

**ARENA COVENTRY LIMITED**

**Report and Financial Statements**

**31 May 2007**

**Deloitte & Touche LLP  
Manchester**

**SATURDAY**



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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

D P Allvey (appointed on 28 July 2006)  
Sir Derek Higgs  
N Carter  
P W Knatchbull-Hugessen  
J McGuigan  
S G Manzie  
D G Gidney (appointed on 1 April 2007)

**ALTERNATE DIRECTORS**

A Ridgwell (resigned on 29 December 2006)  
C R Hinde (resigned on 28 September 2007)  
M F Knatchbull-Hugessen  
C West (appointed on 28 September 2007)  
A S Young (resigned on 30 June 2006)

**SECRETARY**

W E Cooper (resigned on 31 December 2006)  
P Ettridge (appointed on 31 December 2006)

**CHIEF EXECUTIVE**

D G Gidney

**REGISTERED OFFICE**

Ricoh Arena  
71 Phoenix Way  
Foleshill  
Coventry  
CV6 6GE

**BANKERS**

Yorkshire Bank  
7-11 High Street  
Coventry  
CV1 5SB

**SOLICITORS**

Wragge & Co  
55 Colmore Row  
Birmingham  
B2 3AG

**AUDITORS**

Deloitte & Touche LLP  
Manchester

## **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the group together with the financial statements and auditors' report for the year ended 31 May 2007

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

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

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 principal activity of the group is the management of the Ricoh Arena in Coventry. The company leases the Ricoh Arena from its subsidiary Arena Coventry (2006) Limited, which purchased the head lease from Coventry North Regeneration, a subsidiary of 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 entertainment centre leased to Isle Casinos Limited,
- A Health & Fitness Club,
- Office accommodation,
- A 71 bedroom hotel,
- Bistro, and
- Community facilities

During the prior year a wholly owned subsidiary Arena Coventry (2006) Limited was formed with £2 share capital. The subsidiary did not trade during 2006 and therefore group accounts were not prepared for the year ended 31 May 2006 as Arena Coventry (2006) Limited was not considered material to the newly formed group. However, Arena Coventry (2006) Limited has traded during 2007 and therefore group accounts have been prepared for the first year ended 31 May 2007

On 14 December 2007 our major tenant Coventry City Football Club was sold to a consortium led by Ray Ranson and Sisu Capital Ltd. ACL is delighted that the Club has the backing of Sisu Private Equity with such a strong financial covenant and the new capital investment into the Club has stabilised the Club's finances and seen the threat of administration for the Club lifted. These are exciting times for Coventry City Football Club with ambitious new owners

## **RESULTS AND DISTRIBUTIONS**

The results for the year are set out on page 6. The group's profit for the year before taxation, amounted to £868,663 (2006 - loss £3,426,839).

The directors do not recommend the payment of a dividend

## **DIRECTORS AND THEIR INTERESTS**

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 group undertaking

## **CHARITABLE AND POLITICAL DONATIONS**

During the year the group made charitable donations of £205 (2006 - £200). These were to local charities serving the local communities of Coventry and Warwickshire in which the group operates. No political contributions were made in the year (2006 - £nil)

## **POST BALANCE SHEET EVENTS**

Subsequent events are disclosed in note 26 on page 20

**DIRECTORS REPORT (CONTINUED)**

**INFORMATION GIVEN TO AUDITORS**

Each of the directors at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken as directors 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

**AUDITORS**

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed by order of the Board



Director

Date 25/1/2008

Ricoh Arena  
71 Phoenix Way  
Foleshill  
Coventry  
CV6 6GE

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare accounts for the company and the Group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the Group and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing these 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 UK accounting standards have been followed,
- 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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report, the chairman's statement and chief executive's statement which comply with the requirements of the Companies Act 1985.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARENA COVENTRY LIMITED**

We have audited the group and individual company financial statements of Arena Coventry Limited for the year ended 31 May 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes 1 to 27. 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. We also 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 and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 group's and the individual company's affairs as 31 May 2007 and of the group's profit 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*

