

Arena Group Limited

Registered number: 02168309

Directors' report and financial statements

For the period ended 31 December 2019



ARENA GROUP LIMITED

COMPANY INFORMATION

Directors	A W Arthurton (appointed 23 March 2020) D B Dyas (appointed 27 January 2020) A J Fitzpatrick (resigned 27 January 2020) G J Putson (resigned 27 January 2020)
Company secretary	R S Pitceathly
Registered number	02168309
Registered office	Armitage House, Thorpe Lower Lane Robin Hood Wakefield West Yorkshire WF3 3BQ
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor 3 Wellington Place Leeds LS1 4AP

ARENA GROUP LIMITED

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ARENA GROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

Introduction

The Directors are pleased to present their Strategic Report for the 15 months ended 31 December 2019.

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.

During the prior year the overall business offering was simplified by the transfer of business assets of Fovia (Innovation) Limited and Acorn Business Systems (Holmfirth) Limited into Arena Group Limited.

Operating from its headquarters in Wakefield and across 6 other sites, the business provides a UK wide service in conjunction with its key business partners, Toshiba, Kyocera, Xerox and Epson.

Turnover remained strong during the period and a tight control of costs ensured that operating profit increased by 24% to £3m.

The net current asset position of the Company increased from £6.3m in the prior reporting period to £9.4m at 31 December 2019. Cash generation remains strong which has resulted in significant cash holdings of £4.8m at the period end. The significant cash resources and increased net current assets provides the Company with the resources to meet its strategic objective of long term sustainable profitable growth and to meet the challenges that it faces.

The stock held by the Company has increased from £1.4m at 30 September 2018 to £1.9m at 31 December 2019 ensuring that we are able to meet client needs.

Even though headcount has slightly decreased 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.

Principal risks and uncertainties

The key risk to the business, other than the impact of COVID-19, 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.

The Directors do not believe that the impact of the United Kingdom exiting the European Union will have a material impact on the future trading of the Company. The Directors opinion on the impact of the COVID-19 pandemic is included in note 2.2 of the financial statements.

ARENA GROUP LIMITED

STRATEGIC REPORT (CONTINUED) **FOR THE PERIOD ENDED 31 DECEMBER 2019**

Financial 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.

The Consolidated Statement of Comprehensive Income reports an increase in Turnover, Operating Profit and Profit Before Tax.

Other key performance indicators

The Company have non-financial key performance indicators that cover a high standard of customer service, health and safety compliance and environmental issues.

This report was approved by the board on 18 January 2021

and signed on its behalf.



A W Arthurton
Director

ARENA GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the period ended 31 December 2019.

Directors' responsibilities statement

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 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'. 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 these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Results and dividends

The profit for the period, after taxation, amounted to £2,523,840 (2018 - £1,667,567).

There were no dividends paid during the year (2018: £3,000,000).

Directors

The directors who served during the period were:

A J Fitzpatrick (resigned 27 January 2020)
G J Putson (resigned 27 January 2020)

Future developments

The Company continues to invest in systems, training, people and infrastructure ensuring that the business is well positioned to take advantage of growth opportunities over the coming year.

ARENA GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE PERIOD ENDED 31 DECEMBER 2019**

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Post balance sheet events

Post balance sheet events have been disclosed in note 26 of the financial statements.

Auditors

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

This report was approved by the board on 18 January 2021 and signed on its behalf.



A W Arthurton
Director

ARENA GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARENA GROUP LIMITED

Opinion

We have audited the financial statements of Arena Group Limited (the 'Company') for the period ended 31 December 2019 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 31 December 2019 and of its profit for the period 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.

Emphasis of matter – Impact of the outbreak of COVID-19 on the financial statements

In forming our opinion on the company financial statements, which is not modified, we draw your attention to the directors' view on the impact of the COVID-19 as disclosed on page 3, and the consideration in the going concern basis of preparation on page 11 and non- adjusting post balance sheet events on page 30.

Since the balance sheet date there has been a global pandemic from the outbreak of COVID-19, The potential impact of COVID-19 became significant in March 2020 and is causing widespread disruption to normal patterns of business activity across the world, including the UK.

The impact of COVID-19 continues to evolve and, based on the information available at this point in time, the directors have assessed the impact of COVID-19 on the business and have concluded that COVID-19 is a non adjusting post balance sheet event and that adopting the going concern basis for preparation of the financial statements is appropriate.

ARENA GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARENA GROUP LIMITED

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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 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 or 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.

