

23/10/2018

Company Registration No. 02168309

Arena Group Limited

STATUTORY FINANCIAL STATEMENTS

for the year ended

30 September 2018



Arena Group Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Mr A J Fitzpatrick
Mr G J Putson

SECRETARY

Mr A J Fitzpatrick

COMPANY NUMBER

02168309

REGISTERED OFFICE

Armitage House
Thorpe Lower Lane
Robin Hood
Wakefield
WF3 3BQ

AUDITOR

RSM UK Audit LLP
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

BANKERS

Lloyds Bank Commercial Finance
2nd Floor Lisbon House
116 Wellington Street
Leeds
LS1 4LT

Arena Group Limited

STRATEGIC REPORT

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be the supply and support of multi-functional devices, mstore, its own in-house developed electronic document management and workflow software, and other software solutions. It also offers outsourced bureau scanning and consultancy services.

Operating from its headquarters in Wakefield and across 4 other sites, the business provides a UK wide service in conjunction with its key business partners, Toshiba, Kyocera, Xerox and Epson.

On 30 September 2018, the business assets from two fellow group subsidiaries, Fovia Innovation Ltd and Acorn Business Machines (Holmfirth) Ltd, were hived across into the company. This was undertaken to simplify the overall business offering made by the wider group by being consistent with the use of the 'Arena' trading name, and to reduce the cost of a range of back office functions.

Whilst turnover in the year decreased by 4.5% to £17.1m, a combination of better quality revenues and a reduction in administrative expenses resulted in operating profits showing a slight increase of 0.4%.

The net asset position decreased from £8.6m in 2017 to £7.3m in 2018 primarily as a result of a £3m dividend (2017 - £nil) paid up to its parent in the year. Net current assets of £6.3m (2017 - £7.4m) at year end still provides the business with the resources to meet its strategic objective of long term sustainable profitable growth.

The stock held by the company has increased from £1.17m in 2017 to £1.36m in 2018. This is due to a £300K increase in the carrying value of consumable stock outweighing the reduction in finished goods and goods for resale held by the company.

During the year, in accordance with FRS 102, the company changed the timing of its revenue recognition on service sales, in respect of its quarterly billing in arrears.

As a result of this change, it was necessary to restate 2017 and 2016 comparatives in order to represent the profit and loss account using the same principle.

The effect of this change was to move revenue and profit into 2016. This also therefore affected the retained earnings brought forward into, and carried forward from, 2017.

The full details are shown in note 21 of the financial statements.

Even though headcount has remained broadly static this year due to a challenging labour market, the company pursued its organic growth aims through the training and development of its staff, with a particular focus on its managers.

In April 2018, co-founder Harry Wells exited the business after a lengthy handover process. This process ensured that, whilst Harry will be missed on a personal level, the Directors are very comfortable that there are no ongoing operational concerns for the company.

FUTURE DEVELOPMENTS

Because of the investments in systems, training, people and infrastructure, the business is well positioned to take advantage of growth opportunities over the coming years.

Arena Group Limited

STRATEGIC REPORT (continued)

KEY PERFORMANCE INDICATORS

The Directors review and monitor all aspects of the business, but consider turnover, gross margins and EBITDA as key performance indicators for the business with its key aim of long term sustainable growth. They can be summarised as follows:

	2018	2017	Variance
Turnover	£17.1m	£17.9m	(£0.8m)
Gross Margin	38.7%	37.1%	1.6%
EBITDA	£3.1m	£3.1m	£0.0m

The key movement in gross margin reflected the efforts across the year of continued cost control and better buying in addition to the continuous process improvements.

PRINCIPAL RISKS AND UNCERTAINTIES

The key risk to the business continues to be the very competitive nature of the industry sector. Some manufacturers' aggressive pursuit of market share is causing hardware and service margins to be squeezed.

The business mitigates this risk in several ways: by relentlessly pursuing process improvements in all areas of the business; by maintaining a broad portfolio of customers, suppliers and products; by investing heavily in the training of our customer-facing staff to identify cost saving opportunities for our existing and prospective clients; by ensuring that all colleagues deliver the group-wide unequivocal commitment to our customers' total satisfaction.

By order of the board



Mr A J Fitzpatrick
Director

25 June 2019

Arena Group Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Arena Group Limited for the year ended 30 September 2018.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be the supply and support of multi-functional devices, mstore, its own in-house developed electronic document management and workflow software, and other software solutions. It also offers outsourced bureau scanning and consultancy services.

