

**Otium Entertainment Group
Limited**

Annual Report and Financial Statements

Year Ended

31 May 2018

Company Number 07612487

Otium Entertainment Group Limited

Company Information

Director	T D Fisher
Registered number	07612487
Registered office	Sky Blue Lodge Leamington Road Ryton On Dunsmore Coventry CV8 3FL
Independent auditor	BDO LLP 3 Hardman Street Manchester M3 3AT

Otium Entertainment Group Limited

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Otium Entertainment Group Limited

Strategic Report For the Year Ended 31 May 2018

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2018.

The loss for the year for the company is set out in the statement of total comprehensive income on page 8. The directors do not recommend a payment of a dividend.

The directors consider the key performance indicators of the company to be league status, finishing position of the club and the year's operating result. The directors are satisfied that the continued and on-going re-structuring of the business will improve the long term on and off field performance. The losses are envisaged to be in line with industry norms.

At the time of writing, the Ricoh Arena lease will come to an end at the completion of the 2018/19 season. It is envisaged that a resolution will be found which will allow the club to fulfil its fixtures for the 2019/20 season at the Ricoh Arena.

The 2016-17 season ended in relegation to League Two, the first time the Club had played in the fourth tier of English football since 1959. Mark Robins was appointed Manager in March 2017 but despite his best efforts the team were ultimately relegated. During the Summer of 2017 nine players were released from the squad and the club set about rebuilding a squad capable of challenging for promotion at the first attempt. Part of that process was to develop and grow the existing Recruitment Department.

Eleven new players were recruited during the Summer 2017 transfer window, with a combination of players experienced in League Two and some bright younger prospects. All players came in on free transfers including Marc McNulty who would go on to score 28 goals in all competitions during the 2017/18 season.

The season started with back-to-back wins at home to Notts County and away at Grimsby Town, but inconsistent form meant that although during the season the team were rarely out of the play-off positions we never really threatened to challenge for an automatic promotion place.

The Club was shocked to learn that in late August Assistant Manager Steve Taylor was taken seriously ill. The club called on the services of experienced coach Adi Viveash who was brought in on a temporary basis to support Mark Robins. Unfortunately, Steve Taylor was not able to return to full service and as such Adi was appointed permanent Assistant Manager at the end of the Season.

Progress was made in the FA Cup with a 3rd Round victory over Premier League opposition Stoke City before being knocked out in the 5th Round with defeat at Brighton and Hove Albion.

The club went in to the last game of the season at home to Morecambe requiring a point to be certain of a place in the play-offs. The resulting point saw the club take on Notts County in the play-off semi-final. A 5-2 aggregate win followed and the club went onto a Wembley appearance with around 37,000 fans travelling to London to see the team beat Exeter 3-1 and gain promotion to Division 1. This was the first club promotion in 51 years.

Lord Mayor Councillor John Blundell bestowed a Civic Reception for the Club at St. Marys Guildhall and the scenes that followed with the open top bus parade en-route to the Guildhall, when in excess of 50,000 City fans lined the streets, will remain in memories for a very long time. The club would like to take this opportunity to thank the fans for their magnificent support, and is confident that with this continued support the club can grow stronger.

With regard to the business performance, the 2017-18 period saw a slight decrease in year-on-year turnover of around £0.2m. The key concern for the business remains the partial and limited access to non-ticketing match day revenues and no non-match day turnover putting the club firmly at a competitive disadvantage relative to its peers.

With a small decrease in revenues and a slight increase in costs year-on-year then the company showed an operational loss of £1,616,359 (2017: £1,108,529 loss).

Otium Entertainment Group Limited

Strategic Report (continued) For the Year Ended 31 May 2018

Further to the business operational losses, the 2017/18 season saw significantly higher player sales, mainly due to the sale of George Thomas, and this resulted in the business realising a loss before interest due of £642,814 (2017: £856,442 loss).

Significant on-going investment in the Academy continues. Under EPPP rules, to retain its Category Two Academy Status, the club committed well in excess of the seasonal minimum spend contribution required.

The interest payable has increased from £1,858,410 to £1,872,283 year-on-year due to additional withholding tax due to HMRC on the interest owed to ARVO. The net capital debt owed to ARVO inclusive of accrued interest sits at £16,073,558 (2017: £14,283,853).

The company has maintained its position of not having material creditors, other than its shareholder. The company has not securitized any future revenue streams.