**Deloitte & Touche LLP**  
Chartered Accountants and Registered Auditors  
Manchester  
25 January 2008

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**Year ended 31 May 2007**

	Note	Group 2007 £	Company 2006 £
<b>TURNOVER</b>	1	6,436,586	2,467,785
Administrative expenses		(5,509,864)	(5,449,682)
<b>OPERATING PROFIT/ (LOSS)</b>	2	926,722	(2,981,897)
Profit on disposal of fixed assets	3	1,250,000	-
Interest payable and similar charges	4	(1,495,727)	(704,374)
Interest receivable and similar income	5	187,668	259,432
<b>PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		868,663	(3,426,839)
Tax on ordinary activities	8	-	-
<b>PROFIT/ (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>		868,663	(3,426,839)
<b>RETAINED PROFIT/ (LOSS) FOR THE FINANCIAL YEAR</b>		868,663	(3,426,839)

All activity has arisen from continuing operations

The accompanying notes are an integral part of this consolidated profit and loss account

The group has no recognised gains or losses other than those reported above for the current and previous periods, and consequently a consolidated statement of total recognised gains and losses has not been prepared



**CONSOLIDATED BALANCE SHEET**  
**31 May 2007**

	Note	Group 2007 £	Company 2006 £
<b>FIXED ASSETS</b>			
Tangible assets	10	26,853,968	26,740,467
Investments	11	-	2
		<u>26,853,968</u>	<u>26,740,469</u>
<b>CURRENT ASSETS</b>			
Debtors	12	1,624,208	1,867,845
Cash at bank and in hand		<u>557,154</u>	<u>-</u>
		2,181,362	1,867,845
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(1,579,519)</u>	<u>(1,809,539)</u>
<b>NET CURRENT ASSETS</b>		<u>601,843</u>	<u>58,306</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>27,455,811</u>	<u>26,798,775</u>
<b>CREDITORS: amounts falling due after one year</b>	14	(22,491,948)	(22,430,272)
<b>ACCRUALS AND DEFERRED INCOME</b>	15	<u>(7,706,117)</u>	<u>(7,979,420)</u>
<b>NET LIABILITIES</b>		<u>(2,742,254)</u>	<u>(3,610,917)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	3,516,112	3,516,112
Profit and loss account	17	<u>(6,258,366)</u>	<u>(7,127,029)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(2,742,254)</u>	<u>(3,610,917)</u>

These financial statements were approved by the Board of Directors on

25/01 / 2008

Signed on behalf of the Board of Directors



Mr N Carter

Director

Date 25/1/2008

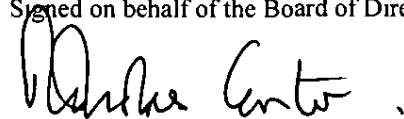
The accompanying notes are an integral part of this consolidated balance sheet

**COMPANY BALANCE SHEET**  
**31 May 2007**

	Note	2007 £	2006 £
<b>FIXED ASSETS</b>			
Tangible Assets	10	26,853,968	26,740,467
Investments	11	<u>2</u>	<u>2</u>
		26,853,970	26,740,469
<b>CURRENT ASSETS</b>			
Debtors	12	22,086,418	1,867,845
Cash at bank and in hand		<u>557,154</u>	<u>-</u>
		22,643,572	1,867,845
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(1,617,394)</u>	<u>(1,809,539)</u>
<b>NET CURRENT ASSETS</b>		<u>21,026,178</u>	<u>58,306</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		47,880,148	26,798,775
<b>CREDITORS: amounts falling due after more than one year</b>	14	(44,566,670)	(22,430,272)
<b>ACCRUALS AND DEFERRED INCOME</b>	15	<u>(7,697,617)</u>	<u>(7,979,420)</u>
<b>NET LIABILITIES</b>		<u>(4,384,139)</u>	<u>(3,610,917)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	3,516,112	3,516,112
Profit and loss account	17	<u>(7,900,251)</u>	<u>(7,127,029)</u>
<b>EQUITY SHAREHOLDERS' DEFICIT</b>		<u>(4,384,139)</u>	<u>(3,610,917)</u>

These financial statements were approved by the Board of Directors on  
 Signed on behalf of the Board of Directors

