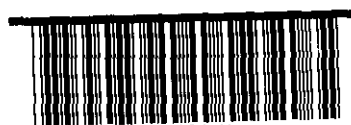


**Arena Coventry Limited**

**Report and Financial Statements**

**31 May 2004**



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**REPORT AND FINANCIAL STATEMENTS 2004**

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## **REPORT AND FINANCIAL STATEMENTS 2004**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

P Fletcher  
Sir Derek Higgs  
N Carter  
J McGuigan  
S G Manzie  
A M Jepson Resigned 19 December 2003  
A S Young (Chairman)  
M C McGinnity Appointed 19 December 2003

#### **SECRETARY**

W E Cooper

#### **CHIEF EXECUTIVE**

P Fletcher

#### **REGISTERED OFFICE**

Council House  
Earl Street  
COVENTRY  
CV1 5RR

#### **BANKERS**

HSBC Bank plc  
Corporation Street  
COVENTRY  
CV1 1Q

#### **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 2004.

### 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 company owned by The Alan Edward Higgs Charity.

The company is principally engaged in the management of the Arena in Coventry. Once the Arena is constructed the company will lease the Arena from Coventry North Regeneration Limited.

The Arena will principally consist of the following activities:

- ☐ A 32,000 seater stadium to be home to Coventry City Football Club;
- ☐ 6,000 square metre exhibition, events and concert facility;
- ☐ A convention and banqueting centre;
- ☐ A 14,200 square metre family entertainment centre;
- ☐ 70 overnight accommodation rooms;
- ☐ A Health & Fitness club;
- ☐ Office accommodation; and
- ☐ Community facilities.

### RESULTS, DIVIDENDS AND FUTURE PROSPECTS

The results for the year are set out on page 5. The loss for the year after taxation amounted to £1,016,681 (2003 - £1,053,627). 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 deducted from reserves.

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

### DIRECTORS


The names of the current directors who served during the period 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 **BILL COOPER**  
Date: **30 March 2005**

## **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 2004 which comprise the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses 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.

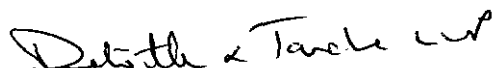
### **Basis of audit opinion**

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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 May 2004 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**

Chartered Accountants and Registered Auditors  
Manchester

Date: 30 March 2005

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 May 2004**

	Note	Year ended 31 May 2004 £	Period from 16 May 2002 to 31 May 2003 £
<b>TURNOVER</b>	1	-	-
Administrative expenses		<u>(1,039,750)</u>	<u>(1,056,682)</u>
<b>OPERATING LOSS</b>	2	(1,039,750)	(1,056,682)
Net interest receivable	3	<u>23,069</u>	<u>3,055</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,016,681)	(1,053,627)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
<b>RETAINED LOSS FOR THE PERIOD</b>	10	<u>(1,016,681)</u>	<u>(1,053,627)</u>

There were no recognised gains and losses for the financial period 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 2004**

	Note	31 May 2004 £	31 May 2003 £
<b>FIXED ASSETS</b>			
Tangible assets	6	36,331	17,956
<b>CURRENT ASSETS</b>			
Debtors	7		
Due within one year		63,548	842,180
Due after one year		152,735	-
Cash at bank and in hand		1,394,486	198,752
		1,610,769	1,040,932
<b>Creditors: amounts falling due within one year</b>	8	(201,296)	(354,259)
<b>NET CURRENT ASSETS</b>		1,409,473	686,673
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,445,804	704,629
<b>NET ASSETS</b>		1,445,804	704,629
<b>CAPITAL AND RESERVES</b>			
Called up share capital	9	3,516,112	1,758,256
Profit and loss account	10	(2,070,308)	(1,053,627)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		1,445,804	704,629

These financial statements were approved by the Board of Directors on 30 March 2005

Signed on behalf of the Board of Directors



Director

PAUL FLETCHER



**CASHFLOW STATEMENT**  
**31 May 2004**

	Note	Year ended 31 May 2004 £	Period from 16 May 2002 to 31 May 2003 £
Net cash outflow from operating activities	11	(552,244)	(1,540,962)
<b>Returns on investments and servicing of finance</b>			
Interest received		22,806	2,553
Interest paid		(26)	(1)
		<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance		22,780	2,552
<b>Taxation</b>			
Corporation tax		-	-
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(30,093)	(23,659)
		<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment		(30,093)	(23,659)
<i>Net cash outflow before use of liquid resources and financing</i>		(559,557)	(1,562,069)
<b>Financing</b>			
Issue of share capital		1,757,856	1,758,256
		<hr/>	<hr/>
Net cash inflow from financing		1,757,856	1,758,256
<b>Increase in cash</b>	12	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 May 2004****1. ACCOUNTING POLICIES**

The principle accounting policies are summarised below. They have all been applied consistently throughout the year and 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, will be stated net of value added tax.

**Depreciation**

Depreciation is calculated to reduce the cost of plant, equipment, motor vehicles 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% per annum

**New Stadium Project**

Costs incurred in relation to the planning application, design and associated elements of the new stadium proposals have been charged to the profit and loss account.