DIRECTORS

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

Mr A J Fitzpatrick
Mr G J Putson
Mr M H Wells (resigned 6 April 2018)

RESULTS AND DIVIDENDS

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £3,000,000 (2017: £Nil). The directors do not recommend payment of a final dividend.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

RSM UK Audit LLP, Chartered Accountants, were appointed as auditors during the year. They have indicated their willingness to continue in office.

STRATEGIC REPORT

In accordance with Section 414C (11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 the group has prepared a Strategic Report, which includes information that would have been previously included in the Directors' Report.

By order of the board



Mr A J Fitzpatrick
Director

25 June 2019

Arena Group Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report and 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 period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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.

Opinion

We have audited the financial statements of Arena Group Limited (the 'company') for the year ended 30 September 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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 30 September 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

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 directors are 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 the audit:

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

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 directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit Ltd

Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

26 June 2019

Arena Group Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 September 2018

	<i>Notes</i>	2018 £	2017 £
TURNOVER	2	17,069,284	17,876,993
Cost of sales		(10,455,224)	(11,420,712)
Gross profit		6,614,060	6,456,281
Administrative expenses		(4,182,636)	(4,035,702)
OPERATING PROFIT	3	2,431,424	2,420,579
Interest receivable and similar income	6	37,862	38,655
PROFIT BEFORE TAXATION		2,469,286	2,459,234
Taxation	7	(801,719)	(562,715)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,667,567	1,896,519

The operating profit for the year arises from the Company's continuing operations.

Arena Group Limited
STATEMENT OF FINANCIAL POSITION
30 September 2018

Company registration number 02168309

	<i>Notes</i>	2018 £	2017 As restated £
FIXED ASSETS			
Goodwill	9	499,977	1,002,046
Tangible assets	10	468,685	340,565
		<u>968,662</u>	<u>1,342,611</u>
CURRENT ASSETS			
Stocks	11	1,356,782	1,165,163
Debtors	12	7,825,915	7,389,198
Cash at bank and in hand		4,058,149	4,433,399
		<u>13,240,846</u>	<u>12,987,760</u>
CREDITORS: Amounts falling due within one year	13	(6,892,837)	(5,602,895)
		<u>6,348,009</u>	<u>7,384,865</u>
NET CURRENT ASSETS		<u>7,316,671</u>	<u>8,727,476</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,316,671</u>	<u>8,727,476</u>
CREDITORS: Amounts falling due after more than one year	14	-	(92,372)
Provisions for liabilities	15	(44,000)	(30,000)
		<u>7,272,671</u>	<u>8,605,104</u>
NET ASSETS		<u>7,272,671</u>	<u>8,605,104</u>
CAPITAL AND RESERVES			
Called up share capital		1,100	1,100
Profit and loss account	21	7,271,571	8,604,004
		<u>7,272,671</u>	<u>8,605,104</u>
TOTAL EQUITY		<u>7,272,671</u>	<u>8,605,104</u>

The financial statements on pages 9 to 27 were approved by the board of directors and authorised for issue on 25 June 2019 and are signed on its behalf by:



Mr A J Fitzpatrick
 Director

Arena Group Limited
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 September 2018

	Notes	Share capital £	Profit and loss account £	Total £
Balance at 1 October 2016				
As previously stated		1,100	6,333,689	6,334,789
Prior period adjustment		-	373,796	373,796
Balance at 1 October 2016				
As restated		1,100	6,707,485	6,708,585
Year ended 30 September 2017:				
Profit and total comprehensive income for the year		-	1,896,519	1,896,519
Balance at 30 September 2017				
As restated		1,100	8,604,004	8,605,104
Year ended 30 September 2018:				
Profit and total comprehensive income for the year		-	1,667,567	1,667,567
Transactions with owners in their capacity as owners:				
Dividends	8	-	(3,000,000)	(3,000,000)
Balance at 30 September 2018		1,100	7,271,571	7,272,671

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

1 ACCOUNTING POLICIES

GENERAL INFORMATION

Arena Group Limited is a company limited by shares, incorporated in England and Wales. The registered office is Armitage House, Thorpe Lower Lane, Robin Hood, Wakefield, WF3 3BQ. The company's principal activity is disclosed in the Directors' report on page 4.

ACCOUNTING CONVENTION

These financial statements have been prepared in accordance with "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 £1.

