

ARENA COVENTRY LIMITED

Report and Financial Statements

31 May 2006

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COMPANIES HOUSE

Deloitte & Touche LLP
Manchester

REPORT AND FINANCIAL STATEMENTS 2006

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REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D P Allvey (appointed on 28 July 2006)
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 (resigned on 30 June 2006)
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

D G Gidney (appointed on 29 September 2006)
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

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS (CONTINUED)

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 2006.

The directors' report has been prepared in accordance with the special provisions relating to small companies under section 246(4) of the Companies Act 1985.

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 its subsidiary Arena Coventry 2006 Limited, which purchased the head lease from Coventry City Council in June 2006.

The Ricoh Arena business principally consists of the following activities:

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

During the year a wholly owned subsidiary Arena Coventry (2006) Ltd was formed with £2 share capital. The subsidiary did not trade during the year. It began trading on 2 June 2006 (see note 19 for details). Group accounts have not been prepared for the year ended 31 May 2006 as Arena Coventry (2006) Ltd is not considered material to the newly formed group. Group accounts will be prepared for the first time for the year ending 31 May 2007.

RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The results for the year are set out on page 7. The loss for the year, after taxation, amounted to £3,426,839 (2005 - £1,629,882). While the current year was challenging and did not reflect a full year's income, the directors consider the company will develop considerably in the forthcoming year having benefited from the current year experience.

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.

A major transaction in the year was the receipt of £5,944,595 from the Isle of Capri Casino as an upfront payment for the lease of the casino site at the Arena. None of this amount has been recognised in the loss for the year. In addition the full amount is recognised as a liability, under accruals and deferred income, on the Company's balance sheet as is appropriate under United Kingdom Generally Accepted Accounting Practice. The directors consider there are no foreseeable circumstances under which any element of the receipt will require repayment; hence, the underlying balance sheet is stronger than that currently shown. The amount received will be recognised as turnover over the initial 15 year lease term.

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.

DIRECTORS' REPORT (CONTINUED)

AUDITORS


Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (2) the director's have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

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:

21 December 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 2006 which comprise 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 20. 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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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

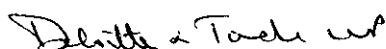
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 May 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.



DELOITTE & TOUCHE LLP

Chartered Accountants and Registered Auditors
Manchester

Date: 21 December 2006

PROFIT AND LOSS ACCOUNT
Year ended 31 May 2006

		2006 £	2005 £
	Note		
TURNOVER	1	2,467,785	-
Administrative expenses		(5,449,682)	(1,663,793)
OPERATING LOSS	2	(2,981,897)	(1,663,793)
Interest payable and similar charges	3	(704,374)	(2)
Interest receivable and similar income	3	259,432	33,913
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,426,839)	(1,629,882)
Tax on loss on ordinary activities	5	-	-
RETAINED LOSS FOR THE FINANCIAL YEAR	13	(3,426,839)	(1,629,882)

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 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	6	26,740,467	53,963
Investments	7	2	-
		<u>26,740,469</u>	<u>53,963</u>
CURRENT ASSETS			
Debtors	8	1,867,845	478,610
Cash at bank and in hand		-	228,384
		<u>1,867,845</u>	<u>706,994</u>
CREDITORS: amounts falling due within one year	9	<u>(1,809,539)</u>	<u>(120,903)</u>
NET CURRENT ASSETS		<u>58,306</u>	<u>586,091</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,798,775</u>	<u>640,054</u>
CREDITORS: amounts falling due after one year	10	(22,430,272)	-
ACCRUALS AND DEFERRED INCOME	11	<u>(7,979,420)</u>	<u>(824,132)</u>
NET LIABILITIES		<u>(3,610,917)</u>	<u>(184,078)</u>
CAPITAL AND RESERVES			
Called up share capital	12	3,516,112	3,516,112
Profit and loss account	13	<u>(7,127,029)</u>	<u>(3,700,190)</u>
EQUITY SHAREHOLDERS' DEFICIT	13	<u>(3,610,917)</u>	<u>(184,078)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