ARENA GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARENA GROUP LIMITED

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Ian Wrightson

Ian Wrightson (Jan 22, 2021 09:10 GMT)

Ian Wrightson (Senior statutory auditor)

for and on behalf of

Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date: Jan 22, 2021

ARENA GROUP LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Turnover	4	22,009,675	17,069,284
Cost of sales		(13,835,215)	(10,455,224)
Gross profit		8,174,460	6,614,060
Administrative expenses		(5,167,515)	(4,182,635)
Operating profit	5	3,006,945	2,431,425
Interest receivable and similar income	9	70,336	37,862
Profit before tax		3,077,281	2,469,287
Tax on profit	10	(553,441)	(801,720)
Profit for the financial period		2,523,840	1,667,567

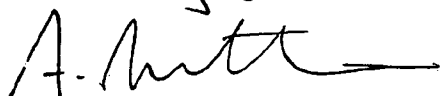
The notes on pages 11 to 31 form part of these financial statements.

ARENA GROUP LIMITED
REGISTERED NUMBER: 02168309

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 £	30 September 2018 £
Fixed assets			
Intangible assets	12	137,911	499,977
Tangible assets	13	335,666	468,685
		<u>473,577</u>	<u>968,662</u>
Current assets			
Stocks	14	1,861,434	1,356,782
Debtors: amounts falling due within one year	15	9,072,378	7,825,915
Cash at bank and in hand	16	4,837,533	4,058,149
		<u>15,771,345</u>	<u>13,240,846</u>
Creditors: amounts falling due within one year	17	(6,414,027)	(6,892,837)
Net current assets		<u>9,357,318</u>	<u>6,348,009</u>
Total assets less current liabilities		<u>9,830,895</u>	<u>7,316,671</u>
Provisions for liabilities			
Deferred tax	19	(34,384)	(44,000)
		<u>(34,384)</u>	<u>(44,000)</u>
Net assets		<u><u>9,796,511</u></u>	<u><u>7,272,671</u></u>
Capital and reserves			
Called up share capital	20	1,100	1,100
Profit and loss account	21	9,795,411	7,271,571
		<u><u>9,796,511</u></u>	<u><u>7,272,671</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
18 January 2021.



A W Arthurton
Director

The notes on pages 11 to 31 form part of these financial statements.

ARENA GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2018	1,100	7,271,571	7,272,671
Profit for the period	-	2,523,840	2,523,840
At 31 December 2019	1,100	9,795,411	9,796,511

The notes on pages 11 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 October 2017	1,100	8,604,004	8,605,104
Profit for the year	-	1,667,567	1,667,567
Dividends: Equity capital	-	(3,000,000)	(3,000,000)
At 30 September 2018	1,100	7,271,571	7,272,671

The notes on pages 11 to 31 form part of these financial statements.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

1. 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 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 solutions. It also offers outsourced bureau scanning and consultancy services.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report and Strategic Report.

After the year end, the company's revenues have been impacted by the global COVID-19 pandemic. As a result, management has, and continues to, perform monthly reviews of trading conditions and provide regular reforecasts both internally and to its parent company. Whilst the impact to revenues has been significant, costs have been reduced, to support on-going profitable trading. In addition, the company has taken advantage of furlough and VAT deferment schemes.

The company has several long-term contracts with customers and suppliers across different geographic areas and industries. The directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The financial resource of the company's ultimate parent, Xerox Holdings Corporation, provides further security to that currently provided by the financial resources of the company. Xerox Holdings Corporation operates a global treasury management facility which ensures all global operations and subsidiaries, including Arena Group Limited, have appropriate capital, funding and liquidity to operate successfully.

The directors, with reference to post year end trade to date, secured long term contracts, and the company's access to the group treasury management facility believe that the company has adequate resources to continue in operational existence for the foreseeable future. In making their assessment the directors have considered a period of at least 12 months from the date of signature of these financial statements. They thus continue to adopt the going concern basis of accounting in preparing the annual financial statements.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

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

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.4 Revenue

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 the 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.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 October 2017 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.6 Interest income

Interest income is recognised in profit or loss using the effective interest method.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.9 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Computer software	-	20 % straight line
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2.10 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold Property	-	15% straight line
Plant & machinery	-	25% straight line
Motor vehicles	-	20% straight line
Fixtures & fittings	-	20% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.11 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.