Principal risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the company's performance. The company's future income is affected by the club's performance because significant revenues are dependent upon team performance in the English Football League and domestic cup competitions.

In order for the team to remain competitive, significant investment is required on an ongoing basis in both financial and non-financial terms. This investment needs to be balanced with the most important Board responsibility, which is to maintain a financially secure professional football club.

The Board maintains the financial discipline throughout the company to ensure that it is able to continue to operate within its existing facilities.

The company prepares annual budgets and forecasts, and maintains a close working relationship with its financiers and shareholders and is dependent on the continuing support from shareholders. Further details of the going concern position of the company are set out in note 2.3.

This report was approved by the board on 28 February 2019 and signed on its behalf.



T D Fisher
Director

Otium Entertainment Group Limited

Director's Report For the Year Ended 31 May 2018

The director presents his report together with the audited financial statements for the year ended 31 May 2018.

Principal activity

During the year, the principal activity of the company was that of running a professional football club.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on page 1 of these financial statements.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Director

The director who served during the year was:

T D Fisher

Employee involvement

The company recognises the importance of good communications and ensures that employees are informed of matters affecting them as appropriate.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to assist them in order that their employment with the company may continue.

Disclosure of information to auditor

The director at the time when this director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28 February 2019 and signed on its behalf.



T D Fisher
Director

Otium Entertainment Group Limited

Director's Responsibilities Statement For the Year Ended 31 May 2018

The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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 to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Otium Entertainment Group Limited

Independent Auditor's Report to the Members of Otium Entertainment Group Limited

Opinion

We have audited the financial statements of Otium Entertainment Group Limited ("the company") for the year ended 31 May 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Material uncertainty in relation to going concern

We draw attention to note 2.3 to the financial statements, which indicates that the company's forecast shows that the company does not require additional funding from group shareholders within the next twelve months. However, should the assumptions underlying these forecasts not be achieved, the company may require additional funding from group shareholders, and is reliant on the group shareholders in this regard. Additionally, the company has not yet secured a venue at which to host the 2019-20 season football matches.

These events or conditions, along with other matters as set out in note 2.3 indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Otium Entertainment Group Limited

Independent Auditor's Report to the Members of Otium Entertainment Group Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

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

Otium Entertainment Group Limited

Independent Auditor's Report to the Members of Otium Entertainment Group Limited (continued)

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 director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



Stuart Wood (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
United Kingdom

28 February 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Otium Entertainment Group Limited

Statement of Comprehensive Income For the Year Ended 31 May 2018

	Note	2018 £	2017 £
Turnover		5,972,414	6,134,192
Cost of sales		(1,582,259)	(1,506,587)
Gross profit		<u>4,390,155</u>	<u>4,627,605</u>
Administrative expenses		(6,006,514)	(5,736,134)
Operating loss	4	<u>(1,616,359)</u>	<u>(1,108,529)</u>
Profit on sales of players		973,545	252,087
Interest receivable and similar income	7	40	122
Interest payable and similar charges	8	(1,872,283)	(1,858,410)
Loss before tax		<u>(2,515,057)</u>	<u>(2,714,730)</u>
Tax on loss	9	-	-
Loss for the financial year		<u>(2,515,057)</u>	<u>(2,714,730)</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u><u>(2,515,057)</u></u>	<u><u>(2,714,730)</u></u>

The notes on pages 11 to 25 form part of these financial statements.

Otium Entertainment Group Limited
Registered number: 07612487

Balance Sheet
As at 31 May 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Intangible assets	10		166,927		152,139
Tangible assets	11		385,535		415,472
			<u>552,462</u>		<u>567,611</u>
Current assets					
Debtors: amounts falling due within one year	12	800,942		1,159,923	
Cash at bank and in hand		682,223		298,161	
		<u>1,483,165</u>		<u>1,458,084</u>	
Creditors: amounts falling due within one year	13	<u>(21,869,263)</u>		<u>(19,344,274)</u>	
Net current liabilities			(20,386,098)		(17,886,190)
Net liabilities			<u>(19,833,636)</u>		<u>(17,318,579)</u>
Capital and reserves					
Called up share capital	15		65,215,308		65,215,308
Equity component of convertible loan	16		249,087		249,087
Profit and loss account	16		<u>(85,298,031)</u>		<u>(82,782,974)</u>
			<u>(19,833,636)</u>		<u>(17,318,579)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 February 2019.



T D Fisher
Director

The notes on pages 11 to 25 form part of these financial statements.

