

Company Registration No. 07612487 (England and Wales)

**OTIUM ENTERTAINMENT GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2020**

# OTIUM ENTERTAINMENT GROUP LIMITED

## COMPANY INFORMATION

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<b>Director</b>	Mr T D Fisher
<b>Company number</b>	07612487
<b>Registered office</b>	Sky Blue Lodge Leamington Road Ryton on Dunsmore Coventry CV8 3FL
<b>Auditor</b>	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ

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# OTIUM ENTERTAINMENT GROUP LIMITED

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# OTIUM ENTERTAINMENT GROUP LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 MAY 2020**

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The director presents the strategic report together with the audited financial statements for the year ended 31 May 2020.

The result for the year for the company is set out in the statement of comprehensive income on page 10. 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.

### **Season Review**

The financial year ended 31st May 2020 endured the start of a period of blight that has continued until this time and will extend beyond the time of writing. A Global Pandemic, Covid-19 has struck all parts of the world and continues to affect the daily lives of everyone in the UK. As a club, our thoughts and sympathy go out to all that have lost a loved one, and of course our thanks will be eternal to all key workers including the NHS for their unwavering desire to help all under such dangerous circumstances.

From a business view point, sport has been severely impacted, with the postponement of fixtures and leagues, re-arrangement of the sporting calendar, and matches taking place behind closed doors. The impact to all EFL clubs has been huge and negative.

At the time of writing, a new 10-year Ricoh Arena lease was agreed and announced in March 2021. All stakeholders including the club owners, board and fans alike celebrated the return of the team to the Ricoh Arena. The 10 year deal took over 12 months to discuss, negotiate and close. This is a good deal for the club and playing at St Andrews gave both parties the opportunity to strike an appropriate long term agreement. The return was in part due to the positive role and intervention played by the Mayor's Office of the West Midlands Combined Authority. The lease agreement allows the club to benefit from a greater proportion of non-ticketing match day revenues. Notwithstanding the new lease deal, the club is continuing to progress its new stadium project. The club went on the record in thanking Birmingham City Football Club for their support in ground sharing at the St Andrews stadium.

The 2019-20 season saw the club get promoted from League One as Champions. Following the announcement of the first National Lockdown the EFL competition was suspended on 13th March 2020 and the season for League One finally curtailed on 9th June 2020, with the club sitting on top of League One with 67 points - having played 34 games. The club were 5 points clear of second place and 8 points clear of the play-off positions, with a game in hand over most of the other contenders. Champions, promotion and relegation issues were all decided on a 'points per game' method, with the play-offs being played behind closed doors during July 2020.

Despite the method of promotion, the achievement of promotion from League One to the Championship was richly deserved, following an exhilarating season of free flowing, attacking football enjoyed by all.

The 2020-21 Championship season got underway on 12th September 2020, with fixtures being played behind closed doors. Further into the season, the National Lockdown tiering system was introduced, allowing some clubs to hold a minor number of matches with a limited number of fans in attendance. However, the tiering system was short-lived, and the club unfortunately had to play the whole of its 2020-21 fixtures behind closed doors.

Despite operating under a ground-share, and missing the magnificent support of our fans, the club were able to retain their Championship status, finishing in a creditable 16th position in the league table. The playing surface undoubtedly contributed to and aided the playing style adopted by the football management. The players, football management, and all involved with the club should be extremely proud of their achievement's during both the 2019-20 and 2020-21 seasons, and we can now look forward to hopefully being able to welcome back our fans to the Ricoh Arena for what I am sure will be another memorable season in the EFL Championship.

Unfortunately, and as expected, the pandemic and lockdown has had a material impact on the financial performance for the year.

# OTIUM ENTERTAINMENT GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2020

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The 2019-20 period saw a fall in turnover of £1,158,579 (YE20 £5,103,493; YE19 £6,262,072), with this decrease being expected mainly as a consequence of the ground share at St. Andrew's, and being further compounded by the lost match receipts revenue through the early curtailment of the season.

In respect to costs then the decrease in direct costs of £191,446 (YE20 £1,308,463; YE19 £1,499,909) is again largely due to match costs savings as a result 5 home league fixtures being cancelled through the early curtailment of the season.