On the grounds that the company's results are consolidated into its parent, disclosed in note 22, the company has taken advantage of certain exemptions conferred by section 1.11 of FRS 102 as follows:

- Exemption from disclosing details of its financial instruments;
- Exemption from disclosing key management personnel remuneration
- Exemption from presenting a statement of cashflows as a primary note to the financial statements

The company has taken advantage of the disclosure exemptions of Section 33.1A of FRS 102 which permit it to not present details of its transactions with members of the group headed by Arena Group Holdings Limited where relevant group companies are all wholly owned.

The ultimate parent company is Arena Group Holdings Limited which is the smallest and largest group into which these Financial Statements are consolidated. Arena Group Holdings Limited registered office is Armitage House, Thorpe Lower Lane, Robin Hood, Wakefield, WF3 3BQ.

GOING CONCERN

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, forecasts have been prepared on this basis. Thus, the directors continue to adopt going concern basis of accounting in preparing the financial statements.

TURNOVER

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from sale of goods is recognised when all of the following conditions are satisfied:

- The company has transferred the significant risks and rewards of ownership to the buyer;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the company will receive the consideration due under the transaction; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

TURNOVER (*continued*)

Turnover on maintenance services is recognised based on the volume of print usage by the customer and is recognised over the period that the usage has occurred, based on previous meter readings.

INTANGIBLE FIXED ASSETS GOODWILL

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rate on the basis of the carrying amount of each asset in the unit.

TANGIBLE FIXED ASSETS

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

Depreciation is recognised so as to write off the cost of assets less their residual value over their useful lives on the following bases:

Leasehold improvements	15% straight line
Plant and machinery	25% straight line
Fixtures, fittings and equipment	20% straight line

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.

IMPAIRMENT OF FIXED ASSETS

As each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

STOCKS

Stocks comprising hardware and consumables are stated at the lower cost, and estimated selling price less costs to complete and sell.

The cost of consumables includes stock in field, which is the estimated value of unutilised toner which has been supplied customers and residing at customer sites, either in machines or in storage, to be used in future periods. Consumables provided to customers during a service contract are written off as utilised.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

CASH AT BANK AND IN HAND

Cash and cash equivalents are basic financial assets and include cash in hand.

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 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

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Trade debtors, loans and other receivable that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognisable by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amounts on initial recognition.

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

FINANCIAL INSTRUMENTS *(continued)*

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original interest rate. The impairment loss is recognised in profit and loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit and loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial assets and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards or ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less, if not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments

Equity instruments issued by the company are recorded as the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 September 2018

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 in 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 differences 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 is no longer probable that sufficient taxable profit 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.

EMPLOYEE BENEFITS

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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.

RETIREMENT BENEFITS

Payments to defined contribution retirement schemes are charged as an expense as they fall due. Amounts owing at the year end are shown within other creditors with statement of financial position.

LEASES

Rentals payable under operating leases, including any lease incentive received, are charged to income on a straight line basis over the terms of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

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 report end date. Gains and losses arising on translation are included in the profit and loss account for the period.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgement

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Depreciation and amortisation

The depreciation and amortisation policies have been set according to management's experience of the useful lives of a typical asset in each category, something which is reviewed annually. It is not considered practical to use a per unit basis to allocate depreciation and amortisation without undue cost and therefore amounts are charged annually. The depreciation charged during the year was £175,871 (2017: £144,485), and amortisation charged during the year was £502,069 (2017: £505,008) which the directors feel is a fair reflection of the benefits derived from the consumption of the assets during the period.

Accrued Income

Turnover from the supply of services, billed quarterly in arrears, is accrued from the last usage read date to the year-end date based on past history of usage or a straight line basis if there is no better past history of usage evident.

Stock in field

Stock in field is valued based on an estimate of one complete set of toners per customer machine.

Arena Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

4 EMPLOYEES

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

	2018 No.	2017 No.
Sales and services	108	110
Admin and IT	47	47
	<u>155</u>	<u>157</u>

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	5,008,451	5,128,580
Social security costs	499,161	489,706
Pension costs	126,600	60,619
	<u>5,634,212</u>	<u>5,678,905</u>

5 DIRECTORS' REMUNERATION

	2018 £	2017 £
Remuneration for qualifying services	133,900	248,999
Company pension contributions to defined contribution schemes	70,559	20,000
	<u>204,459</u>	<u>268,999</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017: 2).

