

Company Registration No. 4440684

ARENA COVENTRY LIMITED

Report and Financial Statements

31 May 2005

**Deloitte & Touche LLP
Manchester**



REPORT AND FINANCIAL STATEMENTS 2005

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REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Fletcher (resigned on 8 January 2006)
Sir Derek Higgs
N Carter
P W Knatchbull-Hugessen (appointed on 27 January 2006)
J McGuigan
S G Manzie
A S Young
M C McGinnity (resigned on 20 January 2006)

ALTERNATE DIRECTORS

A Ridgwell
C R Hinde
G P Hover (resigned on 20 January 2006)
M F Knatchbull-Hugessen (appointed on 27 January 2006)

SECRETARY

W E Cooper

CHIEF EXECUTIVE

P Fletcher (resigned on 8 January 2006)

REGISTERED OFFICE

Ricoh Arena
Phoenix Way
Foleshill
Coventry
CV6 6GE

BANKERS

Yorkshire Bank
7-11 High Street
Coventry
CV1 5SB

HSBC Bank plc
Corporation Street
Coventry
CV1 1Q

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

SOLICITORS

Wragge & Co
55 Colmore Row
Birmingham
B2 3AG

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Manchester

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 May 2005.

PRINCIPAL ACTIVITY

The company is a joint venture company between North Coventry Holdings Limited, a wholly owned subsidiary of the City of Coventry Council, and Football Investors Limited, a subsidiary of The Alan Edward Higgs Charity.

The company is principally engaged in the management of the Ricoh Arena in Coventry. The Company leases the Arena from Coventry North Regeneration Limited.

The Ricoh Arena principally consists of the following activities:

- A 32,500 seater stadium, the home to Coventry City Football Club;
- 6,000 square metre exhibition, events and concert facility;
- A convention and banqueting centre;
- A 13,000 square metre family entertainment centre;
- 70 bedroom hotel and bistro;
- A Health & Fitness club;
- Office accommodation; and
- Community facilities.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The results for the year are set out on page 6. The loss for the year, after taxation, amounted to £1,629,882 (2004 - £1,016,681). The directors expect the company to develop further in the future.

The directors do not recommend payment of a dividend and the loss for the year has been withdrawn from reserves.

Construction of the Arena commenced in January 2004 and opened in August 2005. A number of tenants and sponsorship agreements were already contracted for when the Arena opened. The company has adequate resources to continue in operational existence for the foreseeable future.

DIRECTORS

The names of the current directors and those who served during the year are given on page 1.

No director has an interest in the shares of the company or any other group undertaking.

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office and accordingly a resolution for their reappointment as auditors of the company and to authorise their remuneration will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Secretary
Date: 31st March 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 proper accounting records which 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 1985. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARENA COVENTRY LIMITED

We have audited the financial statements of Arena Coventry Limited for the year ended 31 May 2005 which comprises the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the cash flow statement and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts, concerning the timing of the receipts from the disposal of parts of the interest leased from Coventry North Regeneration and any consequential requirement for additional financing. In view of the significance of this uncertainty, we consider it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2005 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Manchester

Date: *31 March 2006*

PROFIT AND LOSS ACCOUNT
Year ended 31 May 2005

		2005 £	2004 £
	Note		
TURNOVER	1	-	-
Administrative expenses		(1,663,793)	(1,039,750)
OPERATING LOSS	2	(1,663,793)	(1,039,750)
Net interest receivable	3	33,911	23,069
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,629,882)	(1,016,681)
Tax on loss on ordinary activities	5	-	-
RETAINED LOSS FOR THE FINANCIAL YEAR	10	(1,629,882)	(1,016,681)

There were no recognised gains and losses for the financial year other than as stated in the profit and loss account. Accordingly, a statement of total recognised gains and losses has not been presented.

All results derived from continuing operations.

