estimates or assumptions following Brexit, the Group does not expect any change to be material.

In terms of supply chain, any impact is expected to be limited to the UK division. The key items detailed below are those that the management believes could have a potential impact on the Group results:

- Staffing: currently EU nationals are employed at both skilled and un-skilled levels with fluctuations in numbers based on seasonality. It is not expected that access to this particular set of workers will be restricted. However, there may be an increase in administration costs of managing these workers under new rules and guidelines. Any increase in administrative costs is not expected to be material.
- Capital expenditure: the UK division spends in the region of £2m on capital items from suppliers based within the EU. There could potentially be import tariffs applied and have estimated that these could be up to 10% (similar to other non-EU tariffs). Based on the projections prepared and sensitivity analysis undertaken this would equate to £0.2m and would not impact the viability of the Group.

The UK division has key competitors that are either EU based companies or that are subsidiaries of EU parent companies. There is a potential competitive advantage to the UK division should these companies incur additional tariffs or costs to service the UK market.

There is a potential currency impact in that Sterling could devalue against major world currencies, including the US Dollar. As the Group has a US division it is expected that this would provide a natural hedge and therefore not impact the viability of the Group. Any devaluation against the US Dollar would have a positive impact on Group earnings.

There is a potential interest rate risk in that interest rates could rise. A fluctuation of 2% has been reflected within the sensitivities applied to the Group's operating model and this has not impacted on the viability of the Group.

Having considered all of the above the Group does not expect there to be any material impact on either going concern, viability of the Group or impairment of the Cash Generating Units (based on regional division).

Application of new and revised standards

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. In line with the transition provisions of IFRS 9 the Group has decided not to restate comparatives.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Following review the Group has concluded that there will be no impact on the classification and measurement of trade receivables.

Impact of application of IFRS 15 Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. The Group is contracted to provide temporary seating, structures and interiors to its customers (Rental Hire). IFRS 15 has been applied to these contracts as the key obligations are installation and de-rig. Where there is a maintenance agreement revenue is recognised overtime.

The Group has applied IFRS 15 in accordance with the fully retrospective transitional approach without using the practical expedients for completed contracts.

The Group's accounting policies for its revenue streams are disclosed in detailed below. The amount of adjustment for each financial statement line item affected by the application of IFRS 15 is illustrated in note 37.

Notes to the Financial Statements Continued

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	Previous treatment	New treatment under IFRS 15
Rental hire	Revenue and profit was recognised as supplied. For projects that extended over a period end, revenue and profit was 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.	Where the obligations within a contract are for installation and de-rig revenue is recognised when these obligations have been met based on an estimate of cost plus margin. Where there is a maintenance element to the contract the revenue is recognised over the time of the maintenance agreement based on an estimate of cost plus margin.
Capital sales	Revenue and profit was 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 control is transferred to the customer. i.e no change to previous treatment.

New and amended IFRS standards that are in issue but not effective yet

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS	Amendments to IFRS 3 Business Combinations, IFRS 11
Standards 2015–2017 Cycle	Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

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 adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) will increase because operating lease expenses currently included in adjusted EBITDA will be recognised instead as amortisation 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 2018, the Group has non-cancellable operating lease commitments of £28.9m (2017: £14.3m) (see note 28). A preliminary assessment indicates that £28.2m of these arrangements relate to leases other than short-term leases and leases of low-value assets, and hence the Group will recognise a right-of-use asset of £21.1m and a corresponding lease liability of £21.3m in respect of all these leases as at 31 December 2018. The impact on profit or loss during 2018 would have been to decrease other expenses by £3.3m, to increase depreciation by £2.9m and to increase interest expense by £0.6m. As such, reported earnings would be £0.2m lower.

The preliminary assessment indicates that £0.3m of these arrangements relate to short-term leases and leases of low-value assets.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities by £3.3m and to increase net cash used in financing activities by the same amount.

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Group will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Based on an analysis of the Group's finance leases as at 31 December 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that this change will have a material impact on the amounts recognised in the Group's consolidated financial statements.

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 2018. 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.

Notes to the Financial Statements Continued

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.

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 over 5 to 8 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 acquired.

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

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
During the year the Group reviews costs that are deemed to be one-off and non-recurring in nature. In order to provide an indication of the Group's underlying business these items are classed as exceptional and presented separately on the face of the income statement and detailed in note 4.

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.

Notes to the Financial Statements Continued

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.

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 the value 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.

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 the expected risk based on aging. Rates applied are: current 1%, 60 – 90 days 2% and + 90 days 4%. Trade debtor balances are shown net of amounts provided. The estimates and associated assumptions are based on historical experience and other factors that which considered to be relevant. Actual results may differ from these estimates.
Brexit	The Group has considered the impact of Brexit based on withdrawal from the EU under a deal scenario. The estimates are based on management's expectations although it is unclear on how the UK will leave the EU or what the actual impact will be.

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. These are detailed in note 4.
Share options and other equity instruments	The Group uses the Black–Scholes model to value its share option awards. Certain judgement is required in terms of selecting the risk-free interest rate and standard deviation rate used. The charge for the current year is £0.2m which may increase or decrease with changes to these rates.
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. Depreciation and amortisation for the current year is £5.3m and £0.4m respectively. These amounts may increase/decrease based on the useful life.
Intangible asset valuation of acquired customer relationships	The Group values future intangible benefit from acquired customers using discounted cashflows based on WACC and applying a market participant approach. WACC is impacted by changes in interest rates and other key inputs such as risk premium applied. The total value acquired in the current year was £4.9m.

