

Company registration number 06414248 (England and Wales)

SKY BLUE SPORTS & LEISURE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

SKY BLUE SPORTS & LEISURE LIMITED

COMPANY INFORMATION

Directors	L Deering T D Fisher
Company number	06414248
Registered office	96 Kensington High Street London W8 4SG
Auditor	Edwards 34 High Street Aldridge Walsall West Midlands WS9 8LZ

SKY BLUE SPORTS & LEISURE LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 8
Group statement of comprehensive income	9
Group balance sheet	10
Company balance sheet	11
Group statement of changes in equity	12
Company statement of changes in equity	13
Group statement of cash flows	14
Notes to the financial statements	15 - 30

SKY BLUE SPORTS & LEISURE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2022.

The result for the year for the group is set out in the group statement of comprehensive income. The directors do not recommend a payment of a dividend.

The directors consider the key performance indicators of the group to be league status, finishing position of the Club, and the year's operating result.

Season review

The financial year ended 31 May 2021 endured the full effect of the global Covid-19 pandemic, resulting in the whole of the club's season 2020/21 fixtures having to be played behind closed doors, whilst also operating under a ground-share arrangement at Birmingham City Football Club.

Thankfully, with the unrestricted return of supporter attendance for the 2021/22 Championship season, and the return to playing at CBS (formerly Ricoh) Arena, the team were able to once again enjoy the magnificent and passionate support of our loyal fans, and achieved another creditable finishing position of 12th in the league table (a further improvement upon the 16th position achieved at the end of the 2020/21 season).

The current 2022/23 season has brought along its own challenges, with the first 3 home league fixtures being postponed due to an unsafe pitch at the CBS Arena – a situation that arose from the playing of Commonwealth Games Rugby Seven fixtures. Although this situation was outside of the club's control, the EFL sanctioned the club with a 5 points deduction suspended to the end of the 2023/24 season – the present board are confident that this will not be an issue to the Club during the period of suspension.

Despite the cancelled home league fixtures leading to a difficult start to the 2022/23 season, the team have recovered admirably, and the football club is presently in a position to make the final push to compete for a play-off place.

From a business point of view, the effect of playing the whole of the 2020/21 season fixtures behind closed doors takes away any meaningful detailed comparison of the year-on-year results, however, the following financial performance results are highlighted –

- Profit after tax increased to £22.083m (2021 - £4.731m loss)
- Tax credit on profit of £246k relates to research and development tax credit claims for the years ended 31 May 2020 and 2021
- Profit on sale of player registrations decreased to £494k (2021 - £1.870m)
- Other interest payable and similar expenses increased to £2.411m (2021 - £2.168m)
- Exceptional income of £29.338m for 2022 relates to the waiver of Scarba Limited loans and accrued SISU management charges

Subsequent to the year end, in January 2023 and following approval by the EFL, Doug King took ownership of the club, initially through the acquisition of an 85% interest and shortly thereafter acquiring the remaining 15% from the club's previous owners.

In what promises to be a new and exciting chapter, the acquisition returned the club to UK ownership. Additionally, with the debt re-structuring agreed as part of the transaction the club benefitted financially, not least by becoming debt-free.

Moving forward, future funding requirements will be provided by the new owner via the new parent undertaking CovCityCo Ltd without incurring interest or management charges, with the potential of saving significant amounts which can instead be diverted into the club's principal trading activities.

As part of the change in ownership, Tim Fisher resigned from both his positions as director and chairman of the Club, with Doug King replacing Tim Fisher in such positions. The board would like to convey its gratitude to Tim Fisher for his invaluable support during periods of challenging circumstances.

SKY BLUE SPORTS & LEISURE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Season Review (continued)

In addition, to fully align the club with its supporters, the name of Otium Entertainment Group Limited was changed during January 2023 to Coventry City Football Club Limited.

There are certain challenges to be overcome, such as the renegotiation of a licence agreement to play the 2023/24 season fixtures and beyond at the CBS Arena, but negotiations are progressing well and the board are confident that all concerned with the club can look forward to an exciting journey, where the goal as always will be to achieve promotion to the Premier League at the earliest opportunity.