The administrative costs show an increase of £2,061,084 (YE20 £9,038,803; YE19 £6,977,719). This increase arose through a combination of higher stadia facility costs at St. Andrew's, together with further investment in the playing squad, which gave rise to an additional £835K of player related expenditure, plus £441K in additional player amortisation costs.

The increased investment to achieve a competitive playing squad was instrumental in the club achieving its target of promotion to the EFL Championship at the end of the 2019/20 season.

The Coronavirus Job Retention Scheme (CJRS), made available by the government to provide financial assistance during the pandemic, was utilised by the company and is shown under other operating income.

Further to the business operational loss of £4,910,397 (YE19: £2,215,556), the company was again able to realise significant profit from the sale of players (YE20 £3,818,867; YE19 £4,381,086).

Player sales made included Conor Chaplin to Barnsley FC, Tom Bayliss to Preston North End FC, and Sam McCallum to Norwich City FC.

The interest payable increased from £2,095,626 (YE19) to £2,293,749 (YE20), with a final loss arising for the financial year of £3,385,242 (YE20) in comparison to the prior year profit of £69,916 (YE19).

Due to the pandemic, the level of the loss for the year was not unexpected. Some of this loss is hoped to be recouped in the future through cover provided under a business insurance policy, and although insurers have accepted that the club policy gives rise to a claim, it is difficult to quantify the likely final settlement whilst the claim negotiations are on-going.

Significant on-going investment in the Academy continues, with the club committing well in excess of the required minimum seasonal spend contribution in order to retain its Category Two Academy Status. The continued support for and investment into the Academy ensured that the outstanding performance has been maintained. Over the last 6 seasons, the Sky Blues have been ranked 1st in the EFL and 1st among all Category 2 clubs in productivity on how many young players they see through their Academy and Development structure reaching first-team football.

The group has maintained its position of not having material creditors, other than its shareholder.

# OTIUM ENTERTAINMENT GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 MAY 2020*

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### **Principal risks and uncertainties**

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the group's performance. The group's future income is affected by the club's performance because significant revenues are dependent upon team performance in the 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 group 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 group is set out in note 1.

On behalf of the board



Mr T D Fisher  
**Director**

27 May 2021

# OTIUM ENTERTAINMENT GROUP LIMITED

## DIRECTOR'S REPORT

*FOR THE YEAR ENDED 31 MAY 2020*

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The director presents his annual report and financial statements for the year ended 31 May 2020.

### **Principal activities**

The principal activity of the company continued to be that of running a professional football club.

### **Results and dividends**

The results for the year are set out on page 10.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

### **Director**

The director who held office during the year and up to the date of signature of the financial statements was as follows:

Mr T D Fisher

### **Disabled persons**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

### **Employee involvement**

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

### **Post reporting date events**

In June 2020, following the first national lockdown the EFL competition was curtailed, with promotion and relegation issues being decided on a 'points per game' method. This resulted in the Club being promoted from League One to the Championship and upon promotion, the Club paid contractual promotion bonuses totalling £711,563. As the club's promotion was not guaranteed at the balance sheet date, these amounts were not provided within the financial statements.

Transfers of player registrations subsequent to 31 May 2020, taking into account applicable costs and player acquisitions, resulted in a net c.£2,580,000 payable by the club.

In addition to the above, subsequent to 31 May 2020, the club received £1,547,500 in relation to sell on clauses for ex-players.

In May 2021, as part of the ongoing support to football clubs provided as a result of the continuing Covid-19 pandemic, the company received an interest free loan of £3.2m from the EFL. The loan can only be used to support PAYE payments and working capital requirements as presented in the business plan and is repayable over three years.

### **Auditor**

In accordance with the company's articles, a resolution proposing that Edwards be reappointed as auditor of the company will be put at a General Meeting.

# OTIUM ENTERTAINMENT GROUP LIMITED

## DIRECTOR'S REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 MAY 2020*

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### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

### **Other matters**

On 11th of March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. The pandemic resulted in suspension of the football season and therefore has negatively impacted the results for the current year. The Club took advantage of various government schemes in order to minimise any lasting impact and to ensure the going concern status of the Club. Management continue to closely monitor the evolution of this pandemic, including how it may affect the Club, the economy and the general population further into the future. We currently have an appropriate response plan in place, and we will continue to monitor and assess the ongoing development and respond accordingly.