Other estimates, assumptions and judgements are applied by the Group which are evaluated on a continual basis but are not significant. There may be changes in the interest rate and overall economic environment if Brexit happens which will impact risk-free rates and risk premium used to calculate WACC. This will impact the discount rate used but due to the uncertainty of the Brexit outcome this cannot be reliably measured.

Notes to the Financial Statements Continued

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.

Information regarding the results of each reportable segment is included below. Any intercompany trading is recorded at arm's length and is eliminated on consolidation. 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 2018	UKE £m	MEA £m	US £m	Total £m
Revenue				
Rental	52.2	26.4	49.4	128.0
Capital sales	2.0	2.1	2.9	7.0
TOTAL REVENUE	**54.2**	**28.5**	**52.3**	**135.0**
Gross Profit				
Rental	12.6	9.9	16.1	38.6
Capital sales	0.6	0.4	2.2	3.2
TOTAL GROSS PROFIT	**13.2**	**10.3**	**18.3**	**41.8**
Administration expenses	(10.5)	(7.0)	(11.1)	(28.6)
SEGMENT RESULT	**2.7**	**3.3**	**7.2**	**13.2**
Central administrative expenses				(1.1)
Earnings before interest, tax, depreciation, exceptional items, acquisition costs, share option costs and intangible amortisation				12.1
RECONCILIATION OF SEGMENT RESULT TO LOSS BEFORE TAX				
Segment result				
Depreciation and amortisation				(5.7)
Exceptional costs				(5.4)
Acquisition costs				(0.8)
Share option costs				(0.2)
Net finance expense				(1.6)
LOSS BEFORE TAX				(1.6)

Year ended 31 December 2017 (Restated)	UKE £m	MEA £m	US £m	Total £m
Revenue				
Rental	44.3	18.4	42.2	104.9
Capital sales	1.2	1.1	1.7	4.0
TOTAL REVENUE	**45.5**	**19.5**	**43.9**	**108.9**
Gross Profit				
Rental	13.5	7.1	12.7	33.3
Capital sales	0.4	0.6	1.1	2.1
TOTAL GROSS PROFIT	**13.9**	**7.7**	**13.8**	**35.4**
Administration expenses	(8.9)	(5.7)	(9.5)	(24.1)
SEGMENT RESULT	**5.0**	**2.0**	**4.3**	**11.3**
Central administrative expenses				(0.9)
Earnings before interest, tax, depreciation, exceptional items, acquisition costs, share option costs and intangible amortisation				10.4
RECONCILIATION OF SEGMENT RESULT TO LOSS BEFORE TAX				
Segment result				
Depreciation and amortisation				(5.3)
Exceptional costs				(4.8)
Acquisition costs				(0.1)
Share option costs				(0.1)
Net finance expense				(3.2)
LOSS BEFORE TAX				(3.1)

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

Notes to the Financial Statements Continued

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: 48.6% UK, 17.2% MEA and 34.2% US (2017: 69.6% UK, 11.7% MEA and 18.7% US)

Analysis of revenue by geographical destination	Year Ended 31 December 2018 £m	Year Ended 31 December 2017 Restated £m
United Kingdom	50.4	44.2
Europe (excluding the United Kingdom)	3.5	0.7
North America	52.4	43.9
Middle East	18.1	11.6
Asia	10.6	8.5
	135.0	108.9

Analysis of revenue by type	Year Ended 31 December 2018 £m	Year Ended 31 December Restated 2017 £m
Rental and services	128.0	104.9
Capital sales	7.0	4.0
	135.0	108.9

3 Expenses by nature

	Year Ended 31 December 2018 £m	Year Ended 31 December 2017 £m
Employees remuneration and benefits	37.1	30.6
Changes in inventories of finished goods and work in progress	18.9	13.5
Transportation, carriage and packing	10.6	7.0
Depreciation and amortisation expenses	5.7	5.3
Bad debt write-off	0.2	0.2
Other expenses	62.5	52.2
	135.0	108.8

Other expenses include £5.4m (2017: £4.8m) 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.

4 Operating profit

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

	Note	Year Ended 31 December 2018 £m	Year Ended 31 December 2017 £m
Amortisation of intangible assets	10	0.4	0.1
Depreciation of property, plant and equipment:	11		
Owned assets		5.2	5.0
Under finance leases and hire purchase arrangements		0.1	0.2
Profit on disposal of fixed assets		(0.1)	(0.1)
Share option cost		0.2	0.1
Items of an exceptional nature:			
Business development costs		–	0.5
Restructuring costs		0.6	1.2
Business unit closure		0.6	
US legal costs		4.2	0.4
IPO related costs			2.7
Acquisition related costs		0.8	0.1
		12.0	10.2

Restructuring costs relate to the restructuring that took place in the UK in 2018: (2017: UK and US). Business unit closure costs relate to the closure of the Scaffolding business unit in the UK. The US legal costs relate to the settlement of the Department of Justice law suit against Arena Event Services Inc. and related legal fees (note 29).