Director

21 December 2006.

CASH FLOW STATEMENT**Year ended 31 May 2006**

	Note	2006 £	2005 £
Net cash inflow/(outflow) from operating activities	14	5,534,256	(1,161,719)
Returns on investments and servicing of finance			
Interest received		259,432	34,085
Interest paid		(76,629)	(2)
Interest element of finance lease rentals		(627,745)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(444,942)	34,083
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(5,473,109)	(38,466)
Net cash outflow from capital expenditure and financial investment		(5,473,109)	(38,466)
Net cash outflow before use of liquid resources and financing		(383,795)	(1,166,102)
Financing			
Repayment of capital element of finance lease rental payments		(8,890)	-
Net cash outflow from financing		(8,890)	-
Decrease in cash	15	(392,685)	(1,166,102)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2006

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 is derived from the commercial activities of the Arena and is stated net of value added tax. Sponsorship, rental and service charge income are recognised over the period that services are offered. Other revenues are recognised at the point that the services are provided.

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:

Leasehold land and buildings	2% per annum
Fixture and fittings	7% - 33% per annum
Computer and office equipment	7% - 33% 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

During the year a wholly owned subsidiary, Arena Coventry (2006) Ltd, was formed with £2 share capital. The subsidiary did not trade during the year. It began trading on 2 June 2006 (see note 19 for details). Group accounts have not been prepared for the year ended 31 May 2006 as Arena Coventry (2006) Ltd is not considered material to the newly formed group. Group accounts will be prepared for the first time for the year ending 31 May 2007.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**Year ended 31 May 2006****1. ACCOUNTING POLICIES (continued)****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.

Investments

Fixed asset investments are shown at cost less provision for impairment.

2. OPERATING LOSS

	2006 £	2005 £
Operating loss is stated after charging:		
Depreciation	633,654	20,834
Auditors' remuneration		
- audit	18,250	9,522
- other services	243,588	48,000
Operating leases	96,990	57,469
	<u>633,654</u>	<u>20,834</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £	2005 £
Bank loans and overdrafts	68,451	2
Finance leases and hire purchase contracts	627,745	-
Other loans	8,178	-
	<u>704,374</u>	<u>2</u>

INTEREST RECEIVABLE AND SIMILAR INCOME

	2006 £	2005 £
Bank interest receivable	259,432	33,913
	<u>259,432</u>	<u>33,913</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 May 2006

4. DIRECTORS AND EMPLOYEES

	2006 £	2005 £
Aggregate payroll costs (including executive directors) were as follows:		
Wages and salaries	875,001	368,507
Social security costs	89,902	46,162
Other pension costs	34,120	22,112
	<u>999,023</u>	<u>436,781</u>
	2006 £	2005 £
Remuneration in respect of directors was as follows:		
Emoluments	325,635	190,462
Pension contributions to money purchase pension scheme	12,764	11,477
	<u>338,399</u>	<u>201,939</u>

No payments were made to the four directors appointed by the two shareholders, North Coventry Holdings Limited and Football Investors Limited (2005 - £nil).

During the year the highest paid director received £277,635 (2005 - £154,939). This includes pension contributions of £12,764 (2005 - £11,477).

The average monthly number of persons employed by the company (including executive directors) was as follows:

	2006 No	2005 No
Operations staff	16	1
Commercial staff	1	1
Administrative staff	7	6
Casual Staff	21	-
	<u>45</u>	<u>8</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 May 2006

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:

	2006 £	2005 £
Loss on ordinary activities before tax	(3,426,839)	(1,629,882)
Tax on loss on ordinary activities at the standard rate	1,028,052	488,965
Effects of:		
Expenses not deductible for tax purposes at the standard rate	(95,184)	(72,315)
Capital allowances in excess of depreciation	228,433	(6,251)
Utilisation of tax losses	622,079	-
Pre trade expenditure and unrelieved tax losses	-	(410,399)
Movement in short term timing differences	(1,783,380)	-
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 a combination of a lease premium received, 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 2006 is £1,807,788 (2005 - £840,502).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 May 2006