Otium Entertainment Group Limited

Statement of Changes in Equity For the Year Ended 31 May 2018

	Called up share capital £	Equity component of convertible loan £	Profit and loss account £	Total equity £
At 1 June 2017	65,215,308	249,087	(82,782,974)	(17,318,579)
Comprehensive loss for the year				
Loss for the year	-	-	(2,515,057)	(2,515,057)
Total comprehensive loss for the year	-	-	(2,515,057)	(2,515,057)
At 31 May 2018	65,215,308	249,087	(85,298,031)	(19,833,636)

Statement of Changes in Equity For the Year Ended 31 May 2017

	Called up share capital £	Equity component of convertible loan £	Profit and loss account £	Total equity £
At 1 June 2016	65,215,308	249,087	(80,068,244)	(14,603,849)
Comprehensive loss for the year				
Loss for the year	-	-	(2,714,730)	(2,714,730)
Total comprehensive loss for the year	-	-	(2,714,730)	(2,714,730)
At 31 May 2017	65,215,308	249,087	(82,782,974)	(17,318,579)

The notes on pages 11 to 25 form part of these financial statements.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

1. General information

Otium Entertainment Group Limited is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Sky Blue Sports & Leisure Limited as at 31 May 2018 and these financial statements may be obtained from Companies House.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

2. Accounting policies (continued)

2.3 Going concern

Notwithstanding the year-end balance sheet, which shows net current liabilities of £20,386,098 (2017 - £17,886,190) and net liabilities of £19,833,636 (2017 - £17,318,579) the financial statements have been prepared on a going concern basis.

As part of their going concern considerations the directors have prepared detailed forecasts including the 2019-20 football season and reviewed the company's trading and working capital requirements.

These forecasts indicate that the company does not require additional funding from group shareholders within the next twelve months. However, should the assumptions underlying these forecasts not be achieved, the company may require additional funding from group shareholders.

The company has received written confirmations from group shareholders of their intention to continue to provide support to the company by not demanding repayment of loans owing to them for the foreseeable future. Group shareholders have also confirmed to the parent company their intention to provide or source funding, if required by the parent company. The parent company has confirmed to Otium Entertainment Group Limited its undertaking to provide continuing support which will enable the company to continue as a going concern. Notwithstanding this intention, there is no contractual certainty that such funding will be made available nor that the group shareholders loans will not be called upon for repayment within the next 12 months. This casts significant doubt on the company's ability to continue as a going concern.

Additionally, the company has not yet secured a venue at which to host the 2019-20 season football matches. Management remain confident that a solution to this situation will be found and are exploring a number of options in relation to venues at which to host the football matches for the 2019-20 season. Nevertheless, at the date of approval of these financial statements, there remains uncertainty regarding the outcome of these negotiations. The lack of a venue at which to host the football matches for the 2019-20 season may also cast significant doubt on the company's ability to continue as a going concern.

The directors consider the going concern basis to be appropriate as they have no reason to believe that group shareholders will not provide the required support, nor that a suitable venue at which to host the 2019-20 season football matches will not be found. However these conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

2.5 Turnover

Turnover, which all arises in the United Kingdom, represents match receipts, executive box rentals and income from commercial activities receivable by the group, excluding VAT and trade discounts. Turnover is recognised for match related income in accordance with the matches played. Sponsorship and similar commercial income is recognised over the duration of the respective contracts in line with the contractual terms. Income arising from the fixed element of TV receipts is recognised over the course of the playing season. The non-fixed element of TV receipts relating to match coverage are recognised as the matches are played.

Income from match receipts, sponsorship and commercial contracts, which has been received prior to the year end in respect of future football seasons, is treated as deferred income.

2.6 Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the statement of comprehensive income over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.7 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

2. Accounting policies (continued)

2.8 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Pensions

The pension costs charged against profits represent the amount of the benefit payable to the scheme in respect of the accounting period.

Certain employees are members of the Football League Pension and Life Assurance (FLPLA) Scheme and the Football League Players' Benefit Scheme (the schemes"). The company continues to make contributions in respect of its share of the deficit of these defined benefit pension schemes. Accrual of the benefits on a final salary basis was suspended with effect from 31 August 1999, when actuarial review showed a substantial deficit. As one of the number of participating employers the company is advised only of its share of the scheme's deficit and recognises a liability in respect of this. Contributions payable to the scheme's reduce this liability.

2.10 Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are not discounted.