On behalf of the board



Mr T D Fisher  
**Director**

27 May 2021



# **OTIUM ENTERTAINMENT GROUP LIMITED**

## **DIRECTOR'S RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MAY 2020***

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The director is responsible for preparing the annual 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 enable them 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

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#### Opinion

We have audited the financial statements of Otium Entertainment Group Limited (the 'company') for the year ended 31 May 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and 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 FRS 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 2020 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

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The company is reliant on group shareholders and the company's forecasts indicate that the company are likely to require additional funding within the next 12 months. 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, as 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.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

# OTIUM ENTERTAINMENT GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF OTIUM ENTERTAINMENT GROUP LIMITED

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#### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The director is responsible for the other information. 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 our audit:

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's 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 the director's report.

We have nothing to report in respect of the following matters where 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of director**

As explained more fully in the director's responsibilities statement, the director is 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

# OTIUM ENTERTAINMENT GROUP LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### TO THE MEMBERS OF OTIUM ENTERTAINMENT GROUP LIMITED

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#### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <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 him in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Paul Tonks BSc (Econ) FCA (Senior Statutory Auditor)**  
for and on behalf of Edwards

07 MAY 2021

**Chartered Accountants**  
**Statutory Auditor**

34 High Street  
Aldridge  
Walsall  
West Midlands  
WS9 8LZ

# OTIUM ENTERTAINMENT GROUP LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2020

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	Notes	2020 £	2019 £
<b>Turnover</b>	<b>3</b>	5,103,493	6,262,072
Cost of sales		(1,308,463)	(1,499,909)
<b>Gross profit</b>		<u>3,795,030</u>	<u>4,762,163</u>
Administrative expenses		(9,038,803)	(6,977,719)
Other operating income		333,376	-
<b>Operating loss</b>	<b>4</b>	<u>(4,910,397)</u>	<u>(2,215,556)</u>
Interest receivable and similar income		37	12
Other interest payable and similar expenses	<b>7</b>	(2,293,749)	(2,095,626)
Profit on player sales	<b>8</b>	3,818,867	4,381,086
<b>(Loss)/profit before taxation</b>		<u>(3,385,242)</u>	<u>69,916</u>
Tax on (loss)/profit	<b>9</b>	-	-
<b>(Loss)/profit for the financial year</b>		<u><u>(3,385,242)</u></u>	<u><u>69,916</u></u>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# OTIUM ENTERTAINMENT GROUP LIMITED

## BALANCE SHEET

AS AT 31 MAY 2020

	Notes	2020		2019	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	10		914,790		729,163
Tangible assets	11		403,942		432,960
			<u>1,318,732</u>		<u>1,162,123</u>
<b>Current assets</b>					
Stocks	12	-		10,176	
Debtors	13	862,045		447,143	
Cash at bank and in hand		1,149,176		56,603	
		<u>2,011,221</u>		<u>513,922</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(26,231,215)</u>		<u>(21,439,765)</u>	
<b>Total assets less current liabilities</b>			<u>(24,219,994)</u>		<u>(20,925,843)</u>
<b>Net liabilities</b>			<u>(22,901,262)</u>		<u>(19,763,720)</u>
<b>Creditors: amounts falling due after more than one year</b>					
	15		(247,700)		-
<b>Net liabilities</b>			<u>(23,148,962)</u>		<u>(19,763,720)</u>
<b>Capital and reserves</b>					
Called up share capital	18		65,215,308		65,215,308
Equity component of convertible loan	18		249,087		249,087
Profit and loss reserves			<u>(88,613,357)</u>		<u>(85,228,115)</u>
<b>Total equity</b>			<u>(23,148,962)</u>		<u>(19,763,720)</u>

The financial statements were approved and authorised for issue by the board and were signed on it's behalf on 27 May 2021



Mr T D Fisher  
Director

Company Registration No. 07612487

# OTIUM ENTERTAINMENT GROUP LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2020

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	Share capital	Equity component of convertible loan	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 June 2018</b>	65,215,308	249,087	(85,298,031)	(19,833,636)
<b>Year ended 31 May 2019:</b>				
Profit for the year	-	-	69,916	69,916
<b>Balance at 31 May 2019</b>	65,215,308	249,087	(85,228,115)	(19,763,720)
<b>Year ended 31 May 2020:</b>				
Loss for the year	-	-	(3,385,242)	(3,385,242)
<b>Balance at 31 May 2020</b>	<u>65,215,308</u>	<u>249,087</u>	<u>(88,613,357)</u>	<u>(23,148,962)</u>

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2020

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### 1 Accounting policies

#### Company information

Otium Entertainment Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Sky Blue Lodge, Leamington Road, Ryton on Dunsmore, Coventry, CV8 3FL.