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

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

2.13 Cash and cash equivalents

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

2.14 Creditors

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

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the statement of financial position.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.16 Financial instruments (continued)

is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

3. Judgments in applying accounting policies 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 judgements

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

1) 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 period was £232,683 (2018: £175,871), and amortisation charged during the period was £541,493 (2018: £502,069) which the directors feel is a fair reflection of the benefits derived from the consumption of the assets during the period.

2) 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, as appropriate.

3) 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 PERIOD ENDED 31 DECEMBER 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Sales of goods	6,502,560	4,733,326
Software and service solutions	15,507,115	12,335,958
	<u>22,009,675</u>	<u>17,069,284</u>

Analysis of turnover by country of destination:

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
United Kingdom	21,974,929	17,049,563
Rest of Europe	34,746	19,721
	<u>22,009,675</u>	<u>17,069,284</u>

5. Operating profit

The operating profit is stated after charging:

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Depreciation of tangible fixed assets	232,683	175,371
Amortisation of intangible assets, including goodwill	541,493	502,069
Loss / (Profit) on disposal of tangible fixed assets	4,469	(5,016)
Exchange differences	568	70
Defined contribution pension cost	142,362	126,600
	<u></u>	<u></u>

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

6. Auditors' remuneration

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	12,000	16,000
Fees payable to the Company's auditor in respect of:		
All other services	2,000	-
	2,000	-

7. Employees

Staff costs, including directors' remuneration, were as follows:

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Wages and salaries	6,516,547	5,142,351
Social security costs	663,221	499,161
Cost of defined contribution scheme	142,362	126,600
	7,322,130	5,768,112

The average monthly number of employees, including the directors, during the period was as follows:

	15 months ended 31 December 2019 No.	12 months ended 30 September 2018 No.
Sales and services	110	108
Admin and IT	42	47
	152	155

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

8. Directors' remuneration

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Directors' emoluments	241,543	133,900
Company contributions to defined contribution pension schemes	11,061	70,559
	<u>252,604</u>	<u>204,459</u>

During the period retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £238,309 (2018 - £89,792).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,061 (2018 - £559).

9. Interest receivable

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Interest receivable	70,336	37,862
	<u>70,336</u>	<u>37,862</u>

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

10. Taxation

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Corporation tax		
Current tax on profits for the year	600,231	568,735
Adjustments in respect of previous periods	(37,174)	232,985
	<u>563,057</u>	<u>801,720</u>
Total current tax	<u>563,057</u>	<u>801,720</u>
Deferred tax		
Origination and reversal of timing differences	(9,616)	-
Total deferred tax	<u>(9,616)</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>553,441</u>	<u>801,720</u>

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

10. Taxation (continued)

Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Profit on ordinary activities before tax	3,077,281	2,469,287
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	584,683	469,165
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,504	3,485
Adjustments to tax charge in respect of prior periods	-	232,985
Amortisation on assets not qualifying for tax allowances	102,884	95,004
Adjustment in research and development tax credit leading to a (decrease) in the tax charge	(141,987)	-
Other differences leading to an increase (decrease) in the tax charge	5,641	1,081
Group relief	(6,284)	-
Total tax charge for the period/year	553,441	801,720

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

11. Dividends

	15 months ended 31 December 2019 £	12 months ended 30 September 2018 £
Interim dividend paid	-	3,000,000
	-	3,000,000

12. Intangible assets

	Computer software £	Goodwill £	Total £
Cost			
At 1 October 2018	-	5,025,000	5,025,000
Additions	179,427	-	179,427
At 31 December 2019	179,427	5,025,000	5,204,427
Amortisation			
At 1 October 2018	-	4,525,023	4,525,023
Charge for the period	41,516	499,977	541,493
At 31 December 2019	41,516	5,025,000	5,066,516
Net book value			
At 31 December 2019	137,911	-	137,911
At 30 September 2018	-	499,977	499,977

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

13. Tangible fixed assets

	Leasehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Total £
Cost or valuation					
At 1 October 2018	17,731	921,638	12,015	913,413	1,864,797
Additions	-	71,362	-	36,806	108,168
Disposals	-	(21,089)	-	(23,888)	(44,977)
At 31 December 2019	17,731	971,911	12,015	926,331	1,927,988
Depreciation					
At 1 October 2018	16,183	555,166	501	824,262	1,396,112
Charge for the period on owned assets	839	183,051	3,754	45,039	232,683
Disposals	-	(19,706)	-	(16,767)	(36,473)
At 31 December 2019	17,022	718,511	4,255	852,534	1,592,322
Net book value					
At 31 December 2019	709	253,400	7,760	73,797	335,666
At 30 September 2018	1,548	366,472	11,514	89,151	468,685

14. Stocks

	31 December 2019 £	30 September 2018 £
Raw materials and consumables	1,861,434	1,356,782
	1,861,434	1,356,782

Stock recognised in cost of sales during the period as an expense was £8,223,177 (2018 - £5,927,795).