2.11 Intangible assets

The group capitalises as an intangible asset the element of a player's transfer fee which relates to his registration together with associated costs and amortises that element over the period of his contract including any subsequently agreed extensions. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Trade marks purchased separately from a business are included at cost and amortised over their useful economic lives of 10 years.

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold land and buildings	- 2% per annum
Plant, fixtures and fittings	- 7.5% to 33.3% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.16 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

2. Accounting policies (continued)

2.17 Loyalty bonuses and deferred signing on fees

Under the terms of certain player contracts additional sums may be payable dependent upon the achievement of certain future conditions. Such fees are charged to the statement of comprehensive income in the period in which the criteria for payment are met. Unprovided elements of such contracts are disclosed as contingent liabilities where the criteria are not met at the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The nature of the company's business is such that there can be unpredictable variation and uncertainty regarding its business. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

4. Operating loss

The operating loss is stated after charging:

	2018	2017
	£	£
Amortisation of intangible fixed assets	89,041	43,868
Depreciation of tangible fixed assets	34,987	100,704
Auditors remuneration:		
- Audit services	22,000	17,000
- Non audit services - taxation	4,000	3,500
- Non audit services - other	3,500	1,000
Operating lease charges:		
- Equipment and vehicles	28,959	54,370
- Land and buildings	545,755	602,814
Exchange differences	215	41

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

5. Employees

Staff costs across the company during the year were as follows:

	2018 £	2017 £
Wages and salaries	4,238,767	4,051,778
Social security costs	383,924	365,144
Other pension costs	256,608	36,417
	<u>4,879,299</u>	<u>4,453,339</u>

Of the amounts above £361,710 (2017 - £281,309) have been included within direct operating costs for the year.

Eligible staff are members of the Football League Limited Pension and Life Assurance Scheme. The latest valuation of the scheme deficit has shown an underfunding of the scheme and accordingly the company's current share of the liability stands at £478,583 (2017 - £295,856). This is included within creditors.

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

An additional accrual in relation to the Football League Limited Pension and Life Assurance Scheme has been required in the year due to an updated position being provided by the Football League. This is not expected to recur next year.

The average monthly number of employees, during the year was as follows:

	2018 No.	2017 No.
Players and management	132	129
Administrative and commercial	11	11
Stewards (part time)	209	258
	<u>352</u>	<u>398</u>

6. Director's remuneration

Remuneration in respect of directors was as follows:

	2018 £	2017 £
Remuneration paid to third parties in respect of directors' services	-	75,781

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

7. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable and similar income	40	122

8. Interest payable and similar charges

	2018 £	2017 £
Other loan interest payable	2,827	6,308
Withholding tax due on interest payable	321,025	367,109
Other interest payable	1,548,431	1,484,993
	<u>1,872,283</u>	<u>1,858,410</u>

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

9. Taxation

There was a corporation tax credit of £Nil (2017 - £Nil) for the year.

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017 - 19.83%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(2,515,057)	(2,714,730)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.83%)	(477,861)	(538,409)
Effects of:		
Expenses not deductible for tax purposes	2,964	1,878
Other difference	1,435	992
Fixed asset differences	1,333	538
Deferred tax not recognised	472,367	535,001
Income not taxable for tax purposes	(238)	-
Total tax for the year	-	-

Factors that may affect future tax charges

The company has unrecognised tax losses of £3,241,983 (2017 - £2,817,286). These have not been recognised as their future recoverability is uncertain.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

10. Intangible assets

	Trade- marks £	Player registrations £	Goodwill £	Total £
Cost				
At 1 June 2017	3,820	372,106	2,224,038	2,599,964
Additions	-	109,514	-	109,514
Disposals	-	(126,880)	-	(126,880)
At 31 May 2018	<u>3,820</u>	<u>354,740</u>	<u>2,224,038</u>	<u>2,582,598</u>
Amortisation				
At 1 June 2017	2,679	221,108	2,224,038	2,447,825
Charge for the year	382	88,659	-	89,041
On disposals	-	(121,195)	-	(121,195)
At 31 May 2018	<u>3,061</u>	<u>188,572</u>	<u>2,224,038</u>	<u>2,415,671</u>
Net book value				
At 31 May 2018	<u>759</u>	<u>166,168</u>	<u>-</u>	<u>166,927</u>
At 31 May 2017	<u>1,141</u>	<u>150,998</u>	<u>-</u>	<u>152,139</u>