#### 1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Sky Blue Sports & Leisure Limited. These consolidated financial statements are available from Companies House.



# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 MAY 2020**

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### 1 Accounting policies

(Continued)

#### 1.2 Going concern

Notwithstanding the year-end balance sheet, which shows net current liabilities of £24,219,994 (2019 - £20,925,843) and net liabilities of £23,148,962 (2019 - £19,763,720) the financial statements have been prepared on a going concern basis.

As part of their going concern considerations, the directors have prepared detailed forecasts for the period to 31 May 2022 as part of the longer term forecasts prepared for the company. These forecasts show that the company needs additional funding from group shareholders for the period from June 2020 to May 2022.

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, as 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.

The directors consider the going concern basis to be appropriate as they have no reason to believe that the group shareholders will not provide the required support. 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.

In May 2021, as part of the ongoing support to football clubs provided as a result of the continuing Covid-19 pandemic, the company received an interest free loan of £3.2m from the EFL. The loan can only be used to support PAYE payments and working capital requirements as presented in the business plan and is repayable over three years.

#### 1.3 Turnover

Turnover, which all arises in the United Kingdom, represents match receipts, executive box rentals and income from commercial activities receivable by the company, 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.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

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### 1 Accounting policies

(Continued)

#### 1.4 Intangible fixed assets

The company 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.

#### 1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method and on the following basis:

Freehold buildings	2% per annum
Plant, fixtures and equipment	7.5% to 33.3% per annum

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

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.

#### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials.

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

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.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

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.

#### 1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.11 Retirement benefits

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.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

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### 1 Accounting policies

(Continued)

#### 1.12 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### 1.13 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

#### 1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

#### 1.15 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 Judgements 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.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Player transfer costs

Management have to make certain judgements as to whether a liability should be recognised under the terms of the contracts with other football clubs in respect of player transfers. These judgements include management's opinion, at the statement of financial position date, on the likely league status in the next season. It also requires certain judgements as to whether a player will continue to make the contractually agreed number of first team appearances. Based on these judgements, management decide on an individual player by player basis as to whether the liability is disclosed as a contingent liability in note 21 or whether it becomes recognised as a liability in trade payables in the statement of financial position.

#### Intangible assets, tangible assets and impairment

Management are required to test whether intangible and tangible assets have suffered any impairment. The recoverable amount of cash generating units connected to the recorded value of these assets has been determined based on value in use estimates and compared to the book value to determine if an impairment provision is needed.

### 3 Turnover and other revenue

	2020	2019
	£	£
<b>Turnover analysed by class of business</b>		
Match receipts	1,302,068	2,545,705
Broadcasting	1,719,382	1,720,213
Other commercial	2,082,043	1,996,154
	<u>5,103,493</u>	<u>6,262,072</u>
	2020	2019
	£	£
<b>Other significant revenue</b>		
Interest income	37	12
Grants received	333,376	-
	<u>333,413</u>	<u>-</u>

### 4 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Government grants	(333,376)	-
Depreciation of owned tangible fixed assets	66,505	67,002
Amortisation of intangible fixed assets	888,155	446,889
Operating lease charges	1,147,654	535,831
	<u>1,768,939</u>	<u>1,050,722</u>

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

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<b>5 Auditor's remuneration</b>	<b>2020</b>	<b>2019</b>
Fees payable to the company's auditor and associates:	£	£
<b>For audit services</b>		
Audit of the financial statements of the company	15,000	12,000
	<u>          </u>	<u>          </u>
<b>For other services</b>		
Taxation compliance services	2,000	2,000
All other non-audit services	2,500	2,500
	<u>          </u>	<u>          </u>
	<u>4,500</u>	<u>4,500</u>

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Players and management	133	122
Administrative and commercial	12	13
Total	<u>145</u>	<u>135</u>

During the year, in addition to the above, the company also employed approximately 206 (2019 - 227) temporary staff on match days, the cost of which are included within direct expenses.

