

Otium Entertainment Group Limited

Report and Financial Statements

Year Ended

31 May 2017

Company Number 07612487

Otium Entertainment Group Limited

Report and financial statements for the year ended 31 May 2017

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Directors

T D Fisher
M Venus (appointed 05 July 2016, resigned 31 March 2017)

Registered office

Sky Blue Lodge, Leamington Road, Ryton on Dunsmore, Coventry, CV8 3FL

Company number

07612487

Auditor

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

Otium Entertainment Group Limited

Strategic report for the year ended 31 May 2017

The director presents his strategic report together with the audited financial statements for the year ended 31 May 2017.

The result for the year for Otium Entertainment Group Limited (Otium) is set out in the statement of total comprehensive income on page 7 and shows a loss for the year. The director does not recommend the payment of a dividend.

The key performance indicators of the company are league status, finishing position of the club and the year's operating result.

The 2016-17 season saw the club relegated from League 1 to League 2 finishing 23rd in the table. The club had some respite with a successful Checktrade Cup competition, ultimately winning the competition after a Wembley final on 2nd April 2017. A final which saw in excess of 40,000 Coventry City fans attend the game.

For the duration of the season the club was unable to pull away from the lower reaches of the table. The sporting performance continued to be poor despite renewed management appointments. Mark Robins ultimately took up the position in March 2017 and despite a pick-up in team performance the club was relegated to League 2.

An end of season review indicated that the sporting underperformance was principally attributed to poor player recruitment coupled with poor physical conditioning within the first team group. A new invigorated recruitment department and system has been subsequently implemented. In equal measure, a re-emphasis on strength and conditioning was put in place.

Outside of the first team there has continued to be significant on-going investment in the Academy. Under EPPP rules, to retain its Category Two Academy Status, the club must commit to a minimum contribution of £620,000 and as with prior years has exceeded this contribution. The U18s had a successful season and were narrowly defeated in the National Championship Final after winning the Professional Development League South. The Club continues to see Academy players progressing through the ranks, and ultimately breaking into the First Team.

In regard to the business performance, the 2016-17 period saw a lift in year-on-year turnover of around £0.7m. This is attributable to the successful Checktrade Cup competition, which offset the downturn in League ticketing revenues due to the underperformance on the pitch during the league campaign. However, beyond ticketing, the key concern for the business remains the partial and limited access to non-ticketing match day revenues and an absence of non-match day turnover putting the club firmly at a competitive disadvantage relative to its peers.

Considering the increase in direct costs, this is partially attributable to additional match day costs for the Cup competitions, and the running cost of the new ticketing software system. The change of ticketing platform came into effect for the 16/17 season, following a decision to improve the ticket purchase experience for fans. The change incorporated a new dedicated ticketing call centre. A two year contract was entered into with TicketMaster. At the time of writing the club is minded to extend this contract.

A decrease in staffing cost reflects the season's sporting underperformance in that the club had very much reduced playing bonuses to pay out following restructure of the bonus schedules in the prior season.

Despite increases in revenues and decreases in costs then year-on-year the business showed an operational loss of £1,108,529 (2016: £1,753,030).

Further to the business operational losses, the 2016/17 season saw significantly lower player sales. The business realised a loss of £856,442 (2016: profit of £725,558) before interest due.

The interest payable has decreased from £2.47m to £1.86m year-on-year due to the adjustment in the previous year for additional withholding tax due to HMRC on the interest owed to ARVO. The net capital debt owed to ARVO sits at £14,283,853 including accrued interest.

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

Otium Entertainment Group Limited

Strategic report for the year ended 31 May 2017

A number of challenges continue to face the football club. Although the club has agreed a deal to continue to play at the Ricoh Arena until the end of the 2018/19 season, efforts to progress relocating to an alternative long term home ground for the club continue. With regard to the academy, we remain in talks with Coventry Sports Foundation in respect of a longer term contract to remain at our Academy current site.

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 EFL 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 is set out in note 1.

Approval

This strategic report was approved on behalf of the Board on 27.2.2018



T D Fisher

Director

Otium Entertainment Group Limited

Report of the directors for the year ended 31 May 2017

The directors present their annual report together with the audited financial statements for the year ended 31 May 2017.