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

11. Tangible fixed assets

	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
Cost or valuation			
At 1 June 2017	359,999	210,765	570,764
Additions	-	5,200	5,200
Disposals	-	(2,650)	(2,650)
At 31 May 2018	359,999	213,315	573,314
Depreciation			
At 1 June 2017	24,145	131,147	155,292
Charge for the year on owned assets	5,432	29,555	34,987
Disposals	-	(2,500)	(2,500)
At 31 May 2018	29,577	158,202	187,779
Net book value			
At 31 May 2018	330,422	55,113	385,535
At 31 May 2017	335,854	79,618	415,472

12. Debtors: amounts falling due within one year

	2018 £	2017 £
Trade debtors	159,600	114,938
Other debtors	127,250	228,924
Prepayments and accrued income	514,092	816,061
	800,942	1,159,923

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2017 - £19,320).

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

13. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	464,445	329,768
Amounts owed to related parties	8,904,377	8,654,377
Other taxation and social security	356,774	242,163
Other creditors	593,273	848,620
Accruals and deferred income	11,550,394	9,269,346
	<u>21,869,263</u>	<u>19,344,274</u>

During a previous period, the company issued £2,000,000 of unsecured convertible loan notes to a related party. These loan notes are convertible to ordinary shares in specific circumstances and have been treated as having elements of both debt and equity in accordance with FRS 102 (see note 2.16 for details of the accounting treatment).

14. Borrowings

Borrowings are repayable as follows:

	2018 £	2017 £
Within one year:		
Accrued interest on related party loan	7,169,181	5,629,476
Related party loan	8,904,377	8,654,377
	<u>16,073,558</u>	<u>14,283,853</u>

The borrowings are secured by way of a debenture over certain assets of the company to ARVO Master Fund Limited, a company which has an interest in the shares of the company.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

15. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
1,000 (2017 - 1,000) ordinary shares of £1.00 each	1,000	1,000
15,258,720 (2017 - 15,258,720) 'A' preference shares of £1.00 each	15,258,720	15,258,720
49,955,588 (2017 - 49,955,588) 'B' preference shares of £1.00 each	49,955,588	49,955,588
	<u>65,215,308</u>	<u>65,215,308</u>

Ordinary shares have the right to vote on the basis of one vote per share held.
'A' Preference shares have no rights as to voting.
'B' Preference shares have no rights as to voting.

	2018 £
Equity component of convertible debt	
At 1 June 2017 and 31 May 2018	<u>249,087</u>

A subsidiary company has issued £2,000,000 of unsecured convertible loan notes to a related party. These loan notes are convertible to ordinary shares in specific circumstances and have been treated as having elements of both debt and equity.

16. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

17. Commitments under operating leases

At 31 May 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 Land and buildings £	2017 Land and buildings £
In one year or less	385,271	389,162
Between one and five years	4,237	43,300
	<u>389,508</u>	<u>432,462</u>

18. Contingent liabilities

The company has, under transfer agreements, a liability to pay additional sums dependent on players' attainment of agreed numbers of first team appearances and any subsequent transfer value. No provision has been made in these accounts for such liabilities as the conditions are not met at the balance sheet date and no reliable estimates can be made of any subsequent transfer values.

Appearance liabilities

	2018 £	2017 £
Amounts payable: In more than one year	<u>100,000</u>	<u>100,000</u>

19. Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of at least £650,000 (2017 - £125,000). These sums are dependent on the attainment of certain objectives by the player and the club they are now employed by. Conditions have not been met at the balance sheet date and no asset has been recognised.

20. Related party transactions

ARVO Master Fund Limited are minority shareholders and Sky Blue Sports & Leisure Limited are the majority shareholders and own the 'A' preference shares.

During a prior period, the company received convertible loans of £2,000,000 from minority shareholders. This loan, along with other loans and the associated accrued interest, are shown within note 14. Interest payable to the minority shareholder is shown in note 8.

The directors are considered to be the key management personnel. See note 6 for details of the total compensation paid to key management personnel for services provided to the company.

Otium Entertainment Group Limited

Notes to the Financial Statements For the Year Ended 31 May 2018

21. Ultimate parent undertaking

The parent undertaking of the company is Sky Blue Sports & Leisure Limited, which is registered in England and Wales. The majority shareholding in Sky Blue Sports & Leisure Limited is held by Investment Funds under the management of SISU Capital Limited.

The largest and smallest group in which the results of the company are consolidated is that headed by Sky Blue Sports & Leisure Limited, incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Companies House.