6. TANGIBLE FIXED ASSETS

	Leasehold land & buildings £	Fixtures & Fittings £	Computer & Office equipment £	Total £
Cost				
At 1 June 2005	-	27,237	64,981	92,218
Additions	21,147,110	5,368,107	805,002	27,320,219
Disposals	-	-	(11,877)	(11,877)
At 31 May 2006	21,147,110	5,395,344	858,106	27,400,560
Depreciation				
At 1 June 2005	-	-	38,255	38,255
Charged during the year	147,110	338,094	148,450	633,654
Disposals	-	-	(11,816)	(11,816)
At 31 May 2006	147,110	338,094	174,889	660,093
Net book value				
At 31 May 2006	21,000,000	5,057,250	683,217	26,740,467
At 31 May 2005	-	27,237	26,726	53,963

The net book value of fixed assets of £26,740,467 includes an amount of £21,661,092 in respect of assets held under finance leases and hire purchase contracts.

7. FIXED ASSET INVESTMENTS

	2006 £	2005 £
Subsidiary undertakings	2	-
	2	-

The subsidiary undertakings relates to Arena Coventry (2006) Limited, a wholly owned subsidiary incorporated in the United Kingdom during the year which did not commence trading until post year end. See note 19 for details.

8. DEBTORS

	2006 £	2005 £
Trade debtors	1,065,837	254,482
Other debtors	22,787	155,842
Prepayments and accrued income	773,575	68,286
Corporation tax	5,646	-
	1,867,845	478,610

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 May 2006

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Bank overdraft	164,301	-
Obligations under finance leases and hire purchase contracts	168,369	-
Trade creditors	1,446,148	98,736
Amounts owed to group undertakings	2	-
Other taxation and social security	22,477	22,167
Other creditors	8,242	-
	<u>1,809,539</u>	<u>120,903</u>

10. CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR

	2006 £	2005 £
Obligations under finance leases and hire purchase contracts	21,669,851	-
Related party loan	760,421	-
	<u>22,430,272</u>	<u>-</u>

The Company entered into a finance lease with Coventry North Regeneration Limited on 26 January 2006 for the Ricoh Arena, the term of the lease is 50 years less 3 days from 19 December 2003. This lease was reassigned to Arena Coventry 2006 Limited on 2 June 2006 from Coventry North Regeneration Limited, see note 19 for details.

The company received a loan of £760,421 from Coventry North Regeneration Limited which bears interest at the rate of 1.5% above base rate. The loan is repayable by 31 July 2009.

11. ACCRUALS AND DEFERRED INCOME

	2006 £	2005 £
Lease premium	5,944,595	-
Accruals	1,510,050	720,153
Deferred income	524,775	103,979
	<u>7,979,420</u>	<u>824,132</u>

The Isle of Capri Casino has paid an up front rental of £5,944,595 towards its 15 year lease. The directors consider that there are no foreseeable circumstances that would require the company to repay the amounts received.

Accruals comprise amounts incurred in the day to day operation of the Arena not yet paid at the year end.

Deferred income primarily comprises sponsorship and other revenue received in advance for future financial years.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 May 2006

12. CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised, 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.

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.

13. RECONCILIATION OF RESERVES AND MOVEMENTS IN SHAREHOLDERS' DEFICIT

	Share capital £	Profit and loss account £	Total £
At 1 June 2005	3,516,112	(3,700,190)	(184,078)
Loss for the year	-	(3,426,839)	(3,426,839)
At 31 May 2006	<u>3,516,112</u>	<u>(7,127,029)</u>	<u>(3,610,917)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended 31 May 2006

14. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating loss	(2,981,897)	(1,663,793)
Depreciation of tangible fixed assets	633,654	20,834
Increase in debtors	(1,389,235)	(257,734)
Increase in creditors, accruals and deferred income	9,271,734	738,974
Net cash inflow/(outflow) from operating activities	<u>5,534,256</u>	<u>(1,161,719)</u>