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 2018 £m	Year ended 31 December 2017 £m
Fees payable to company's auditor for the audit of the company's annual accounts	0.1	0.1
Fees payable to the company's auditor for other services to the group:		
The audit of the company's subsidiaries	0.2	0.1
Total audit fees	0.3	0.2
Other taxation advisory	–	0.1
Other services	–	0.2
Total non-audit fees	–	0.3

Notes to the Financial Statements Continued

5 Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year ended 31 December 2018 was:

Group	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
By activity		
Administration and finance	148	122
Sales and marketing	109	81
Technical support and maintenance	136	107
Warehouse, site, transport and distribution	612	549
	1,005	859

	Notes	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Staff costs (for the above persons)			
Wages and salaries		33.7	28.0
Social security costs		2.8	2.1
Other pension costs	30	0.6	0.5
		37.1	30.6

Company	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
By activity		
Administration and finance	6	5
Sales and marketing	1	1
	7	6

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Staff costs (for the above persons)		
Wages and salaries	0.5	0.4
Social security costs	0.1	0.1
	0.6	0.5

6 Loss per share

	Year ended 31 December 2018 pence per share	Year ended 31 December 2017 Restated pence per share
Basic earnings per share		
Basic earnings per share from continuing operations	(1.6)	(3.0)
Diluted earnings per share		
Diluted earnings per share from continuing operations	(1.6)	(3.0)

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 calculations of basic and diluted loss per share are:

	2018 £m	2017 Restated £m
Loss for the year attributable to shareholders	(2.0)	(3.4)

Weighted average number of ordinary shares in issue:

	2018 Number	2017 Number
Basic	131,650,300	114,639,940
Adjustment for share options	2,333,375	1,362,583
Diluted	133,983,675	116,002,523

7 Finance costs

	Year ended 31 December 2018 Group £m	Year ended 31 December 2018 Company £m	Year ended 31 December 2017 Group £m	Year ended 31 December 2017 Company £m
Interest payable on bank loans and overdrafts	0.9	0.1	1.3	–
Interest payable on loan notes	–	–	1.1	–
Interest receivable on intercompany loan notes	–	(0.2)	–	–
Finance charges payable under finance and hire purchase arrangements	0.1	–	0.1	–
Imputed interest on deferred consideration	0.1	–	–	–
Amortisation of bank refinance costs	0.5	–	0.7	–
	1.6	(0.1)	3.2	–

Notes to the Financial Statements Continued

8 Tax on loss on ordinary activities

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Current tax			
UK corporation tax on loss of the year		–	–
Adjustments in respect of prior year		–	–
		–	–
Overseas tax on loss of the year		0.4	0.1
Total current tax charge		0.4	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
Tax charge on loss on ordinary activities		0.4	0.2

The tax assessed for the year is higher (2017: higher) than the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Loss on ordinary activities before taxation	(1.6)	(2.9)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(0.3)	(0.6)
Effects of:		
Expenses not deductible for tax purposes:	0.2	0.7
Amounts not recognised	0.3	–
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	0.4	0.2

The UK corporation tax expense within these financial statements has been provided for at the rate of 19% (2017: 19.25%). 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% (2017: 17%).

9 Goodwill

	£m
Cost	
At 1 January 2017	33.6
Additions in the year	0.6
At 31 December 2017	34.2
At 1 January 2018	34.2
Additions in the year	15.2
At 31 December 2018	49.4
Accumulated impairment losses	
At 31 December 2017 and 2018	–
Carrying amount	
At 31 December 2018	49.4
At 31 December 2017	34.2

Goodwill acquired in 2018 relates to various acquisitions detailed in note 26 (2017: acquisition of business assets of Wernick Seating). 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. The carrying amount of goodwill had been allocated as follows:

	2018 £m	2017 £m
CGU		
UKE	32.9	30.7
MEA	7.4	2.6
US	9.1	0.9
	49.4	34.2

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 growth rate of 2% (2017: 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% (2017: 2%) has been applied across all years of the four-year forecast. EBITDA % is based on the 2019 budget and has been applied by region to 2020, 2021 and 2022: US 10%, MEA 10.2% and UK 10.2% (2017: US 10.8%, MEA 9.6% and UK 12.9%). Capex has been allowed at a rate of 30% (2017: 30%) of EBITDA across all regions.

The Group has conducted a sensitivity analysis on the impairment test of each CGU. A reduction of 1% in growth would not leave the carrying value of goodwill in excess of its recoverable amount. An increase in the weighted average cost of capital of 1% would not 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.

Notes to the Financial Statements Continued

The rates used to discount the CGU cash flows are a pre-tax discount rate derived from WACC of: UK 10%, MEA 12.0% and US 11.3% (2017: UK 8.5%, MEA 10.0% and US 9.0%). 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.

10 Other intangible assets

	Customer relationships £m	Licence £m	Development costs £m	Total £m
Group				
Cost				
At 1 January 2017	0.5	–	0.3	0.8
Additions in the year	4.9	3.4	–	8.3
At 31 December 2018	5.4	3.4	0.3	9.1
Accumulated amortisation				
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
At 1 January 2018	0.1	–	0.1	0.2
Amount charged to operating expense for the year	0.2	0.1	0.1	0.4
At 31 December 2018	0.3	0.1	0.2	0.6
Net book value				
At 31 December 2018	5.1	3.3	0.1	8.5
At 31 December 2017	0.4	–	0.2	0.6

Customer relationships is the amount attributed to the value of key current customer relationships as detailed in note 26 (2017: acquisition of the business assets of Wernick Seating). These are amortised on a straight line basis between 5 and 8 years from the date of acquisition. The licence relates to the TGP property in Dubai and is amortised on a straight line basis over 18 years in line with term of the licence. 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 (2017: nil).