To achieve this goal the board look forward to reviewing all aspects of the current operations, in order to assist with the continued development and enhancement of the first team playing squad, whilst also maintaining the significant on-going investment in the Academy in order to maintain its success under its Category Two Academy Status.

Principal risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the group's performance. The group's future income is affected by the club's performance because significant revenues are dependent upon team performance in the Football League and domestic cup competitions.

In order for the team to remain competitive, significant investment is required on an ongoing basis in both financial and non-financial terms. This investment needs to be balanced with the most important Board responsibility, which is to maintain a financially secure professional football club.

The Board maintains the financial discipline throughout the company to ensure that it is able to continue to operate within its existing facilities.

The group prepares annual budgets and forecasts, and maintains a close working relationship with its financiers and shareholders and is dependent on the continuing support from shareholders. Further details of the going concern position of the group is set out in note 1.

This strategic report was approved on behalf of the Board on

L Deering
Director

14 March 2023

SKY BLUE SPORTS & LEISURE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present their annual report and financial statements for the year ended 31 May 2022.

Principal activities

The group is principally engaged in the operation of a professional football club ("the club"). The company is engaged as a holding company for businesses in the sports and leisure industry.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

L Deering
T D Fisher

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Post reporting date events

Transfers of player registrations subsequent to 31 May 2022, taking into account applicable costs and player acquisitions, resulted in a net c.£2,090,000 receivable by the Club.

In addition to the above, subsequent to 31 May 2022, the Club received £197,500 in relation to sell on clauses for ex-players and paid £187,500 in relation to contingent contractual liabilities.

On 10th January 2023, Doug King received approval from the EFL to become the Club's owner. Following this, CovCityCo Ltd, owned 100% by Doug King at the time, acquired the share capital of the Club.

Subsequent to the takeover completing, debts totalling £31m, consisting of amounts acquired by Doug King from the previous owners and amounts owed to SISU Capital Fund Limited, were assigned to CovCityCo Ltd in exchange for shares issued to both SISU Capital Fund Limited (15%) and Doug King (85%). CovCityCo Ltd then executed a debt for equity swap to clear these loans and subsequently acquired the remaining 15% of the Club from the club's previous owners.

Subsequent to the year end, CovCityCo have pledged loans to the Club which are available to be drawn down. These will attract no interest.

Auditor

In accordance with the company's articles, a resolution proposing that Edwards be reappointed as auditor of the group will be put at a General Meeting.

SKY BLUE SPORTS & LEISURE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Other matters

On 11th of March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. The Club took advantage of various government schemes in order to minimise any lasting impact and to ensure the going concern status of the Club. Management continue to closely monitor the evolution of this pandemic, including how it may affect the Club, the economy and the general population further into the future. An appropriate response plan has always been in place, and although the impact of the pandemic as thankfully eased, we will continue to monitor and assess the ongoing development and respond accordingly.

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

L Deering
Director

14 March 2023

SKY BLUE SPORTS & LEISURE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2022

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the ;
- prepare the on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SKY BLUE SPORTS & LEISURE LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SKY BLUE SPORTS & LEISURE LIMITED

Opinion

We have audited the financial statements of Sky Blue Sports and Leisure Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2022 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 May 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - financial statements prepared on a basis other than going concern

We draw attention to notes 1 and 23 to the financial statements which disclose the sale of the subsidiary undertaking post year end and subsequent expectation to voluntarily liquidate the parent company. As such the directors do not consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements have been prepared on a basis other than going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

SKY BLUE SPORTS & LEISURE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SKY BLUE SPORTS & LEISURE LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks within which the Group operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006, employment law, health and safety regulations and compliance with the EFL handbook, Football League rules and Financial Fair Play.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be in the following areas: timing of recognition of income, the override of controls by management, inappropriate treatment of non-routine transactions and areas of estimation uncertainty. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, review and discussion of non-routine transactions, sample testing on the posting of journals and income transactions and review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

SKY BLUE SPORTS & LEISURE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SKY BLUE SPORTS & LEISURE LIMITED

Auditor's responsibilities for the audit of the financial statements (continued)

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Tonks BSc (Econ) FCA (Senior Statutory Auditor)
For and on behalf of Edwards