BALANCE SHEET
31 May 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Tangible assets	6	53,963	36,331
CURRENT ASSETS			
Debtors			
Due within one year	7	478,610	63,548
Due after one year	7	-	152,735
Cash at bank and in hand		228,384	1,394,486
		706,994	1,610,769
CREDITORS: amounts falling due within one year	8	(945,035)	(201,296)
NET CURRENT (LIABILITIES)/ASSETS		(238,041)	1,409,473
TOTAL ASSETS LESS CURRENT LIABILITIES		(184,078)	1,445,804
NET (LIABILITIES)/ASSETS		(184,078)	1,445,804
CAPITAL AND RESERVES			
Called up share capital	9	3,516,112	3,516,112
Profit and loss account	10	(3,700,190)	(2,070,308)
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS	10	(184,078)	1,445,804

These financial statements were approved by the Board of Directors on 31st March 2006

Signed on behalf of the Board of Directors



Director

CASH FLOW STATEMENT
Year ended 31 May 2005

	Note	2005 £	2004 £
Net cash outflow from operating activities	11	(1,161,719)	(552,244)
Returns on investments and servicing of finance			
Interest received		34,085	22,806
Interest paid		(2)	(26)
		<u>34,083</u>	<u>22,780</u>
Net cash inflow from returns on investments and servicing of finance		34,083	22,780
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		<u>(38,466)</u>	<u>(30,093)</u>
Net cash outflow from capital expenditure and financial investment		<u>(38,466)</u>	<u>(30,093)</u>
Net cash outflow before use of liquid resources and financing		(1,166,102)	(559,557)
Financing			
Issue of share capital		<u>-</u>	<u>1,757,856</u>
Net cash inflow from financing		<u>-</u>	<u>1,757,856</u>
(Decrease)/increase in cash	12	<u>(1,166,102)</u>	<u>1,198,299</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2005

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding year.

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the applicable United Kingdom accounting standards.

Turnover

Turnover derived from the commercial activities of the Arena and is stated net of value added tax.

Depreciation

Depreciation is calculated to reduce the cost of plant and equipment to the anticipated residual value of the assets concerned in equal annual instalments over their estimated useful lives, as follows:

Plant and equipment	10% to 50% per annum
IT equipment and software	33% to 20% per annum

Pensions

The pension cost charged in the year represents contributions payable by the company to various defined contribution pension schemes on behalf of certain employees.

Current Taxation

Current taxation, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or subsequently enacted by the balance sheet date.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. *Deferred tax assets and liabilities are not discounted.*

Basis of preparation of the financial statements

The nature of the Company's business in the current financial year is that there can be considerable variation in the timing of certain cash flows, particularly those of a capital nature.

The directors have prepared projected cash flow information for the current and following financial year (appropriately 16 months from date of approval of these financial statements). The cash flows assume the receipt of a significant payment for the disposal of parts of the interest leased from Coventry North Regeneration, which consists of the sale of two land sites on 125 year leases for the purpose of building two hotels.

Option agreements for the sale of the two sites have now been concluded but the finalisation of the sale agreements, and payment of monies to the Company, is conditional on planning permission being granted for the two sites. While the directors consider planning permission should be granted in time for the monies to be received in June 2006, there can be no certainty in this regard.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2005

1. ACCOUNTING POLICIES (continued)

Should these monies not be received in June 2006, the directors have formed a judgment at the time of the approval of the financial statements that there may be periods when there is a shortfall between the Company's current financing facilities and forecast cash requirements. Should such circumstances arise the directors believe sufficient financing will be obtained from either the securing of additional borrowing facilities or the support of its shareholders. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The directors do not include any adjustments that would be required should the disposal proceeds not be received in June 2006 and sufficient additional finance not being secured.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

2. OPERATING LOSS

	2005 £	2004 £
Operating loss is stated after charging:		
Depreciation	20,834	11,718
Auditors' remuneration		
- audit	9,522	9,500
- other services	48,000	89,467
Operating leases	57,469	41,699

3. NET INTEREST RECEIVABLE

	2005 £	2004 £
Interest payable on bank overdraft	(2)	(26)
Interest receivable	33,913	23,095
	<u>33,911</u>	<u>23,069</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 May 2005

4. DIRECTORS AND EMPLOYEES

	2005 £	2004 £
Aggregate payroll costs were as follows:		
Wages and salaries	368,507	357,360
Social security costs	46,162	45,880
Other pension costs	22,112	19,477
	<u>436,781</u>	<u>422,717</u>
	2005 £	2004 £
Remuneration in respect of directors was as follows:		
Emoluments	190,462	211,302
Pension contributions to money purchase pension scheme	11,477	11,173
	<u>201,939</u>	<u>222,475</u>

No payments were made to the four directors appointed by the two shareholders, North Coventry Holdings Limited and Football Investors Limited (2004 - £nil).