Remuneration disclosed above include the following paid to the highest paid director:

	2018 £	2017 £
Remuneration for qualifying services	89,792	181,905
Company pension contributions to defined contribution schemes	559	-
	<u>90,351</u>	<u>181,905</u>

Arena Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

6	INTEREST RECEIVABLE AND SIMILAR INCOME	2018	2017
		£	£
	Interest on bank deposits	-	793
	Other interest income	37,862	37,862
		<u>37,862</u>	<u>38,655</u>

7	TAXATION	2018	2017
		£	£
	UK corporation tax on profits for the year	556,734	571,592
	Adjustments in respect of prior periods	232,985	(8,877)
		<u>801,719</u>	<u>562,715</u>

The tax charge assessed for the year is higher than the standard rate of corporation tax in the UK of 19% (2017: 19.5%). The differences are explained below:

	2018	2017
	£	£
Profit on ordinary activities before tax	2,469,286	2,459,234
	<u>469,164</u>	<u>479,551</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.50%)		
Tax effect of expenses that are not deductible in determining taxable profit	3,485	5,239
Adjustment in respect of prior years	232,985	(8,877)
Amortisation on assets not qualifying for tax allowances	95,004	97,500
Tax relief on share options	-	-
Other tax adjustments	1,081	(10,698)
	<u>801,719</u>	<u>562,715</u>

8	DIVIDENDS	2018	2017
		£	£
	Interim paid (£2,727.27 per share)	3,000,000	-
		<u>3,000,000</u>	<u>-</u>

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

9 INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost	
At 1 October 2017 and 30 September 2018	5,025,000
Amortisation and impairment	
At 1 October 2017	4,022,954
Amortisation charged for the year	502,069
At 30 September 2018	4,525,023
Carrying amount	
At 30 September 2018	499,977
At 30 September 2017	1,002,046

Arena Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

10 TANGIBLE FIXED ASSETS

	<i>Leasehold improve- ments</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings and equipment</i>	<i>Motor Vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost					
At 1 October 2017	17,731	689,686	861,927	-	1,569,344
Additions	-	170,145	58,671	12,015	240,831
Disposals	-	(3,540)	(7,185)	-	(10,725)
Transferred in via group reorganisation	-	65,347	-	-	65,347
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2018	17,731	921,638	913,413	12,015	1,864,797
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment					
At 1 October 2017	15,309	421,782	791,688	-	1,228,779
Depreciation charged in the year	874	135,567	38,929	501	175,871
Eliminated in respect of disposals	-	(2,183)	(6,355)	-	(8,538)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2018	16,183	555,166	824,262	501	1,396,112
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount					
At 30 September 2018	1,548	366,472	89,151	11,514	468,685
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2017	2,422	267,904	70,239	-	340,565
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

11 STOCKS

	2018 £	2017 £
Finished goods and goods for resale	1,356,782	1,165,163
	<hr/>	<hr/>

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 September 2018

12	DEBTORS	2018	2017 As restated
		£	£
	Trade debtors	2,686,230	3,149,292
	Amounts owed by group undertakings	3,396,320	2,358,180
	Other debtors	794,365	992,787
	Prepayments and accrued income	949,000	888,939
		<u>7,825,915</u>	<u>7,389,198</u>

13	CREDITORS: Amounts falling due within one year	2018	2017 As restated
		£	£
	Amounts falling due within one year:		
	Trade creditors	1,976,912	2,217,311
	Amounts due to group undertakings	2,534,937	1,103,051
	Corporation tax	570,693	320,566
	Other taxation and social security	479,498	580,277
	Other creditors	174,167	186,092
	Accruals and deferred income	1,156,630	1,195,598
		<u>6,892,837</u>	<u>5,602,895</u>

Financial commitments, guarantees and contingent liabilities

The entity has access to a group banking facilities held by the company's immediate parent company. The facility is secured by an unlimited debenture charge over the company's assets. The contingent liability at the year-end was £5,225,000 (2017 - £nil).