11 Tangible fixed assets

	Buildings and leasehold improvements £m	Plant and machinery and hire equipment £m	Motor vehicles £m	Fixtures and fittings £m	Total £m
Group					
Cost					
At 1 January 2017	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
Acquisitions	–	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
Foreign exchange	0.1	1.8	–	0.1	2.0
Additions	0.2	10.5	0.1	0.6	11.4
Acquisitions	2.4	3.4	0.5	0.4	6.7
Disposals	(0.1)	(1.5)	(0.1)	–	(1.7)
At 31 December 2018	3.8	71.6	1.2	2.4	79.0
Accumulated depreciation					
At 1 January 2017	0.4	22.5	0.4	0.7	24.0
Foreign exchange	–	(1.2)	–	–	(1.2)
Charge for the financial year	0.1	4.7	0.1	0.3	5.2
Transfers	–	–		–	–
Disposals	–	(1.3)	(0.1)	–	(1.4)
At 31 December 2017	0.5	24.7	0.4	1.0	26.6
Foreign exchange	–	1.0	–	0.1	1.1
Charge for the financial year	0.2	4.7	0.2	0.2	5.3
Disposals	(0.1)	(1.1)	(0.1)	–	(1.3)
At 31 December 2018	0.6	29.3	0.5	1.3	31.7
Net book value					
At 31 December 2018	3.2	42.3	0.7	1.1	47.3
At 1 January 2017	0.7	32.7	0.3	0.3	34.0

The company holds no tangible fixed assets (2017: 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 2018	Plant, machinery and hire equipment £m 2017
Net book value		
At 1 January	2.9	2.0
Additions in the year	–	1.3
Exchange movements	0.6	(0.2)
Depreciation charge for the financial year	(0.1)	(0.2)
At 31 December	3.4	2.9

12 Investments

	Shares in subsidiary undertakings £m
Company	
Cost and net book value	
At 1 January and 31 December 2018	1.0

The following information relates to the subsidiary undertakings of the Company as at 31 December 2018, all of which are incorporated in England except for Harlequin Marquees and Services Limited and TGP Holdings Limited incorporated in the British Virgin Islands, Asia Tents Arena Sdn. Bhd. incorporated in Malaysia, Arena Event Services Inc. and Arena Stuart Rentals Inc. incorporated in the USA, Arena Ice BVBA incorporated in Belgium, Arena Hong Kong Limited and Ironmonger Limited incorporated in Hong Kong and Arena Event Services PTE incorporated in Singapore.

The Group had no fixed asset investments.

On 06 September 2018 the Group increased its shareholding in Arena Hong Kong Limited from to 51% to 100% for cash consideration of £0.9m.

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.	100**	Temporary structures	c/o Corporations Service Company, 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19808
Arena Stuart Rentals Inc.	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
Richerbs Limited	100*****	Holding company	Needingworth Industrial Estate, Needingworth Road, St. Ives, England, PE27 4NB
Events Solution Limited	100******	Temporary barriers	272 Bath Street, Glasgow, G2 4JR
Ice House Rentals	100*****	Temporary cold storage	Needingworth Industrial Estate, Needingworth Road, St. Ives, England, PE27 4NB
Bash Bars Limited	100*****	Bar rental	Needingworth Industrial Estate, Needingworth Road, St. Ives, England, PE27 4NB
Arena Structures Limited (dissolved 06 March 2019)	100*****	Dormant	Needingworth Industrial Estate, Needingworth Road, St. Ives, England, PE27 4NB
Arena Event Services PTE Limited	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
TGP Holdings	100*****	Exhibitions and Graphics	Al Barsha South, Office No, 1304, Level 13, PO Box: 65588, Dubai
Asia Tents Arena SDN. BHD	100*****	Temporary structures	Lot 863, Jalan Subang 8, Taman Perindustrian Subang, 47500 Subang Jaya, Malaysia
Arena Hong Kong Limited	100*****	Temporary structures	Room 902, Double Building, 22 Stanley Street, Central Hong Kong
Ironmonger Limited	100*****	Event services	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

******indirect holding, owned by Richerbs Limited

Notes to the Financial Statements Continued

All subsidiaries of the Group are included within the Group accounts. The following subsidiary companies are exempt from audit of their accounts under section 479C of the Companies Act 2006: Parent Undertaking Declaration of Guarantee.

Company	Registered number
AES Arena Event Services Group Holdings Limited	07889154
AES Arena Event Services Holdings Limited	07889158
WB Co (1402) Limited	06048687
WB Co (1403) Limited	06048693
Richerbs Limited	03135217
Events Solution Limited	SC166370
Ice House Rentals Limited	09897650
Bash Bars Limited	04897990

13 Inventories

	Group 2018 £m	Company 2018 £m	Group 2017 £m	Company 2017 £m
Consumables	1.7	–	1.7	–
Work in progress	4.2	–	2.6	–
	5.9	–	4.3	–

14 Trade and other receivables

	Group 2018 £m	Company 2018 £m	Group 2017 Restated £m	Company 2017 Restated £m
Amounts due in less than one year				
Trade receivables – gross	21.6	–	10.2	–
Allowance for doubtful debts	(0.3)	–	(0.5)	–
Trade receivables – net	21.3	–	9.7	–
Amounts due from other Group undertakings	–	91.6	–	58.8
Prepayments and accrued income	6.4	–	3.0	–
	27.7	91.6	12.7	58.8
Amounts due in more than one year				
Trade receivables	0.3	–	–	–
Amounts due from other Group undertakings	–	10.8	–	5.1
Prepayments and accrued income	0.2	–	0.4	–
	0.5	10.8	0.4	5.1
Total trade and other receivables	28.2	102.4	13.1	63.9

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 in line with IFRS 9 (note 15). 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.

15 Ageing of past due trade receivables

	2018 £m	2017 Restated £m
Group		
60-90 days	2.2	1.1
90+ days	2.5	1.4
Total past due trade receivables	4.7	2.5
Current	17.2	7.7
Total trade receivables	21.9	10.2
Movement in the allowance for doubtful debts		
Balance at start of the period	0.5	0.2
Bad debt write off	(0.4)	–
Increase in doubtful debt estimate	0.2	0.3
Balance at end of period	0.3	0.5

The Group applies the following provisions in line with the aging profile: current 1%, 60 – 90 days 2% and 90 days 4%.