During the year the highest paid director received £154,939 (2004 - £181,642). This includes pension contributions of £11,477 (2004 - £11,173).

The average monthly number of persons employed by the company was as follows:

	2005 No	2004 No
Operations staff	1	-
Commercial staff	1	1
Administrative staff	6	5
	<u>8</u>	<u>6</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2005

5. TAX ON LOSS ON ORDINARY ACTIVITIES

(i) Factors affecting current tax charge for the year

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the UK of 30%.

The differences are explained below:

	2005 £	2004 £
Loss on ordinary activities before tax	(1,629,882)	(1,016,681)
Tax on loss on ordinary activities at the standard rate	488,965	305,004
Effects of:		
Expenses not deductible for tax purposes at the standard rate	(72,315)	(60,779)
Capital allowances in excess of depreciation	(6,251)	(3,515)
Pre trade expenditure and unrelieved tax losses	(410,399)	(240,710)
Current tax charge for the year	-	-

(ii) Factors that may affect the future tax charge

A deferred tax asset has not been recognised in respect of timing differences relating to pre-trading expenditure and unrelieved losses as the directors believe there to be insufficient evidence that it is more likely than not that the asset will be recovered. The asset will be recovered when relevant profits against which the timing differences concerned will be offset. The amount of the asset not recognised at 31 May 2005 is £840,502.

6. TANGIBLE FIXED ASSETS

	Fixtures & Fittings £	Computer equipment £	Office equipment £	Total £
Cost				
At 1 June 2004	-	28,480	25,272	53,752
Additions	27,237	11,229	-	38,466
At 31 May 2005	27,237	39,709	25,272	92,218
Depreciation				
At 1 June 2004	-	13,954	3,467	17,421
Charged during the year	-	11,617	9,217	20,834
At 31 May 2005	-	25,571	12,684	38,255
Net book value				
At 31 May 2005	27,237	14,138	12,588	53,963
At 31 May 2004	-	14,526	21,805	36,331

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 May 2005

7. DEBTORS

	2005 £	2004 £
<i>Amounts falling due within one year:</i>		
Trade debtors	254,482	-
Other debtors	155,842	27,275
Prepayments and accrued income	68,286	36,273
	<u>478,610</u>	<u>63,548</u>
<i>Amounts falling due after one year:</i>		
Other debtors	-	152,735
	<u>478,610</u>	<u>216,283</u>

Other debtors due after one year £nil (2004 - £152,735) represents an amount owing from Coventry North Regeneration Ltd.

8. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Trade creditors	98,736	87,006
Social Security and other taxes	22,167	26,544
Accruals & deferred income	824,132	87,746
	<u>945,035</u>	<u>201,296</u>

9. CALLED UP SHARE CAPITAL

	2005 £	2004 £
Authorised		
Type "A" 1,758,056 Ordinary shares of £1 each	1,758,056	1,758,056
Type "B" 1,758,056 Ordinary shares of £1 each	1,758,056	1,758,056
	<u>3,516,112</u>	<u>3,516,112</u>
Allotted, called up and fully paid		
Type "A" 1,758,056 Ordinary shares of £1 each	1,758,056	1,758,056
Type "B" 1,758,056 Ordinary shares of £1 each	1,758,056	1,758,056
	<u>3,516,112</u>	<u>3,516,112</u>

Rights of shares

Dividends

The profits of the company available for distribution shall be applied as follows:

For every £1 of dividend declared:

The holders of the Type "A" shares shall be entitled to be paid £0.50 for every "A" share held; and

The holders of the Type "B" shares shall be entitled to be paid £0.50 for every "B" share held.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2005

9. CALLED UP SHARE CAPITAL (continued)

Appointment of directors

The holders of a majority of the Type "A" shares may appoint up to two persons to be directors.