25/01/2008



Mr N Carter

Director

Date 25/1/2008

The accompanying notes are an integral part of this balance sheet

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 May 2007**

	<b>Note</b>	<b>Group 2007 £</b>	<b>Company 2006 £</b>
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>18</b>	<b>1,704,818</b>	<b>5,534,256</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		49,297	259,432
Interest paid		(1,460,032)	(76,629)
Interest element of finance lease rentals		(42,580)	(627,745)
Net cash outflow from returns on investments and servicing of finance		(1,453,315)	(444,942)
<b>Capital expenditure and financial investment</b>			
Payment to acquire finance lease		(22,004,203)	-
Payments to acquire tangible fixed assets		(514,951)	(5,473,109)
Sale of tangible fixed assets		1,250,000	-
Net cash outflow from capital expenditure and financial investment		(21,269,154)	(5,473,109)
Net cash outflow before use of liquid resources and financing		(21,017,651)	(383,795)
<b>Financing</b>			
Receipt of bank loan		22,000,000	-
Receipt of related party loan		239,579	-
Repayment of bank loan		(360,373)	-
Capital element of finance lease rental payments		(140,100)	(8,890)
Net cash inflow/ (outflow) from financing		21,739,106	(8,890)
<b>INCREASE/ (DECREASE) IN CASH IN THE YEAR</b>	<b>20</b>	<b>721,455</b>	<b>(392,685)</b>

The accompanying notes are an integral part of this consolidated cash flow statement

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2007

### 1. ACCOUNTING POLICIES

The principle 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, in accordance with applicable accounting standards in the United Kingdom.

#### Basis of consolidation

The Group financial statements consolidate the financial statements of Arena Coventry Limited and its subsidiary undertaking. Businesses acquired or disposed of during the period are consolidated for the period from the effective date of acquisition or until the effective date of disposal.

#### 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.

#### Tangible fixed assets

Tangible fixed assets are stated at historical cost, net of accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less the anticipated residual value, of each asset on a straight line basis over the expected useful economic life, as follows:

Leasehold land and buildings	2% per annum
Fixtures and fittings	7% - 33% per annum
Computers and office equipment	7% - 33% per annum

Residual value is calculated on prices prevailing at the date of acquisition.

#### Fixed asset investments

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

#### Pensions

The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions to the staff and directors' defined contribution private pension schemes that are payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### Current taxation

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

#### Deferred taxation

Deferred tax 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 May 2007****1. ACCOUNTING POLICIES (continued)****Leases and hire purchase obligations**

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 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.

**Government grants**

Government grants and other grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

**Basis of preparation of the financial statements**

During the prior year a wholly owned subsidiary Arena Coventry (2006) Limited was formed with £2 share capital. The subsidiary did not trade during 2006 and therefore group accounts were not prepared for the year ended 31 May 2006 as Arena Coventry (2006) Limited was not considered material to the newly formed group. However, Arena Coventry (2006) Limited has traded during 2007 and therefore group accounts have been prepared for the first year ended 31 May 2007. All comparatives for 2006 relate to the company only results for Arena Coventry Limited for the year ended 31 May 2006.

**2. OPERATING PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2007 £	2006 £
Operating profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation		
- owned assets	943,218	633,654
- leased assets	469,470	-
Auditors' remuneration		
- fees payable to the company's auditors for the audit of the company's annual accounts	22,500	23,250
- audit of the company's subsidiary	2,500	-
- non-audit fees (tax services)	65,000	243,588
Operating leases	79,786	96,990
Amortisation of grants	(103,545)	-

**3. PROFIT ON DISPOSAL OF FIXED ASSETS**

On 2 June 2006 Arena Coventry (2006) Limited sold two plots of leasehold land the company had an interest in to Coventry North Regeneration Limited for £1,250,000.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 May 2007**

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Bank loans and overdrafts	1,395,747	68,451
Finance leases and hire purchase contracts	35,695	627,745
Other loans	64,285	8,178
	<u>1,495,727</u>	<u>704,374</u>

**5. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Bank interest receivable	37,556	259,432
Finance leases	138,371	-
Other	11,741	-
	<u>187,668</u>	<u>259,432</u>