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 2018 £m	Company 2018 £m	Group 2017 Restated £m	Company 2017 Restated £m
Trade creditors	14.9	0.2	7.7	0.1
Amounts due to other Group undertakings	–	2.5	–	2.4
Taxation and social security	0.2	–	0.5	0.1
Loan note interest	–	–	1.4	–
Other creditors	3.4	–	1.4	–
	18.5	2.7	11.0	2.6

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 58 days (2017: 57 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 Accruals, deferred income and deferred consideration

	Group 2018 £m	Company 2018 £m	Group 2017 £m	Company 2017 £m
Accruals	8.6	0.3	3.6	0.3
Deferred income	8.8	–	4.9	–
Deferred consideration	2.3	–	0.1	–
	19.7	0.3	8.6	0.3

18 Net obligations under finance leases and hire purchase contracts

	Group 2018 £m	Group 2017 £m
Repayable within one year	0.7	0.7
Repayable between two and five years	0.1	0.8
	0.8	1.5

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 (2017: none).

19 Deferred tax

	Accelerated capital allowances £m	Short term timing differences £m	Total £m
At 1 January 2017	(0.4)	0.1	(0.3)
Charged to profit or loss	(0.1)	–	(0.1)
At 1 January 2018	(0.5)	0.1	(0.4)
Acquisitions	–	(1.0)	(1.0)
Charged to profit or loss	–	(0.1)	(0.1)
At 31 December 2018	(0.5)	(1.0)	(1.5)

The company has a deferred tax asset of £0.1m (2017: £0.1m), in respect of short term timing differences. The group has an unrecognised deferred tax asset of £1.1m (2017: £nil) in respect of UK tax losses carried forward, due to uncertainty over the level of future profitability across each UK company and therefore the usability of those losses. A deferred tax asset of £0.1m (2017: £0.1m) has been recognised on a group level in respect of those losses. Deferred tax on acquisition relates to the intangible asset of customer relationships recognised (note 26).

20 Bank and other borrowings

	Group 2018 £m	Company 2018 £m	Group 2017 £m	Company 2017 £m
Senior debt (WB Co 1403)	–	–	5.0	–
Revolving credit facility (AEG Plc)	14.4	14.4	–	–
Revolving credit facility (AES Inc.)	12.5	–	10.8	–
Loan (TGP)	0.5	–	–	–
Intercompany loan	–	0.8	–	–
	27.4	15.2	15.8	–
Less unamortised issue costs	(0.7)	(0.7)	(0.6)	–
	26.7	14.5	15.2	–

In October 2018 the company entered into an amended facility agreement with HSBC.

The HSBC facility includes senior term debt in the form of a revolving credit facility of £30.0m (2017: senior term debt of £5.0m and a revolving credit facility of £3.0m). At 31 December 2018 £26.9m of this facility had been drawn down (2017: nil). This debt was secured by fixed and floating charges over the assets of each of the entities within Group. The facility is available until December 2022. In February 2019 the HSBC facility was increased to £35m.

All banking covenants were complied with during the year.

As at 31 December 2018 the Group's main banking facilities were with HSBC (2017: HSBC and PNC). TGP held a small short term loan with Abu Dhabi bank in UAE available until April 2020.

As part of the amended facility the PNC revolving credit facility of $20.0m was repaid in full.

Total bank facility arrangement fees of £0.5m (2017: £0.7m) were amortised in the year.

Borrowings interest rates

The analysis of the borrowings is as follows:

	Weighted average interest rate	2018 £m	Weighted average interest rate	2017 £m
Senior debt (WB Co 1403)	–	–	4.8%	1.5
Other senior term debt (WB Co 1403)	–	–	4.3%	3.5
Revolving credit facility (AES Inc)	3.7%	12.5	4.3%	10.8
Revolving credit facility (AEG Plc)	2.5%	14.4		
Loan (TGP)	9.3%	0.5		
Unamortised bank amendment fees	–	(0.7)	–	(0.6)
Total borrowings	3.2%	26.7	4.3%	15.2

Notes to the Financial Statements Continued

	Group 2018 £m	Company 2018 £m	Group 2017 £m	Company 2017 £m
Maturity of financial liabilities				
Less than one year	–	–	–	–
Between two and five years	27.4	14.4	15.8	–
Greater than five years	–	–	–	–
	27.4	14.4	15.8	–
Less unamortised issue costs	(0.7)	(0.7)	(0.6)	–
	26.7	13.7	15.2	–

Group

	As at 31 December 2017 £m	Debt Acquired on Acquisition £m	Financing Cash flow £m	Exchange movements £m	As at 31 December 2018 £m
Reconciliation of liabilities arising from financing activities					
Senior debt (WB Co 1403)	5.0	–	(5.0)	–	–
Revolving credit facility (AES Inc.)	10.8	–	1.2	0.5	12.5
Revolving credit facility (AEG Plc)	–	–	14.4	–	14.4
Other loans	–	2.3	(1.8)	–	0.5
Total liabilities from financing activities	15.8	2.3	8.8	0.5	27.4

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.

Company

	As at 31 December 2017 £m	Financing Cash flow £m	Exchange movements £m	As at 31 December 2018 £m
Reconciliation of liabilities arising from financing activities				
Revolving credit facility (AEG Plc)	–	14.4	–	14.4
Total liabilities from financing activities	–	14.4	–	14.4

21 Financial instruments

	2018 Group £m	2018 Company £m	2017 Group £m	2017 Company £m
Categories of financial instruments				
Carrying value of financial assets:				
Cash and cash equivalents	7.5	–	4.3	–
Trade and other receivables	28.2	91.6	14.2	63.9
Total financial assets	35.7	91.6	18.5	63.9
Carrying value of financial liabilities:				
Trade creditors	14.9	0.3	8.1	0.1
Other payables	0.2	–	0.5	0.2
Borrowings	26.7	14.4	15.2	–
Total financial liabilities	41.8	14.7	23.8	0.3

Each region's working capital is managed 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% (2017: 0.5%) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease/increase by £0.1m (2017: £0.1m).