15 March 2023

Chartered Accountants
Statutory Auditor

34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

SKY BLUE SPORTS & LEISURE LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £	2021 £
Turnover	3	18,087,610	11,847,727
Cost of sales		(3,248,409)	(1,149,155)
Gross profit		14,839,201	10,698,572
Administrative expenses		(20,541,927)	(15,700,397)
Other operating income		118,662	568,352
Operating loss	5	(5,584,064)	(4,433,473)
Interest receivable and similar income	8	206	14
Interest payable and similar expenses	9	(2,411,845)	(2,168,021)
Profit on sale of player registrations		494,012	1,870,279
Exceptional income	4	29,338,148	-
Profit/(loss) before taxation		21,836,457	(4,731,201)
Tax on profit/(loss)	10	246,227	-
Profit/(loss) for the financial year		22,082,684	(4,731,201)
Profit/(loss) and total comprehensive income for the financial year is attributable to:			
- Owners of the parent company		22,747,236	(4,262,812)
- Non-controlling interests		(664,552)	(468,389)
		22,082,684	(4,731,201)

The group statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

SKY BLUE SPORTS & LEISURE LIMITED

GROUP BALANCE SHEET

AS AT 31 MAY 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Intangible assets	11	2,832,649		2,609,193	
Tangible assets	12	590,185		394,273	
		<u>3,422,834</u>		<u>3,003,466</u>	
Current assets					
Debtors	15	4,180,932		3,152,259	
Cash at bank and in hand		103,275		2,500,881	
		<u>4,284,207</u>		<u>5,653,140</u>	
Creditors: amounts falling due within one year	16	<u>(41,177,171)</u>		<u>(63,869,512)</u>	
Net current liabilities		<u>(36,892,964)</u>		<u>(58,216,372)</u>	
Total assets less current liabilities		<u>(33,470,130)</u>		<u>(55,212,906)</u>	
Creditors: amounts falling due after more than one year	17	<u>(1,150,580)</u>		<u>(1,490,488)</u>	
Net liabilities		<u><u>(34,620,710)</u></u>		<u><u>(56,703,394)</u></u>	
Capital and reserves					
Called up share capital	20	13,698		13,698	
Profit and loss reserves		<u>(40,263,595)</u>		<u>(63,010,831)</u>	
Equity attributable to owners of the parent company		<u>(40,249,897)</u>		<u>(62,997,133)</u>	
Non-controlling interests		<u>5,629,187</u>		<u>6,293,739</u>	
		<u><u>(34,620,710)</u></u>		<u><u>(56,703,394)</u></u>	

The financial statements were approved by the board of directors and authorised for issue on 14 March 2023 and are signed on its behalf by:

L Deering
Director

Company registration number 06414248 (England and Wales)

SKY BLUE SPORTS & LEISURE LIMITED

COMPANY BALANCE SHEET

AS AT 31 MAY 2022

	Notes	2022 £	£	2021 £	£
Fixed assets					
Investments	13		-		-
Current assets					
Debtors	15	-		70	
Creditors: amounts falling due within one year	16	-		(29,925,789)	
Net current liabilities			-		(29,925,719)
Capital and reserves					
Called up share capital	20		13,698		13,698
Profit and loss reserves			(13,698)		(29,939,417)
Total equity			-		(29,925,719)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £29,925,719 (2021 - £0 profit).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 14 March 2023 and are signed on its behalf by:

L Deering
Director

Company Registration No. 06414248

SKY BLUE SPORTS & LEISURE LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2022

	Share capital	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
	£	£	£	£	£
Balance at 1 June 2020	13,698	(58,748,019)	(58,734,321)	6,762,128	(51,972,193)
Year ended 31 May 2021:					
Loss and total comprehensive income for the year	-	(4,262,812)	(4,262,812)	(468,389)	(4,731,201)
Balance at 31 May 2021	13,698	(63,010,831)	(62,997,133)	6,293,739	(56,703,394)
Year ended 31 May 2022:					
Profit and total comprehensive income for the year	-	22,747,236	22,747,236	(664,552)	22,082,684
Balance at 31 May 2022	13,698	(40,263,595)	(40,249,897)	5,629,187	(34,620,710)

SKY BLUE SPORTS & LEISURE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2022