15. ANALYSIS AND RECONCILIATION OF NET (DEBT)/FUNDS

	At 1 June 2005 £	Cash flow £	Non-cash movements £	At 31 May 2006 £
Analysis of net funds				
Cash at bank and in hand	228,384	(228,384)	-	-
Bank overdraft	-	(164,301)	-	(164,301)
	<u>228,384</u>	<u>(392,685)</u>	<u>-</u>	<u>(164,301)</u>
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	(760,421)	(760,421)
Finance leases	228,384	(21,838,220)	-	(21,838,220)
Net (debt)/funds	<u>228,384</u>	<u>(22,230,905)</u>	<u>(760,421)</u>	<u>(22,762,942)</u>
Decrease in cash in the year				<u>(392,685)</u>
Change in debt resulting from cashflows				(392,685)
New related party loans				(760,421)
New finance leases				<u>(21,838,220)</u>
Movement in net debt in the year				(22,991,326)
Net funds at 1 June 2005				<u>228,384</u>
Net debt at 31 May 2006				<u>(22,762,942)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**Year ended 31 May 2006****16. FINANCIAL COMMITMENTS****Operating lease commitments**

At 31 May 2006 the company was committed to making the following payments in respect of operating leases:

	2006 £	2005 £
Equipment		
Within one year	73,232	-
Within two to five years	238,003	-
Land & buildings		
Within one year	-	28,043
Within two to five years	-	-
Motor vehicles		
Within one year	10,736	16,385
Within two to five years	-	10,736
	<u>321,971</u>	<u>55,164</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 £118,440. A provision of £62,040 has been made in these accounts for such liabilities.

17. CAPITAL COMMITMENTS

At the year end the company had entered into £274,876 (2005 - £3,023,151) of capital commitments towards the fit out of the Ricoh Arena.

18. 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 £51,974 for the year and related mainly to corporate hospitality and sponsorship costs (2005 - £15,111 related mainly to corporate hospitality and stationery). At the year end £179,465 was owing to Coventry City Football Club (2005 - £12,080). The football club lease offices and also have a license to play at the Ricoh Arena, the total of the transactions with the football club for the year was £656,391. At the year end £324,144 was owing to Arena Coventry Limited (2005 - £nil). Since the year end Coventry City Football Club (Holdings) Limited has paid, in full, the lease and licence balances that were outstanding at the year end and Arena Coventry Limited has reinstated the rent deposit account that had been drawn down.

Stella Manzie and John McGuigan are senior officers of Coventry City Council. During the year, the company had rates and operating expenses to the value of £203,767 (2005- £17,660) and £125,285 was outstanding at 31 May 2006 (2005 - £11,038).

Paul Fletcher is a director of CV One Limited. Arena Coventry Limited hired communication equipment from CV One Limited costing £3,407 during the year (2005 - £4,847). No amounts were outstanding as at 31 May 2006 (2005 - £nil). CV One rent office space at the Ricoh Arena totalling £6,418 and £89 was owed to Arena Coventry Ltd at the year end (2005 - £nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 May 2006

18. RELATED PARTY TRANSACTIONS (CONTINUED)

During the year the company made a number of variation requests to Coventry North Regeneration Limited (CNR) for the construction of the Ricoh Arena which totalled £957,721, of which Stella Manzie and John McGuigan are directors. The balance owed to CNR at the year end was £364,902 (2005 - £nil). CNR had a balance outstanding of £67,064 to Arena Coventry Limited at the year end (2005 - £11,860) this primarily related to services to the exhibition hall. At the year end, CNR had provided a loan of £760,421 which bears interest at the rate of 1.5% over base rate. The loan is repayable by 31 July 2009.

19. POST BALANCE SHEET EVENTS

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

- On 1 June 2006, the company drew down a £22,000,000 loan from Yorkshire Bank. The term of the loan is over twenty years.
- On 2 June 2006, Arena Coventry (2006) Ltd, a wholly owned subsidiary of Arena Coventry Ltd, purchased the 50 year head lease to the Ricoh Arena, commencing 19 December 2003, from Coventry North Regeneration Ltd for £21,000,000. At this point Arena Coventry (2006) Ltd replaced Coventry North Regeneration Ltd as lessor of the Ricoh Arena.
- On 2 June 2006, the company sold a parcel of the leased land back to Coventry City Council for £1,250,000.

20. CONTROLLING PARTY

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 board are responsible for the management of the company.