14	CREDITORS: Amounts falling due after more than one year	2018	2017
		£	£
	Director's loans	-	92,372
		<u>-</u>	<u>92,372</u>

15	PROVISION FOR LIABILITIES	2018	2017
		£	£
	Deferred tax liabilities (note 16)	44,000	30,000
		<u>44,000</u>	<u>30,000</u>

Arena Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

16 DEFERRED TAXATION

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	44,000	30,000

17 RETIREMENT BENEFITS

	2018 £	2017 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	126,600	60,619

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 OPERATING LEASE COMMITMENTS

Lessee

Operating lease payments represent rentals payable by the company for certain properties and vehicles. Leases are negotiated for an average term of 6.5 years for properties and 3 years for vehicles, and rentals are fixed.

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:

	2018 £	2017 £
Within one year	523,611	608,709
Between two and five years	957,204	818,660
In over five years	245,000	420,000
	<u>1,725,815</u>	<u>1,847,369</u>

Arena Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

19 RELATED PARTY TRANSACTIONS

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Interest received	
	2018	2017
	£	£
Stratas Business Solutions LLP	37,862	37,862
	<u>37,862</u>	<u>37,862</u>

The following amounts were outstanding at the reporting end date:

Amounts owed by related parties included within other debtors	2018 Balance £
Stratas Business Solutions LLP	757,245
	<u>757,245</u>
Amounts owed in previous periods	2017 Balance £
Stratas Business Solutions LLP	777,561
	<u>777,561</u>

Stratas Business Solutions LLP is a limited liability partnership incorporated in the UK, of which Mr. A. J. Fitzpatrick is a designated member.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year (2017: £nil) in respect of bad debts from related parties.

20 DIRECTORS' TRANSACTIONS

The directors have provided and received loans from the company as disclosed below:

Description	% Rate	Opening balance £	Additional Loans £	Amounts repaid £	Closing balance £
Mr M.H. Wells	-	230,831	745,270	(976,101)	-
Mr G Putson	-	-	37,120	-	37,120
Mr A Fitzpatrick	-	(278,371)	266,204	(162,000)	(174,167)
		<u>(47,540)</u>	<u>1,048,594</u>	<u>(1,138,101)</u>	<u>(137,047)</u>

Arena Group Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

20 DIRECTORS' TRANSACTIONS *(continued)*

The above balance is split between debtors and creditors, £37,120 is included with debtors; other debtors and £174,167 is included with creditors amounts falling due within 1 year; other creditors.

In addition, the company rents premises which were owned by two directors from 01/10/2017 to 07/04/2018 and one from 07/04/2018. Rent payable to the two directors in the year amounted to £140,000 (2017: £140,000).

21 PRIOR PERIOD ADJUSTMENT

The company statements of financial position and statements of changes in equity for the prior period have been restated to correct a misstatement in accrued income, in respect of quarterly billing in areas. Income was not previously accrued, in accordance with the requirements of FRS 102.

The previously reported retained earnings and the amount of accrued income reported at the balance sheet date have been restated.

As a result of the adjustment, retained earnings as at the 30 September 2016 and 30 September 2017 have been increased by £373,796. Prepayments and accrued income as at the 30 September 2016 and 30 September 2017 have increased by £461,477 and resulting corporation tax liabilities have increased by £87,681 at the same dates. There is no impact on the statement of comprehensive income and expenditure.

Changes in the statement of financial position

	As previously reported	Adjustment at 30 September 2016	Adjustment at 30 September 2017	As restated
	£	£	£	£
Current Assets				
Debtors due within one year	6,927,721	461,477	-	7,389,198
Current Liabilities				
Creditors due within one year	5,515,214	87,681	-	5,602,895
Capital and Reserves				
Profit and loss reserves	8,230,208	373,796	-	8,604,004

Arena Group Limited

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 September 2018

22 ULTIMATE CONTROLLING PARTY

The company's immediate and ultimate parent company is Arena Group Holdings Limited, with registered office Armitage House, Thorpe Lower Lane, Robin Hood, Wakefield, WF3 3BQ.

Arena Group Holdings Limited is the smallest and largest group into which Arena Group Limited is consolidated. The consolidated accounts are available from Companies House.

Ultimate controlling party

The company is controlled by Mr A. Fitzpatrick by virtue of his majority shareholding of Arena Group Holdings Limited, the immediate parent company.

23 GROUP REORGANISATION

On the 30 September 2018 the trade and majority of the assets and liabilities of a fellow group company, Acorn Business Machines (Holmfirth) Limited were transferred to the company at net book value totaling £42,278.

On the 30 September 2018 the trade and majority of the assets and liabilities of a fellow group company, Fovia (Innovation) Limited were transferred to the company at net book value totaling £275,373.