**6. STAFF COSTS**

<b>Group and Company</b>	<b>2007</b>	<b>2006</b>
	<b>No</b>	<b>No.</b>
<b>Average number of persons employed</b>		
Operations staff	22	16
Commercial staff	1	1
Administrative staff	6	7
Casual staff	16	21
	<u>45</u>	<u>45</u>
	<b>£</b>	<b>£</b>
<b>Staff costs during the year</b>		
Wages and salaries	721,814	875,001
Social security costs	64,930	89,902
Pension costs	21,023	34,120
	<u>807,767</u>	<u>999,023</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****Year ended 31 May 2007****7 DIRECTORS' REMUNERATION, INTERESTS AND TRANSACTIONS**

<b>Group and Company</b>	<b>2007 £</b>	<b>2006 £</b>
<b>Directors' remuneration during the year</b>		
Emoluments	99,980	325,635
Pension contributions to money purchase pension scheme	695	12,764
	<u>100,675</u>	<u>338,399</u>

No payments were made to the four directors appointed by the two shareholders, North Coventry Holdings Limited and Football Investors Limited (2006 - £Nil)

During the year the highest paid director received £47,148 (2006 - £277,635) This includes pension contributions of £695 (2006 - £12,764)

**8. TAX ON PROFIT/ (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

	<b>2007 £</b>	<b>2006 £</b>
Profit/ (loss) on ordinary activities before tax	868,664	(3,426,839)
Tax on profit/ (loss) on ordinary activities at the standard rate	(260,599)	1,028,052
Effects of		
Expenses not deductible for tax purposes at the standard rate	(7,032)	(95,184)
Adjustment in respect of finance lease	(10,434)	
Capital allowances in excess of depreciation	1,826,566	228,433
Lease premium taxed in prior year	178,337	
Utilisation of tax losses	98,125	622,079
Deferred tax not recognised	(1,824,963)	-
Movement in short term timing differences	-	(1,783,380)
Current tax charge for the year	<u>-</u>	<u>-</u>

**(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 2007 is £6,570,609 (2006 - £1,807,788)

**9. PROFIT OF PARENT COMPANY**

As permitted by section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's result for the financial year transferred to reserves amounted to a loss of £773,222 (2006 - loss £3,426,839)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 May 2007

10. TANGIBLE FIXED ASSETS

	Leasehold land & buildings £	Fixtures & fittings £	Computer & office equipment £	Total £
<b>Group and Company</b>				
<b>Cost</b>				
At 1 June 2006	21,147,110	5,395,344	858,106	27,400,560
Additions	1,011,238	505,019	9,932	1,526,189
Disposals	-	-	-	-
At 31 May 2007	22,158,348	5,900,363	868,038	28,926,749
<b>Depreciation</b>				
At 1 June 2006	147,110	338,094	174,889	660,093
Charge for the year	469,470	740,320	202,898	1,412,688
Disposals	-	-	-	-
At 31 May 2007	616,580	1,078,414	377,787	2,072,781
<b>Net book value</b>				
At 1 June 2006	21,000,000	5,057,250	683,217	26,740,467
At 31 May 2007	21,541,768	4,821,949	490,251	26,853,968
Leased assets included above				
<b>Net book value</b>				
At 1 June 2006	21,000,000	-	-	21,000,000
At 31 May 2007	21,541,768	633,856	-	22,175,624

11. FIXED ASSET INVESTMENTS

<b>Group</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Subsidiary undertakings	-	2
<b>Company</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Subsidiary undertakings	2	2

The subsidiary undertakings relates to Arena Coventry (2006) Limited, a wholly owned subsidiary incorporated in the United Kingdom



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 May 2007**

**12. DEBTORS**

Amounts falling due within one year

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	621,653	1,065,837	621,653	1,065,837
Amounts owed by group undertakings	-	-	20,462,210	-
Other debtors	1,372	22,787	1,372	22,787
Prepayments and accrued income	991,493	773,575	991,493	773,575
Corporation Tax	9,690	5,646	9,690	5,646
	<u>1,624,208</u>	<u>1,867,845</u>	<u>22,086,418</u>	<u>1,867,845</u>

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdraft	-	164,301	-	164,301
Bank loans	484,246	-	484,246	-
Related party loan (see note 14)	83,333	-	83,333	-
Obligations under finance leases and hire purchase contracts	140,000	168,369	177,875	168,369
Trade creditors	789,825	1,446,148	789,825	1,446,148
Amounts owed to group undertakings	-	2	-	2
Other taxation and social security	81,783	22,477	81,783	22,477
Other creditors	332	8,242	332	8,242
	<u>1,579,519</u>	<u>1,809,539</u>	<u>1,617,394</u>	<u>1,809,539</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 May 2007