This has been calculated by applying the amended interest rate to the weighted average rate of borrowings for the year to 31 December 2018, 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 20. 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 15 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 20, 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 £77.9m (2017: £37.1m) of assets and £62.1m (2017: £30.0m) 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 £17.3m (2017: £6.2m) and £8.9m (2017: £4.3m) 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 2018 £m	As at 31 December 2017 £m
10% appreciation of the above foreign currencies	0.9	0.2
10% depreciation of the above foreign currencies	(0.9)	(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

	Group 2018 £m	Company 2018 £m	Group 2017 £m	Company 2017 £m
Authorised, allotted and issued				
151,910,833 fully paid ordinary shares of £0.01 each (2017: 114,639,940)	1.5	1.5	1.1	1.1

Authorised share capital is unlimited.

As at the end of 31 December 2018 there were 151,910,833 (2017: 114,639,940) ordinary shares at £0.01 in issue resulting in £1.5m share capital and £78.2m of share premium. All shares carry equal rights.

In 2018 the following issues of £0.01 ordinary shares were made:

1. January 2,513,541 shares at £0.55 to Greg Lawless (this relates to £1.4m of loan note interest repaid and re-invested in the Group);
2. June 726,000 shares at £0.62 as part consideration of Events Solution Ltd;
3. July 333,333 shares at £0.60 as part consideration for Ironmonger Ltd;
4. September 33,333,334 shares at £0.60 to fund the acquisition of the assets of Stuart Rentals and the shares of TGP Holdings; and
5. October 364,675 shares at £0.60 as part consideration for TGP Holdings

23 Share premium account

The share premium reserve movement in the year is a result of the premium arising on the issue of the equity shares detailed in note 22, net of issue expenses incurred by the company of £1.0m.

	Group 2018 £m	Company 2018 £m	Group 2017 £m	Company 2017 £m
Balance at 31 December	78.2	78.2	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. There was no movement in 2018.

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 (01 January 2017). The corresponding entry being the merger reserve so the overall net assets as at the comparative dates are not effected.

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25 Share option reserve

	Group £m	Company £m
At 1 January 2018	0.1	0.1
Share option provision	0.2	0.2
At 31 December 2018	0.3	0.3

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.

2018: Two option awards were made during the year. The first option awards had an exercise price of 60 pence per share, with no performance conditions attached and vest equally after two, three and four years from the date of grant. The total number of shares under this option award as at 31 December 2018 were 135,000. These options are vesting in three equal amounts of 45,000 on 01 December 2020, 2021 and 2022. The second option awards had an exercise price of 68 pence per share and shall vest equally after three, four and five years subject to the following conditions: 75% of the Awards are subject to EPS performance conditions, measured over a three year performance period; with the balance of 25% being at the discretion of the Remuneration Committee, based on its judgement of the successful integration of acquisitions closed during the period. To the extent that the performance conditions are not satisfied, the relevant part of the awards shall lapse. The total number of shares under this option award as at 31 December 2018 were 2,025,000. These options are vesting in three equal amounts of 675,000 on 05 October 2022, 2022 and 2023.

2017: Option awards were made in July 2017 equal to approximately 4.6% of the number of ordinary shares in issue at that date, 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. During the year 454,545 option awards lapsed due to the option holders leaving the Group. The total number of shares under this option award as at 31 December 2018 were 4,920,000 (2017: 5,374,545).

26 Acquisitions

	Stuart Rentals fair values acquired £m	TGP fair values acquired £m	Other acquisition fair values acquired £m	Total fair values acquired £m
Intangible: customer relationships	3.0	1.1	0.8	4.9
Tangible assets	1.0	3.1	2.6	6.7
Other assets and liabilities	0.4	0.2	0.1	0.7
Bank debt	–	(2.3)	–	(2.3)
Deferred tax	(0.8)	–	(0.2)	(1.0)
Net assets acquired	**3.6**	**2.1**	**3.3**	**9.0**
Goodwill	8.2	2.2	4.8	15.2
Consideration	**11.8**	**4.3**	**8.1**	**24.2**
Satisfied by:				
Cash paid	8.6	2.3	6.1	17.0
Deferred consideration	3.2	1.8	1.3	6.3
Shares issued in Arena Events Group Plc	–	0.2	0.7	0.9
	11.8	**4.3**	**8.1**	**24.2**

Future deferred consideration falls due as follows: £2.3m 2019, £1.7m 2020, £1.7m in 2021 and £0.6m in 2022. Deferred consideration payments due in relation to Arena Stuart Rentals and TGP Holdings are linked to future profitability. Management has made an estimate of the deferred consideration due based on expected future profitability of these entities. There are no employment related obligations attached to future deferred consideration.

During the year the following business assets and 100% shareholdings were acquired:

Business	Date of Acquisition	Type of purchase	Consideration £m	Revenue in 2018 £m	Profit in 2018 £m
GLD	01 February	Asset	0.9	1.4	0.2
Ironmonger Ltd	07 April	Share	1.0	2.0	0.2
Ice House Rentals Ltd [IHR]	18 May	Share	1.3	1.2	0.1
Events Solution Ltd [ES]	21 June	Share	2.5	1.5	0.4
Stuart Rentals	06 September	Asset	11.8	5.5	0.8
TSG	24 September	Asset	1.4	–	–
TGP Holdings	27 September	Share	4.3	2.8	0.4
Bash Bars Ltd [BB]	30 November	Share	0.2	–	–

All acquisitions were made by Arena Event Services Group Ltd except for Stuart Rentals which was acquired by Arena Stuart Rentals Inc (both acquiring entities were wholly owned subsidiaries).