Their aggregate remuneration comprised:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Wages and salaries	5,916,040	4,839,886
Social security costs	579,524	448,083
Pension costs	39,560	33,646
	<u>6,535,124</u>	<u>5,321,615</u>

Included within wages and salaries, are amounts of £189,536 (2019 - £51,180) which 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 £378,680 (2019 - £430,516). 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.

### 7 Interest payable and similar expenses

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Other loan interest payable	2,795	2,788
Other interest payable	1,919,059	1,756,737
Withholding tax due on interest payable	371,895	336,101
	<u>2,293,749</u>	<u>2,095,626</u>

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

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<b>8 Profit on player sales</b>	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit on player sales	3,818,867	4,381,086

### 9 Taxation

The actual charge for the year can be reconciled to the expected (credit)/charge for the year based on the profit or loss and the standard rate of tax as follows:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
(Loss)/profit before taxation	(3,385,242)	69,916
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(643,196)	13,284
Tax effect of expenses that are not deductible in determining taxable profit	4,179	2,479
Tax effect of utilisation of tax losses not previously recognised	-	(16,795)
Deferred tax not recognised	1,017,935	1,032
Change in deferred tax rate	(378,918)	-
Taxation charge for the year	-	-

#### Factors that may affect future tax charges

The company has unrecognised tax losses of £4,238,735 (2019 - £3,221,650). These have not been recognised as their future recoverability is uncertain.



# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 10 Intangible fixed assets

	Goodwill	Trademarks	Player registrations	Total
	£	£	£	£
<b>Cost</b>				
At 1 June 2019	2,224,038	3,820	1,302,770	3,530,628
Additions	-	-	1,524,427	1,524,427
Disposals	-	-	(641,627)	(641,627)
At 31 May 2020	2,224,038	3,820	2,185,570	4,413,428
<b>Amortisation and impairment</b>				
At 1 June 2019	2,224,038	3,443	573,984	2,801,465
Amortisation charged for the year	-	278	887,877	888,155
Disposals	-	-	(190,982)	(190,982)
At 31 May 2020	2,224,038	3,721	1,270,879	3,498,638
<b>Carrying amount</b>				
At 31 May 2020	-	99	914,691	914,790
At 31 May 2019	-	377	728,786	729,163

Any players whom the company do not consider to be a long term part of the first team squad and who will therefore not contribute to future cash flows earned by the company are assessed for impairment by considering the carrying value with the company's best estimate of fair value (being post year-end sales proceeds or expected sales proceeds) less costs to sell. The directors are satisfied that no further provision is required.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 11 Tangible fixed assets

	Freehold land and buildings	Plant, fixtures and fittings	Total
	£	£	£
<b>Cost</b>			
At 1 June 2019	359,999	327,742	687,741
Additions	-	37,487	37,487
At 31 May 2020	359,999	365,229	725,228
<b>Depreciation and impairment</b>			
At 1 June 2019	35,009	219,772	254,781
Depreciation charged in the year	5,432	61,073	66,505
At 31 May 2020	40,441	280,845	321,286
<b>Carrying amount</b>			
At 31 May 2020	319,558	84,384	403,942
At 31 May 2019	324,990	107,970	432,960

The carrying value of land and buildings comprises:

	2020	2019
	£	£
Freehold land	118,573	118,573

### 12 Stocks

	2020	2019
	£	£
Finished goods and goods for resale	-	10,176

### 13 Debtors

	2020	2019
	£	£
<b>Amounts falling due within one year:</b>		
Trade debtors	140,776	25,942
Other debtors	332,564	44,840
Prepayments and accrued income	388,705	376,361
	862,045	447,143

Included within trade debtors is £Nil (2019 - £Nil) in respect of transfer fees receivable.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 14 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	876,810	1,014,080
Amounts owed to related parties	10,069,026	8,650,929
Taxation and social security	1,356,676	389,043
Other creditors	480,351	547,722
Accruals and deferred income	13,448,352	10,837,991
	<u>26,231,215</u>	<u>21,439,765</u>

Included within trade payables is £405,000 (2019 – £333,000) in respect of actual and probable transfer fees payable.