Principal activity

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

Post balance sheet events

There have been no significant post balance sheet events.

Directors

The following directors served during the year, or subsequent to the year end.

T D Fisher

M Venus (resigned 31 March 2017)

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 retrain them in order that their employment with the company may continue.

Directors' responsibilities for the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Otium Entertainment Group Limited

Report of the directors for the year ended 31 May 2017

Auditor

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor are aware of that information. The directors are not aware of any relevant audit information of which the auditor are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



T D Fisher
Director

Date 27.2.2018

Otium Entertainment Group Limited

Independent auditor's report for the year ended 31 May 2017

TO THE MEMBERS OF OTIUM ENTERTAINMENT GROUP LIMITED

We have audited the financial statements of Otium Entertainment Group Limited for the year ended 31 May 2017 which comprise the statement of total comprehensive income, the balance sheet, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2017 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.

Emphasis of matter - 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 are reliant on group shareholders and the company's forecasts indicate that the company are likely to require additional funding within the next 6 months. The company have received written confirmations from group shareholders of their intention to continue to provide support to the group by not demanding repayment of debt for the foreseeable future and group shareholders have 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 to 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 loans will not be called for immediate repayment.

Otium Entertainment Group Limited

Independent auditor's report(continued)
for the year ended 31 May 2017

Emphasis of matter - going concern (continued)

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.

Opinion 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 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom

Date 28 FEBRUARY 2018

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

Otium Entertainment Group Limited

Statement of total comprehensive income for the year ended 31 May 2017

	Note	2017 £	2016 £
Turnover		6,134,192	5,445,427
Direct operating costs		(1,506,587)	(1,122,123)
Gross profit		4,627,605	4,323,304
Staff costs	2	(4,172,030)	(4,306,746)
Administrative expenses		(1,564,104)	(1,769,588)
Total administrative expenses		(5,736,134)	(6,076,334)
Operating loss	3	(1,108,529)	(1,753,030)
Profit on sales of player registrations		252,087	2,478,588
Other interest receivable and similar income	4	122	35
Interest payable and similar charges	4	(1,858,410)	(2,470,973)
Loss on ordinary activities before taxation		(2,714,730)	(1,745,380)
Taxation	5	-	-
Loss on ordinary activities after taxation		(2,714,730)	(1,745,380)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>(2,714,730)</u>	<u>(1,745,380)</u>

All amounts relate to continuing activities.

The notes on pages 10 to 19 form part of these financial statements.

Otium Entertainment Group Limited

Balance sheet at 31 May 2017

<i>Company number 07612487</i>	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	6		152,139		181,215
Tangible assets	7		415,472		428,157
			<u>567,611</u>		<u>609,372</u>
Current assets					
Debtors	8	1,159,923		926,638	
Cash at bank and in hand		298,161		779,437	
		<u>1,458,084</u>		<u>1,706,075</u>	
Creditors: amounts falling due within one year	9	(19,344,274)		(16,919,296)	
Net current liabilities			<u>(17,886,190)</u>		<u>(15,213,221)</u>
Total assets less current liabilities			<u>(17,318,579)</u>		<u>(14,603,849)</u>
Capital and reserves					
Called up share capital	11	65,215,308		65,215,308	
Equity component of convertible loan		249,087		249,087	
Profit and loss account		(82,782,974)		(80,068,244)	
Shareholders' deficit			<u>(17,318,579)</u>		<u>(14,603,849)</u>
			<u>(17,318,579)</u>		<u>(14,603,849)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27-2-2018 and were signed on its behalf by:



T D Fisher
Director

The notes on pages 10 to 19 form part of these financial statements.

Otium Entertainment Group Limited

Statement of changes in equity for the year ended 31 May 2017

	Share capital	Equity component of convertible loan	Retained earnings	Total
	£	£	£	£
At 31 May 2015	65,215,308	249,087	(78,322,863)	(12,858,468)
<i>Changes in equity for the year ended 30 May 2016</i>				
Loss for the year	-	-	(1,745,380)	(1,745,380)
At 31 May 2016	65,215,308	249,087	(80,068,244)	(14,603,849)
<i>Changes in equity for the year ended 30 May 2017</i>				
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 10 to 19 form part of these financial statements.