The holders of a majority of the Type "B" shares may appoint up to two persons to be directors.

The holders of the Type "A" and "B" shares shall jointly appoint and remove not more than three independent directors.

Voting rights

Each member of Type "A" and "B" shares shall have one vote for each share held by the member.

10. RECONCILIATION OF RESERVES AND MOVEMENTS IN SHAREHOLDERS' (DEFICIT)/ FUNDS

	Share capital £	Profit and loss account £	Total £
At 1 June 2004	3,516,112	(2,070,308)	1,445,804
Loss for the year	-	(1,629,882)	(1,629,882)
At 31 May 2005	<u>3,516,112</u>	<u>(3,700,190)</u>	<u>(184,078)</u>

11. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005 £	2004 £
Operating loss	(1,663,793)	(1,039,750)
Depreciation of tangible fixed assets	20,834	11,718
(Increase)/decrease in debtors	(257,734)	625,897
Increase/(decrease) in creditors	738,974	(150,109)
Net cash outflow from operating activities	<u>(1,161,719)</u>	<u>(552,244)</u>

12. ANALYSIS OF NET FUNDS

	At 1 June 2004 £	Cash flow £	At 31 May 2005 £
Analysis of net funds			
Cash at bank and in hand	<u>1,394,486</u>	<u>(1,166,102)</u>	<u>228,384</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2005

13. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 May 2005 the company was committed to making the following payments in respect of operating leases:

	2005 £	2004 £
Land & buildings		
Within one year	28,043	44,415
Within two to five years	-	8,154
Motor vehicles		
Within one year	16,385	7,598
Within two to five years	10,736	13,128
	<u>55,164</u>	<u>73,295</u>

Contingent liabilities

The company has, under certain employment contracts, a liability to pay additional sums dependent upon the company meeting pre-agreed performance criteria. The maximum amount that could be payable is estimated at £185,000. A provision of £20,000 has been made in these accounts for such liabilities.

14. CAPITAL COMMITMENTS

At the year end the company had entered into £3,023,151 (2004 - £nil) of capital commitments towards the fit out of the Ricoh Arena.

15. RELATED PARTY TRANSACTIONS

During the year the company engaged in arms' length transactions with Coventry City Football Club (Holdings) Limited, of which Sir Derek Higgs and Mr M McGinnity are directors. The transactions with Coventry City Football Club totalled £15,111 for the year and related mainly to corporate hospitality (2004 - £3,311 related mainly to corporate hospitality and stationery). At the year end £12,080 was owing to Coventry City Football Club (2004 - £nil). No amount was outstanding to Arena Coventry Limited at 31 May 2005 (2004 - £429).

The company formerly leased its offices from the Alan Edward Higgs Charity, of which Sir Derek Higgs is a trustee and Mr P W Knatchbull-Hugessen is the Clerk to the charity. The lease for the year totalled £nil (2004 - £10,000).

Stella Manzie and John McGuigan are senior officers of Coventry City Council. Rates and operating expenses to the value of £17,660 (2004 - £23,459) were charged during the year and £11,038 was outstanding at 31 May 2005 (2004 - £15,432).

Paul Fletcher is a director of CV One Limited. Arena Coventry Limited participated in an exhibition with CV One Limited costing £4,847 during the year (2004 - £1,928). No amounts were outstanding as at 31 May 2005 (2004 - £nil).

Coventry North Regeneration Limited, in which Stella Manzie and John McGuigan are directors, had a balance outstanding of £11,860 to Arena Coventry Limited (2004 - £152,735).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2005

16. POST BALANCE SHEET EVENTS

Details of significant events that have occurred since the balance sheet date are as follows:

- On the 20th August 2005 the Ricoh Arena opened for its first commercial event.
- The Company has an agreed offer of £22m of long term finance from Yorkshire Bank to enable the Company to finance the lease premium payable to Coventry North Regeneration Ltd. The long term financing was completed and signed on February 6th 2006.