**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 crystallize 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.

**2. OPERATING LOSS**

	<b>Year ended 31 May 2004 £</b>	<b>Period from 16 May 2002 to 31 May 2003 £</b>
Operating loss is stated after charging:		
Depreciation	11,718	5,703
Auditors' remuneration		
- audit	9,500	11,250
- other services	89,467	85,515
Operating leases	41,699	22,530

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

## 3. NET INTEREST RECEIVABLE

	Year ended 31 May 2004 £	Period from 16 May 2002 to 31 May 2003 £
Interest on bank overdraft	26	1
Interest receivable	(23,095)	(3,056)
	<u>(23,069)</u>	<u>(3,055)</u>

## 4. DIRECTORS AND EMPLOYEES

	Year ended 31 May 2004 £	Period from 16 May 2002 to 31 May 2003 £
<b>Aggregate payroll costs were as follows:</b>		
Wages and salaries	357,360	259,151
Social security costs	45,880	30,929
Other pension costs	19,477	11,014
	<u>422,717</u>	<u>301,094</u>
	£	£
Remuneration in respect of directors was as follows:		
Emoluments	211,302	187,881
Pension contributions to money purchase pension scheme	11,173	8,154
	<u>222,475</u>	<u>196,035</u>

No payments were made to the four directors appointed by the two shareholders, North Coventry Holdings Limited and Football Investors Limited (nil 2003).

During the year the highest paid director received £181,642 (£159,368 2003) this includes pension contributions of £11,173 (£8,154 2003)

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

	Year ended 31 May 2004	Period from 16 May 2002 to 31 May 2003
Commercial staff	1	1
Administrative staff	5	5
	<u>6</u>	<u>6</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2004**

**5. TAX ON LOSS ON ORDINARY ACTIVITIES**

**(i) Factors affecting current tax charge for the period**

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

The differences are explained below:

	<b>Year ended 31 May 2004 £</b>	<b>Period from 16 May 2002 to 31 May 2003 £</b>
Loss on ordinary activities before tax	(1,016,681)	(1,053,627)
Tax on loss on ordinary activities at the standard rate	305,004	316,088
Expenses not deductible for tax purposes at the standard rate	(60,779)	(173,079)
Capital Allowances in excess of depreciation	(3,515)	-
Pre trade expenditure at the standard rate	-	(143,009)
Tax losses unrelieved	(240,710)	-
	<hr/>	<hr/>
Current tax charge for the period	-	-

**(ii) Factors that may affect the future tax charge**

A deferred tax asset has not been recognised in respect of timing differences relating to losses of £800,000 as the directors believe there to be insufficient evidence that it is more likely than not that the asset will be recovered (2003 – deferred asset of £476,697 not recognised in respect of pre trade expenditure). The asset will be received when relevant profits against which the timing differences concerned will be offset.

**6. TANGIBLE FIXED ASSETS**

	<b>Computer equipment £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 April 2003	23,510	149	23,659
Additions	4,970	25,123	30,093
	<hr/>	<hr/>	<hr/>
At 31 May 2004	28,480	25,272	53,752
<b>Depreciation</b>			
At 1 April 2003	5,666	37	5,703
Charged during the year	8,288	3,430	11,718
	<hr/>	<hr/>	<hr/>
At 31 May 2004	13,954	3,467	17,421
<b>Net book value</b>			
At 31 May 2004	14,526	21,805	36,331
	<hr/>	<hr/>	<hr/>
At 16 May 2003	17,844	112	17,956
	<hr/>	<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2004**

**7. DEBTORS**

	31 May 2004 £	31 May 2003 £
Other debtors		
Due within one year	27,275	826,937
Due after one year	152,735	-
Prepayments and accrued income	36,273	15,243
	<u>216,283</u>	<u>842,180</u>

Other debtors due after one year £152,735 (nil 2003) represents an amount owing from Coventry North Regeneration Ltd. This is due for settlement when the Arena opens in August 2005.

**8. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31 May 2004 £	31 May 2003 £
Bank overdraft	-	2,565
Trade creditors	87,006	123,231
Social Security and other taxes	26,544	41,469
Accruals & deferred income	87,746	186,994
	<u>201,296</u>	<u>354,259</u>

**9. CALLED UP SHARE CAPITAL**

	31 May 2004 £	31 May 2003 £
<b>Authorised</b>		
Type "A" 2,000,000 Ordinary shares of £0.879028 each (Type "A" 2,000,000 Ordinary shares of £0.0001 each 2003)	1,758,056	200
Type "B" 2,000,000 Ordinary shares of £0.879028 each	1,758,056	1,758,056
	<u>3,516,112</u>	<u>1,758,256</u>
<b>Allotted, called up and fully paid</b>		
Type "A" 2,000,000 Ordinary shares of £0.879028 each (Type "A" 2,000,000 Ordinary shares of £0.0001 each 2003)	1,758,056	200
Type "B" 2,000,000 Ordinary shares of £0.879028 each	1,758,056	1,758,056
	<u>3,516,112</u>	<u>1,758,256</u>