Otium Entertainment Group Limited

Notes forming part of the financial statements for the year ended 31 May 2017

1 Accounting policies

Otium Entertainment Group Limited is a company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the director's report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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

In preparing the financial statements of the company, advantage has been taken of the following disclosure exemptions available in FRS 102 as equivalent disclosures are provided in the financial statements of Sky Blue Sports & Leisure Limited:

- No cash flow statement has been presented;
- Disclosures in respect of the company's financial instruments have not been presented;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company

The following principal accounting policies have been applied.

Going concern

Notwithstanding the year-end balance sheet, which shows net current liabilities of £17,886,190 (2016 - £15,213,221) and net liabilities of £17,318,579 (2016 - £14,603,849),, 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 2018-19 season and reviewed the company's trading and working capital requirements.

These forecasts indicate that the company is likely to require additional funding from group shareholders within the next six 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 debt for the foreseeable future and group shareholders have 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 to 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 loans will not be called for repayment.

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. 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 forming part of the financial statements for the year ended 31 May 2017 (continued)

1 Accounting policies (continued)

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.

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.

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 profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives. The rates generally applicable are:

Plant, fixtures and fittings	-	7.5% to 33.3% straight line
Buildings	-	2% straight line

Otium Entertainment Group Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

1 Accounting policies (continued)

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 profit and loss account. 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.

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.

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.

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 profit and loss account 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.

Otium Entertainment Group Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

1 Accounting policies (continued)

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.

2 Directors and employees

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

	2017 £	2016 £
Wages and salaries	4,051,778	4,081,160
Social security costs	365,144	392,421
Other pension costs	36,417	38,800
	<u>4,453,339</u>	<u>4,512,381</u>

Of the amounts above £281,309 (2016 - £205,635) 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 £295,856 (2016 - £330,499). 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.

The average number of employees of the group during the year was:

	2017 Number	2016 Number
Players and management	129	107
Administrative and commercial	11	15
Stewards (part time)	258	272
	<u>398</u>	<u>394</u>

Remuneration in respect of directors was as follows:

	2017 £	2016 £
Remuneration paid to third parties in respect of directors' services	<u>75,781</u>	<u>115,500</u>

Otium Entertainment Group Limited

Notes forming part of the financial statements
for the year ended 31 May 2016 (continued)

3 Operating loss on ordinary activities

	2017	2016
	£	£
The operating loss on ordinary activities is stated after (crediting) / charging:		
Provision against amounts due from group undertaking	-	39,360
Auditor's remuneration:		
- Audit services	17,000	16,000
- Non audit services - taxation	3,500	3,500
- Non audit services - other	1,000	1,000
Operating lease charges:		
- Equipment and vehicles	54,370	118,029
- Land and buildings	602,814	491,324
Depreciation	43,868	40,385
Amortisation	100,704	108,795
	<hr/>	<hr/>

4 Net interest

	2017	2016
	£	£
Interest payable:		
Other loans	1,484,993	1,454,477
Withholding tax due on interest payable	367,109	837,533
Debt factoring	-	146,451
Other interest payable	6,308	32,512
	<hr/>	<hr/>
	1,858,410	2,470,973
Other interest receivable and similar income	(122)	(35)
	<hr/>	<hr/>
	1,858,288	2,470,938
	<hr/>	<hr/>

Otium Entertainment Group Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

5 Tax on loss on ordinary activities

There was a corporation tax credit of £nil (2016 - £nil) for the year.