GLD, IHR and BB acquisitions were a strategic fit with the Group's existing UK furniture and catering equipment hire business and expand the customer base and its offering. ES provides a complementary fencing and barrier offering to the UK Seating and Structures units. The Ironmonger acquisition was a strategic fit with the Group's existing structures business in Hong Kong servicing the Rugby 7's event. The TSG acquisition provides a

Notes to the Financial Statements Continued

complimentary structure offering to both the UK and MEA divisions. Goodwill recognised on these acquisitions consists largely of the expansion in the offering across the Group.

The TGP acquisition was a strategic fit with the Group's Middle East business and strengthens its product offering. The goodwill recognised consists largely of the synergies and economies of scale expected from combining the operations of TGP with the MEA Division. A reduction of £1.4m was agreed on the final acquisition price in relation to working capital funding requirements which was subsequently invested.

In addition to the acquisitions listed above, the Group increased its shareholding in Arena Hong Kong Ltd from 51% to 100% for consideration for £0.9m.

Certain assets including staff and contracts were acquired from Stuart Rentals Inc and the goodwill recognised relates largely to the expansion of the US market place and additional under the tent product offering.

GLD, IMG, IHR, BB, TSG and ES were funded through working capital and additional bank debt. TGP and Stuart Rentals were funded through a new shares issue which raised £19m of net proceeds. Total amount paid for acquisitions in the year of £18.8m is represented by £17.0m cash, £1.4m working capital funding, £0.9m shares issued less £(0.4m) of cash acquired.

27 Capital commitments

There are no amounts contracted for but not provided in the financial statements for the Group and for the Company (2017: nil).

28 Operating lease commitments

	Group 2018 £m	Group 2017 £m
Lease payments under operating leases recognised as expense in the year	4.1	3.9

	Group 2018 £m	Group 2017 £m
Land and buildings		
Leases expiring:		
Within one year	3.5	2.5
In the second to fifth years inclusive	9.6	5.8
After five years	13.1	3.5
	26.2	11.8

	Group 2018 £m	Group 2017 £m
Other		
Leases expiring:		
Within one year	0.9	0.8
In the second to fifth years inclusive	1.7	1.7
After five years	0.1	–
	2.7	2.5

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 (2017: none).

29 Contingent liabilities

The Group has contingent liabilities in relation to its US division (2017: none). Arena Event Services Inc agreed a settlement with the United States' Attorney's Office for the Southern District of Georgia to resolve the US government's investigation of AES Inc (the "Settlement"). The Settlement includes the payment by AES Inc of $4.8 million in equal instalments over five years (being $960,000 per annum), the first payment made in 2018. In addition, there is the potential for additional contingent payments of $600,000 per year in any of the five years, 2018 to 2022, if certain financial hurdles are exceeded. These hurdles are AES Inc achieving revenue greater than $150 million (AES Inc 2017 revenue was $56.7 million) or net profits greater than $2.5 million (AES Inc 2017 net profit was $0.5 million). The contingent payment was not triggered in 2018.

Given the uncertainty of future financial performance of AES Inc, no provision has been made for the four future potential contingent payments.

AES Inc admitted no wrong-doing by entering into the agreement and reached this Settlement with the government to avoid the uncertainty of litigation over the government's allegations. Furthermore, the Group has completed its detailed review of all working practices and compliance procedures in the US and is implementing an upgraded compliance programme to prevent any similar issues arising in the future.

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 £0.6m (2017: £0.5m) in the financial year.

Company

The Company operated a pension scheme in 2018 and the cost of contributions to the defined contribution scheme amounted to £25,000 (2017: no pension scheme).

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 2018 £m	At 31 December 2017 £m
Short-term employee benefits	1.3	1.5
Share options	0.1	0.1
	1.4	1.6

Of the key management personnel, three have retirement benefits accruing under money purchase pension schemes (2017: three). Included in the numbers above short term employee benefits of £0.6m (2017: £0.5m) and share options of £0.1m (2017: £0.1m) relate to the Company.

Notes to the Financial Statements Continued

32 Net cash flow from operating activities

Group

	Note	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Operating profit/(loss) for the year		–	0.1
Adjustments for:			
Depreciation of property, plant and equipment	11	5.3	5.2
Amortisation of intangible assets	10	0.4	0.1
Impairment of JV		–	0.4
Gain on disposal of property, plant and equipment	4	(0.1)	(0.1)
Share option costs		0.2	0.1
Increase in provisions		3.4	–
Increase in inventories		(0.1)	(1.7)
Increase in receivables		(10.0)	(1.0)
Increase in payables		9.4	2.5
Cash generated by operations		8.5	5.6
Bank and finance lease interest paid		(0.8)	(1.6)
Other finance charges		(0.5)	(0.4)
Corporation tax		(0.2)	(0.3)
Net cash inflow from operating activities		7.0	3.3

Cash and cash equivalents

	At 31 December 2018 £m	At 31 December 2017 £m
Cash and bank balances	7.5	4.3
Bank overdrafts	–	–
	7.5	4.3

33 Analysis of changes of net debt

Group

	As at 31 December 2017 £m	Cash flow £m	From Acquisitions £m	Exchange movements £m	Other non-cash changes £m	As at 31 December 2018 £m
Cash in hand and at bank	4.3	2.7	0.4	0.1	–	7.5
Debt due after one year	(15.2)	(8.7)	(2.3)	(0.5)	–	(26.7)
Finance lease due within one year	(0.6)	0.6	–	–	(0.7)	(0.7)
Finance lease due after one year	(0.8)	–	–	–	0.7	(0.1)
Net debt	(12.3)	(5.4)	(1.9)	(0.4)	–	(20.0)

Balances at 31 December 2018 comprise

	Non-current assets £m	Current assets £m	Current liabilities £m	Non-current liabilities £m	Total £m
Cash and bank balances	–	7.5	–	–	7.5
Finance leases	–	–	(0.7)	(0.1)	(0.8)
Borrowings	–	–	–	(26.7)	(26.7)
Net debt	–	7.5	(0.7)	(26.8)	(20.0)

Non-cash changes comprise movement in repayment due date.