### 15 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Other creditors	<u>247,700</u>	<u>-</u>

Included within other creditors due after more than one year is an amount of £182,800 (2019 - £Nil) in respect of a loan advanced by the English Football League ("EFL"). This loan is unsecured and is interest free. In the event of the company defaulting on payment terms, interest will be charged at a rate of 2% above the base rate of the EFL's bankers. In addition, in the event of the Club being promoted or relegated out of the Football League the amount becomes repayable immediately.

### 16 Borrowings

	2020	2019
	£	£
Accrued interest on related party loan	9,391,076	7,701,460
Related party loan	10,069,026	8,650,929
	<u>19,460,102</u>	<u>16,352,389</u>

Included within amounts owed to related parties is an amount of £5,732,556 (2019 - £5,732,556) secured on certain assets of the football club in relation to monies advanced by Arvo Master Fund Limited, a company which has an interest in the share of company. Interest of £6,876,964 (2019 - £5,756,053) is included within accruals in relation to this loan.

Included within amounts owed to related parties is an amount of £1,750,913 (2019 - £1,750,913) which relates to monies advanced by Arvo Master Fund Limited, a company which has an interest in the shares of company. Interest of £1,608,334 (2019 - £1,408,334) is included in accruals in relation to this loan. These loan notes are convertible to ordinary shares in specific circumstances and have been treated as having elements of both debt and equity (see note 17).

Included within amounts owed to related parties is an amount of £2,585,557 (2019 - £1,167,557) which relates to a Revolving Credit Facility agreed with SISU Master Fund Limited. Interest of £905,778 (2019 - £537,073) is included within accruals in relation to this loan.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

### 17 Retirement benefit schemes

	2020	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	39,560	33,646

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 18 Share capital

	2020	2019	2020	2019
	Number	Number	£	£
<b>Ordinary share capital</b>				
<b>Issued and fully paid</b>				
Ordinary shares of £1 each	1,000	1,000	1,000	1,000
'A' preference shares of £1 each	15,258,720	15,258,720	15,258,720	15,258,720
'B' preference shares of £1 each	49,955,588	49,955,588	49,955,588	49,955,588
	<u>65,215,308</u>	<u>65,215,308</u>	<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.

Equity component of convertible debt	£
At 1 June 2019 and 31 May 2020	<u>249,087</u>

The 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.

### 19 Operating lease commitments

#### Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	£	£
Within one year	66,770	21,734
Between two and five years	197,218	12,625
	<u>263,988</u>	<u>34,359</u>

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2020

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### 20 Events after the reporting date

In June 2020, following the first national lockdown the EFL competition was curtailed, with promotion and relegation issues being decided on a 'points per game' method. This resulted in the Club being promoted from League One to the Championship and upon promotion, the Club paid contractual promotion bonuses totalling £711,563. As the club's promotion was not guaranteed at the balance sheet date, these amounts were not provided within the financial statements.

Transfers of player registrations subsequent to 31 May 2020, taking into account applicable costs and player acquisitions, resulted in a net c.£2,580,000 payable by the club.

In addition to the above, subsequent to 31 May 2020, the club received £1,547,500 in relation to sell on clauses for ex-players.

In May 2021, as part of the ongoing support to football clubs provided as a result of the continuing Covid-19 pandemic, the company received an interest free loan of £3.2m from the EFL. The loan can only be used to support PAYE payments and working capital requirements as presented in the business plan and is repayable over three years.

### 21 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.

	2020	2019
	£	£
Maximum amounts payable:	207,933	194,000
	<u>          </u>	<u>          </u>

### 22 Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of at least £350,000 (2019 - £342,500). 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.

### 23 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.

Included within note 16 are loans payable to the minority shareholder, other loans and associated accrued interest. Interest charged on these loans is included in note 7.

The directors are considered to be key management personnel. During the current and prior period, no compensation was paid to key management personnel for services provided to the company.

# OTIUM ENTERTAINMENT GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 MAY 2020*

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### **24 Ultimate controlling party**

The parent undertaking of the company is Sky Blue Sports & Leisure Limited, which is registered in England and Wales. The majority shareholding in the company is held by investment funds under the management of SISU Capital Limited who are considered to be the controlling party.

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.