## 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	21,155,381	-	21,155,381	-
Related Party loan	916,667	760,421	916,667	760,421
Obligations under finance leases and hire purchase contracts	419,900	21,669,851	22,494,622	21,669,851
	<u>22,491,948</u>	<u>22,430,272</u>	<u>44,566,670</u>	<u>22,430,272</u>

On the 2 June 2006 Arena Coventry (2006) Limited purchased the finance lease from Coventry North Regeneration Limited that the company had entered into on 26 January 2006 for the Ricoh Arena. The term of the lease is 50 years less 3 days from 19 December 2003 when the development agreement was entered into.

The company has received a loan of £1,000,000 (2006 - £760,421) from Coventry North Regeneration Limited which bears interest at the rate of 1.5% above base rate. The loan is repayable by 28 December 2010.

Borrowings excluding obligations under finance leases and hire purchase contracts included in creditors due within one year and after more than one year are payable as follows:

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts payable				
- on demand or within one year	567,579	164,301	567,579	164,301
- between one and two years	843,039	83,333	843,039	83,333
- between two and five years	2,321,590	677,088	2,321,590	677,088
- after five years	18,907,419	-	18,907,419	-
	<u>22,639,627</u>	<u>924,722</u>	<u>22,639,627</u>	<u>924,722</u>

Amounts owed to other group undertakings are unsecured, and are interest bearing at the rate of 1.75% above 3 month LIBOR and have no set repayment dates.

Obligations under finance leases and hire purchase contracts

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts payable				
- on demand or within one year	140,000	164,301	177,875	164,301
- between one and two years	140,000	83,333	181,243	83,333
- between two and five years	279,900	677,088	426,971	677,088
- after five years	-	-	22,569,800	-
	<u>559,900</u>	<u>924,722</u>	<u>23,355,889</u>	<u>924,722</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 May 2007

## 15. ACCRUALS AND DEFERRED INCOME

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Lease premium	5,350,136	5,944,595	5,350,136	5,944,595
Accruals	1,025,479	1,510,050	1,016,979	1,510,050
Deferred income	1,330,502	524,775	1,330,502	524,775
	<u>7,706,117</u>	<u>7,979,420</u>	<u>7,697,617</u>	<u>7,979,420</u>

The lease premium represents an upfront payment from the Isle of Capri Casino £5,350,136 (2006 - £5,944,595). The directors consider that there are no foreseeable circumstances that would require the company to repay the amount received.

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

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

## 16. CALLED UP SHARE CAPITAL

Group and Company	2007	2006
	£	£
Authorised, allotted, called up and fully paid		
Type "A" 1,758,056 Ordinary share of £1 each	1,758,056	1,758,056
Type "B" 1,758,056 Ordinary share 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 May 2007

## 17. RECONCILIATION OF RESERVES AND MOVEMENTS IN SHAREHOLDERS' DEFICIT

Group	Share capital £	Profit and loss account £	Total £
At 1 June 2006	3,516,112	(7,127,029)	(3,610,917)
Profit for the financial year transferred to reserves	-	868,663	868,663
At 31 May 2007	<u>3,516,112</u>	<u>(6,258,366)</u>	<u>(2,742,254)</u>
Company			
At 1 June 2006	3,516,112	(7,127,029)	(3,610,917)
Loss for the financial year transferred to reserves	-	(773,222)	(773,222)
At 31 May 2007	<u>3,516,112</u>	<u>(7,900,251)</u>	<u>(4,384,139)</u>

## 18. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating profit / (loss)	926,722	(2,981,897)
Depreciation	1,412,688	633,654
Decrease/ (Increase) in debtors	243,637	(1,389,235)
(Decrease)/ Increase in creditors, accruals and deferred income	<u>(878,229)</u>	<u>9,271,734</u>
Net cash inflow from operating activities	<u>1,704,818</u>	<u>5,534,256</u>