34 Net cash flow from operating activities

Company

	Year ended 31 December 2018 £m	Year ended 31 December 2017 £m
Operating profit for the year	(1.4)	(2.2)
Adjustments for:		
Share option costs	0.2	0.1
Increase in receivables	(0.3)	(0.3)
Increase in payables	0.4	0.5
Cash generated by operations	(1.1)	(1.9)
Bank and finance lease interest paid	(0.1)	–
Loan issue costs	(0.4)	–
Net cash flow from operating activities	(1.6)	(1.9)

Notes to the Financial Statements Continued

35 Dividends

Paid or to be paid

	2018 £m	2017 £m
Interim dividend for the year ended 31 December 2018 of 0.5 pence per share (2017: 0.45 pence per share)	0.7	0.5
Proposed final dividend for the year ended 31 December 2018 of 1.0 pence per share (2017: 0.90 pence per share)	1.5	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 14 June 2019. The total final dividend to be paid is 1.0 (2017: 0.9) pence per share and is expected to be paid on 08 July 2019. The payment for this dividend will not have any tax consequences for the Group.

Received

The company received a full and final dividend of £2.89 per share £5.5m from AES Arena Event Services Group Holdings limited during the year ended 31 December 2018 (2017: £2.62 per share (£5m).

36 Post balance sheet events

There are no post balance sheet events.

37 Impact of application of IFRS 15 Revenue from contracts with customers

Group income statement

	Year ended 31 December 2017		
	As previously reported £m	Adjustments £m	As restated £m
Revenue	109.6	(0.7)	108.9
Cost of Sales	(74.0)	0.5	(73.5)
Gross Profit	35.6	(0.2)	35.4
Administrative Expenses	(35.3)	0.0	(35.3)
Operating Profit	0.3	(0.2)	0.1
Interest	(2.5)	–	(2.5)
Other finance costs	(0.7)	–	(0.7)
Loss before taxation	(2.9)	(0.2)	(3.1)
Tax on loss on ordinary activities	(0.2)	–	(0.2)
Loss after taxation	(3.1)	(0.2)	(3.3)

Group balance sheet

	31 December 2017		
	As previously reported £m	Adjustments £m	As restated £m
Non-current assets			
Goodwill and other intangibles	34.8	–	34.8
Property, plant and equipment	34.0	–	34.0
Interest in joint ventures	–	–	–
Trade and other receivables due after one year	0.4	–	0.4
	69.2	–	69.2
Current assets			
Inventories	4.3	–	4.3
Trade and other receivables	13.8	(1.1)	12.7
Cash and cash equivalents	4.3	–	4.3
	22.4	(1.1)	21.3
Current liabilities			
Trade and other payables	(11.4)	0.4	(11.0)
Current tax liabilities	0.0	–	0.0
Net obligations under finance leases	(0.7)	–	(0.7)
Borrowings	(0.0)	–	(0.0)
Other creditors	(1.3)	–	(1.3)
Accruals and deferred revenue	(7.2)	–	(7.2)
Deferred consideration	(0.1)	–	(0.1)
	(20.7)	0.4	(20.3)
Net current (liabilities) / assets	1.7	(0.7)	1.0
Total assets less current liabilities	70.9	(0.7)	70.2
Non-current liabilities			
Borrowings	(15.2)	–	(15.2)
Shareholder loan notes	(0.0)	–	(0.0)
Net obligations under finance leases	(0.8)	–	(0.8)
Deferred tax liabilities	(0.4)	–	(0.4)
	(16.4)	–	(16.4)
Net assets	54.5	(0.7)	53.8

Notes to the Financial Statements Continued

Group cash flow

	Year ended 31 December 2017		
	As previously reported £m	Adjustments £m	As restated £m
Cash flow from operating activities			
Operating profit for the period	0.3	(0.2)	0.1
Adjustments for the period:			
Depreciation of property, plant and equipment	5.2	–	5.2
Amortisation of intangibles	0.1	–	0.1
Impairment of joint venture	0.4	–	0.4
Gain on disposal of property, plant and equipment	(0.1)	–	(0.1)
Share option costs	0.1	–	0.1
Decrease in inventories	(1.7)	–	(1.7)
Increase in trade and other receivables	(1.0)	–	(1.0)
Increase in trade and other payables	2.3	0.2	2.5
Cash generated by operations	5.6	–	5.6
Interest paid	(1.6)	–	(1.6)
Loan issue costs	(0.4)	–	(0.4)
Corporation tax	(0.3)	–	(0.3)
Net cash inflow from operating activities	3.3	–	3.3
Net cash used in investing activities	(9.9)	–	(9.9)
Net cash generated from financing activities	9.3	–	9.3
Net increase in cash and cash equivalents	2.7	–	2.7
Cash and cash equivalents at the beginning of the period	1.6		1.6
Cash and cash equivalents at the end of the period	4.3	–	4.3

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