Full payment for Type "A" shares was received on 23<sup>rd</sup> December 2003 at their nominal value. The shares were issued at par for consideration of £1,757,856 cash and is intended to provide working capital to the Company until the completion of the Arena in August 2005.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2004**

**9. CALLED UP SHARE CAPITAL (continued)**

**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.

**10. RECONCILIATION OF RESERVES AND MOVEMENTS IN SHAREHOLDERS' FUNDS**

	Share capital £	Profit and loss account £	2004 Total £
At 1 June 2003	1,758,256	(1,053,627)	704,629
Shares issued	1,758,856		1,758,856
Loss for the period		(1,016,681)	(1,016,681)
At 31 May 2004	<u>3,516,112</u>	<u>(2,070,308)</u>	<u>1,445,804</u>

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

	Year ended 31 May 2004 £	Period from 16 May 2002 to 31 May 2003 £
Operating loss	(1,039,750)	(1,056,682)
Depreciation of tangible fixed assets	11,718	5,703
Decrease/(Increase) in debtors	625,897	(841,677)
(Decrease)/Increase in creditors	(150,109)	351,694
Net cash outflow from operating activities	<u>(552,244)</u>	<u>(1,540,962)</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 May 2004**

**12. ANALYSIS OF NET FUNDS**

	<b>At 1 June 2003</b>	<b>Cash flow</b>	<b>At 31 May 2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Analysis of net funds</b>			
Cash at bank and in hand	198,752	1,195,734	1,394,486
Bank overdraft	(2,565)	2,565	
	<u>196,187</u>	<u>1,198,299</u>	<u>1,394,486</u>

**13. FINANCIAL COMMITMENTS**

**Operating Lease Commitments**

At 31 May 2004 the Company was committed to making the following payments in respect of operating leases.

	<b>31 May 2004</b>	<b>31 May 2003</b>
	<b>£</b>	<b>£</b>
<b>Land &amp; Buildings</b>		
Within one year	44,415	10,000
Within two to five years	8,154	-
<b>Motor Vehicles</b>		
Within one year	7,598	7,738
Within two to five years	13,128	-
	<u>73,295</u>	<u>17,738</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**

There are no capital commitments entered into at the year end.

**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, Mr AM Jepson and Mr M McGinnity are directors. The transactions with Coventry City Football Club totalled £3,311 for the period and related mainly to corporate hospitality and stationery (2003 - £26,312 related mainly to seconded staff). No amount was owing to Coventry City Football Club at the year end. A balance of £429 was outstanding to Arena Coventry Limited at 31<sup>st</sup> May 2004 (2003- nil).

The company leased its offices from the Alan Edward Higgs Charity, of which Sir Derek Higgs was a trustee. The lease for the period totalled £10,000 (2003 - £9,167).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 May 2004

### 15 RELATED PARTY TRANSACTIONS (continued)

Stella Manzie and John McGuigan are senior officers of Coventry City Council. Rates and operating expenses to the value of £23,459 (2003 – £7,143) were charged during the period and £15,432 was outstanding at 31<sup>st</sup> May 2004 (2003 – £3,438).

Paul Fletcher is a director of CV One Limited. Arena Coventry Limited participated in an exhibition with CV One Limited costing £1,928 during the period (2003 – £4,401). No amounts were outstanding as at 31<sup>st</sup> May 2004 (2003 – nil).

Coventry North Regeneration Limited, in which Stella Manzie and John McGuigan are directors, entered into a supplemental deed on 28<sup>th</sup> May 2003 in which they are to pay Arena Coventry Limited £805,000 of which £516,095 was received during the year and £152,735 was outstanding at 31<sup>st</sup> May 2004. This mainly relates to design fees incurred on the Arena.

### 16. POST BALANCE SHEET EVENTS

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

- ☐ On 2<sup>nd</sup> July the company entered into an agreement with Jewson Limited for the sponsorship of the South stand.
- ☐ On 26<sup>th</sup> July 2004 the company entered into an agreement with Marconi Communications Limited for the sponsorship of the West stand.
- ☐ On 31<sup>st</sup> August 2004 the company entered into an agreement with Coventry Newspapers Limited for the sponsorship of the North stand.
- ☐ On 2<sup>nd</sup> September 2004 the company entered into an agreement with ntl Group Limited for the sponsorship of the East stand.
- ☐ On 29<sup>th</sup> October 2004 the company entered into an agreement with The Saville Group Limited for the sponsorship of the Business Suite.
- ☐ On 17<sup>th</sup> January 2005 the company entered into an agreement with Coca-Cola Enterprises Limited for the sponsorship and supply of soft drinks.
- ☐ On 31<sup>st</sup> January 2005 the company entered into an agreement with National Australia Group Europe Limited for the sponsorship of the level two hospitality lounge.
- ☐ On 22<sup>nd</sup> February 2005 the company entered into an agreement with Jaguar Cars Limited for the sponsorship of the exhibition hall.