## 19. ANALYSIS OF NET DEBT

	At 1 June 2006 £	Cash flow £	Other non-cash changes £	At 31 May 2007 £
Cash at bank and in hand	-	557,154	-	557,154
Overdrafts	<u>(164,301)</u>	<u>164,301</u>	<u>-</u>	<u>-</u>
	(164,301)	721,455	-	557,154
Debt due within 1 year	-	(506,080)	(83,333)	(589,413)
Debt due after 1 year	<u>(760,421)</u>	<u>(21,373,126)</u>	<u>83,333</u>	<u>(22,050,214)</u>
Finance leases	(21,838,220)	22,144,303	(865,983)	(559,900)
Net debt	<u>(22,762,942)</u>	<u>986,552</u>	<u>(865,983)</u>	<u>(22,642,373)</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**Year ended 31 May 2007**

**20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2007 £	2006 £
Increase / (Decrease) in cash in the year	721,455	(392,685)
Change in net debt resulting from cash flows	721,455	(392,685)
Related party loan	(239,579)	(760,421)
Bank loan	(21,639,627)	-
Finance lease	22,144,303	(21,838,220)
Non cash flow movement in finance lease	(865,983)	-
Movement in net debt in the year	120,569	(22,991,326)
(Net debt)/ funds at 1 June	(22,762,942)	228,384
Net debt at 31 May	<u>(22,642,373)</u>	<u>(22,762,942)</u>

**21. MAJOR NON-CASH TRANSACTIONS**

There were no major non-cash transactions during the year

**22. FINANCIAL COMMITMENTS**

**Operating lease commitments**

At 31 May 2007 the Group was committed to making the following payments in respect of operating leases

	Group 2007 £	2006 £
Equipment		
Within one year	73,232	73,232
Within two to five years	164,771	238,003
Land & buildings		
Within one year	-	-
Within two to five years	-	-
Motor Vehicles		
Within one year	1,414	10,736
Within two to five years	-	-
	<u>239,417</u>	<u>321,971</u>

There were no annual commitments under non-cancellable operating leases

**23. CONTINGENT LIABILITIES**

The group has no contingent liabilities (2006 - £62,040 provision was made)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**Year ended 31 May 2007**

**24. CAPITAL COMMITMENTS**

At the year end the company had entered into £126,382 (2006 - £274,876) of capital commitments towards the fit out of the Ricoh Arena

**25. 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 was a director during the year. The transactions with Coventry City Football Club totalled £119,054 for the year and related mainly to corporate hospitality, sponsorship, and support costs for events (2006 - £51,974 related mainly to corporate hospitality and sponsorship costs). At the year end £6,309 was owing to Coventry City Football Club (2006 - £179,465). 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 £1,061,527 (2006 - £656,391). At the year end £130,762 was owing to Arena Coventry Limited (2006 - £324,144). Since the year end Coventry City Football Club (Holdings) Limited has paid £121,219 towards the lease and licence balances that were outstanding at the year end.

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 £111,970 (2006 - £203,767) and £109,655 was outstanding at 31 May 2007 (2006 - £125,285).

During the year the group purchased the head lease for the Ricoh Arena from Coventry North Regeneration Limited (CNR), of which Stella Manzie and John McGuigan are directors, which totalled £21,000,000, plus the company paid interest on a loan totalling £60,839. At the year end Arena Coventry Ltd owed £16,486 (2006 - £364,902). CNR purchased back from Arena Coventry Ltd two parcels of land from within the head lease and made contributions towards services provided of £1,708,218 to Arena Coventry Limited. At the year end no amount was outstanding (2006 - £67,064).

At the year end, the amount outstanding on the loan from CNR was £1,000,000 (2006 - £760,421) which bears interest at the rate of 1.5% over base rate. The loan is repayable by 28 December 2010.

**26. POST BALANCE SHEET EVENTS**

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

- During November and December Arena Coventry Limited has had to withdraw £396,994 from the rent deposit escrow account to settle outstanding rent and service charges.
- During December 2007 and January 2008 Sisu Private Equity Fund purchased 85.7% of the shareholding in Coventry City Football Club (Holdings) Ltd.

**27. CONTROLLING PARTY**

The company is a joint venture 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 which consists of two directors from each shareholder plus three independent directors are responsible for the management of the company.