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

15. Debtors

	31 December 2019 £	30 September 2018 £
Trade debtors	2,371,424	2,686,230
Amounts owed by group undertakings	4,755,641	3,396,320
Other debtors	1,062,730	794,365
Prepayments and accrued income	882,583	949,000
	<u>9,072,378</u>	<u>7,825,915</u>

16. Cash and cash equivalents

	31 December 2019 £	30 September 2018 £
Cash at bank and in hand	4,837,533	4,058,149
	<u>4,837,533</u>	<u>4,058,149</u>

17. Creditors: Amounts falling due within one year

	31 December 2019 £	30 September 2018 £
Trade creditors	1,891,325	1,976,912
Amounts owed to group undertakings	2,883,512	2,534,937
Corporation tax	147,410	570,693
Other taxation and social security	368,024	479,498
Other creditors	506	174,167
Accruals and deferred income	1,123,250	1,156,630
	<u>6,414,027</u>	<u>6,892,837</u>

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

18. Financial instruments

	31 December 2019 £	30 September 2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	4,837,533	4,058,149
Financial assets that are debt instruments measured at amortised cost	8,958,867	7,058,915
	<u>13,796,400</u>	<u>11,117,064</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(6,039,894)</u>	<u>(5,842,646)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade and other debtors and amounts owed by group undertakings excluding prepayments.

Financial liabilities measured at amortised cost comprise trade and other creditors, amounts owed to group undertakings and accruals. Excluded are amounts relating to corporation tax and taxation and social security.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

19. Deferred taxation

	2019 £
At beginning of year	(44,000)
Charged to profit or loss	9,616
At end of year	(34,384)

The provision for deferred taxation is made up as follows:

	31 December 2019 £	30 September 2018 £
Accelerated capital allowances	(40,735)	(44,000)
Other differences	6,351	-
	(34,384)	(44,000)

20. Share capital

	31 December 2019 £	30 September 2018 £
Allotted, called up and fully paid		
1,100 (2018 - 1,100) Ordinary shares of £1.00 each	1,100	1,100

21. Reserves

Profit & loss account

This reserve represents cumulative profits and losses.

22. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £142,362 (2018: £126,600). There were no contributions payable to the fund at the balance sheet date (2018: £Nil).

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

23. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	31 December 2019 £	30 September 2018 £
Not later than 1 year	412,069	523,611
Later than 1 year and not later than 5 years	660,472	957,204
Later than 5 years	70,000	245,000
	<u>1,142,541</u>	<u>1,725,815</u>

Operating lease payments recognised as an expense during the period totalled £505,533 (2018: £495,629).

24. Transactions with directors

The directors have provided and received loans from the company as disclosed below. No interest has been accrued on these loans.

	Opening balance £	Additional loans £	Amounts repaid £	Closing balance £
Mr G Putson	37,120	-	(37,120)	-
Mr A Fitzpatrick	(174,167)	344,734	-	170,567
	<u>(137,047)</u>	<u>344,734</u>	<u>(37,120)</u>	<u>170,567</u>

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

25. Related party transactions

All related party transactions were conducted on an arms' length basis.

During the period the company received interest from an entity with joint control of £47,328 (2018: £37,862).

The following amounts were outstanding at the reporting date:

	31 December 2019 £	30 September 2018 £
Entities with joint control	757,245	757,245
	<u>757,245</u>	<u>757,245</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 (2018: £NIL) in respect of bad debts from related parties.

26. Post balance sheet events

Subsequent to the year end, COVID-19 has resulted in a global pandemic affecting economies globally. The speed and severity of the impact has been unprecedented but many Governments, including within the UK, have introduced considerable measures to help businesses through this extremely challenging time. Post year end the developments and circumstances around COVID-19 have been identified as a non adjusting post balance sheet event.

The advent of the COVID-19 pandemic post year end does not alter the directors' going concern assessment for the entity. The impact on the entity is discussed in more detail within the Strategic Report.

ARENA GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

27. 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

At the year end, the company was controlled by Mr A. Fitzpatrick by virtue of his majority shareholding of Arena Group Holdings Limited, the immediate parent company.

Subsequent to the year end, the company's ultimate parent company, Arena Group Holdings Limited was acquired by Xerox Holdings Corporation.