The tax assessed for the year differs from the standard rate of corporation tax in the UK as explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	(2,714,730)	(1,745,380)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.83 % (2016 - 20%)	(538,409)	(349,076)
Effect of:		
Expenses not deductible for tax purposes	1,878	9,897
Income not taxable for tax purposes		(8,481)
Other differences	992	1,028
Fixed asset differences	538	1,868
Deferred tax average rate adjustment		277,402
Deferred tax not recognised	535,001	67,362
Total tax for the year	-	-

6 Intangible fixed assets

	Trade marks £	Player registrations £	Goodwill £	Total £
<i>Cost</i>				
At 31 May 2016	3,820	385,365	2,224,038	2,613,223
Additions	-	75,203	-	75,203
Disposals	-	(88,462)	-	(88,462)
At 31 May 2017	3,820	372,106	2,224,038	2,599,964
<i>Amortisation</i>				
At 31 May 2016	2,297	205,673	2,224,038	2,432,008
Provided in the year	382	100,322	-	100,704
Disposals	-	(84,887)	-	(84,887)
At 31 May 2017	2,679	221,108	2,224,038	2,447,825
<i>Net book value</i>				
At 31 May 2017	1,141	150,998	-	152,139
At 31 May 2016	1,523	179,692	-	181,215

Otium Entertainment Group Limited

Notes forming part of the financial statements
for the year ended 31 May 2017 *(continued)*

7 Tangible fixed assets

	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
<i>Cost</i>			
At 31 May 2016	359,999	190,533	550,532
Additions	-	26,912	26,912
Disposals	-	(6,680)	(6,680)
	359,999	210,765	570,764
<i>Depreciation</i>			
At 31 May 2016	18,713	103,662	122,375
Provided in the year	5,432	38,436	43,868
Disposals	-	(10,951)	(10,951)
	24,145	131,147	155,292
<i>Net book value</i>			
At 31 May 2017	335,854	79,618	415,472
At 31 May 2016	341,286	86,871	428,157

Otium Entertainment Group Limited

Notes forming part of the financial statements
for the year ended 31 May 2017(continued)

8 Debtors

	2017 £	2016 £
Trade debtors	114,938	190,236
Other debtors	228,924	417,333
Prepayments and accrued income	816,061	319,069
	<u>1,159,923</u>	<u>926,638</u>

All amounts are due within one year.

9 Creditors

	2017 £	2016 £
Amounts falling due within one year:		
Trade creditors	329,768	453,472
Taxation and social security	242,163	329,670
Related party loans	8,654,377	8,266,820
Other creditors	848,620	453,267
Accruals and deferred income	9,269,346	7,416,067
	<u>19,344,274</u>	<u>16,919,296</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 1 for details of the accounting treatment).

10 Borrowings

Borrowings are repayable as follows:

	2017 £	2016 £
Within one year:		
Accrued interest on related party loan	5,629,476	4,183,466
Related party loan	8,654,377	8,266,820
	<u>14,283,853</u>	<u>12,450,286</u>

These 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 forming part of the financial statements for the year ended 31 May 2017 (continued)

11 Share capital

	2017 £	2016 £
<i>Allotted, called up and fully paid</i>		
1,000 ordinary shares of £1 each	1,000	1,000
'A' preference shares	15,258,720	15,258,720
'B' preference shares	49,955,588	49,955,588
	<hr/>	<hr/>
	65,215,308	65,215,308
	<hr/>	<hr/>

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 share have no rights as to voting

Equity component of convertible debt

	2017 £
At 1 June 2016 and at 31 May 2017	249,087

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.

12 Reserves

Share Capital

The share capital account includes the nominal value for all shares issues and outstanding

Retained earnings

The profit and loss account includes the accumulated profits and losses arising from the statement of total comprehensive income

13 Transactions with related parties

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 10. Interest payable to the minority shareholder is shown in note 4.

The directors are considered to be the key management personnel. See note 2 for details of the total compensation paid to key management personnel for services provided to the company.

Otium Entertainment Group Limited

Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

14 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.

15 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

	2017 £	2016 £
Amounts payable:		
In one year or less	-	-
In more than one year	100,000	100,000
	<hr/>	<hr/>
	100,000	100,000
	<hr/>	<hr/>

16 Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of at least £125,000 (2016 - £200,000). 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.

17 Financial commitments

Leases

The company has total commitments under non-cancellable operating lease commitments payable as follows:

	2017 Land and buildings £	2016 Land and buildings £
In one year or less	389,162	490,096
Between one and five years	43,300	389,262
	<hr/>	<hr/>
	432,462	879,358
	<hr/>	<hr/>