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 June 2020	13,698	(29,939,417)	(29,925,719)
Year ended 31 May 2021:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 May 2021	13,698	(29,939,417)	(29,925,719)
Year ended 31 May 2022:			
Profit and total comprehensive income for the year	-	29,925,719	29,925,719
Balance at 31 May 2022	13,698	(13,698)	-

SKY BLUE SPORTS & LEISURE LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2022

		2022	2021
	Notes	£	£
Cash flows from operating activities			
Cash absorbed by operations	27	(2,434,668)	(664,393)
Interest paid		(1,636)	(47,307)
Net cash outflow from operating activities		(2,436,304)	(711,700)
Investing activities			
Purchase of intangible assets		(3,024,915)	(1,746,752)
Proceeds on disposal of intangibles		616,775	1,615,500
Purchase of tangible fixed assets		(300,406)	(65,357)
Interest received		206	14
Net cash used in investing activities		(2,708,340)	(196,595)
Financing activities			
Repayment of borrowings		(1,157,212)	(140,000)
Proceeds of new loans		3,904,250	2,400,000
Net cash generated from financing activities		2,747,038	2,260,000
Net (decrease)/increase in cash and cash equivalents		(2,397,606)	1,351,705
Cash and cash equivalents at beginning of year		2,500,881	1,149,176
Cash and cash equivalents at end of year		103,275	2,500,881

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

Company information

Sky Blue Sports & Leisure Limited is a private company limited by shares incorporated in England and Wales. The registered office is 96 Kensington High Street, London, W8 4SG.

The group consists of Sky Blue Sports and Leisure Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

1.2 Consolidation

The consolidated group financial statements consist of the financial statements of the parent company Sky Blue Sports and Leisure Limited together with all entities controlled by the parent company (its subsidiaries) and the group's share of its interests in joint ventures and associates.

All financial statements are made up to 31 May 2022. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

The directors have considered the going concern status of the company. As explained more fully in note 23, subsequent to the year end, the company has sold its subsidiary undertaking. Following the sale, the directors have indicated their intention to voluntarily liquidate the company. As such, the directors do not consider the going concern basis to be appropriate. As the company does not expect to trade in its own right in the future, these financial statements have therefore not been prepared on this basis.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.4 Turnover

Turnover, which all arise in the United Kingdom, represents match receipts, executive box rentals and income from commercial activities receivable by the group, excluding VAT and trade discounts. Turnover is recognised for match related income in accordance with the matches played. Sponsorship and similar commercial income is recognised over the duration of the respective contracts in line with the contractual terms. Income arising from the fixed element of TV receipts is recognised over the course of the playing season. The non-fixed element of TV receipts relating to match coverage are recognised as the matches are played.

Income from match receipts, sponsorship and commercial contracts, which has been received prior to the year end in respect of future football seasons, is treated as deferred income.

1.5 Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

The profit or loss on disposal of a business includes any attributable goodwill arising on the acquisitions.

1.6 Intangible fixed assets

The group capitalises as an intangible asset the element of a player's transfer fee which relates to his registration together with associated costs and amortises that element over the period of his contract including any subsequently agreed extensions. Players' registrations are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

Trade marks purchased separately from a business are included at cost and amortised over their useful economic lives of 10 years.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their estimated useful lives, using the straight-line method and on the following basis:

Freehold land and buildings	2% per annum
Plant, fixtures and equipment	7.5% to 33.3% per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is credited or charged to profit and loss.

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

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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

Basic financial liabilities

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

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit or loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the profit or loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

The pension costs charged against profits represent the amount of the benefit payable to the scheme in respect of the accounting period.

Certain employees are members of the Football League Pension and Life Assurance (FLPLA) Scheme and the Football League Players' Benefit Scheme (the "schemes"). The company continues to make contributions in respect of its share of the deficit of these defined benefit pension schemes. Accrual of the benefits on a final salary basis was suspended with effect from 31 August 1999, when actuarial review showed a substantial deficit. As one of the number of participating employers the company is advised only of its share of the scheme's deficit and recognises a liability in respect of this. Contributions payable to the scheme reduce this liability.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.16 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.17 Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

2 Judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The nature of the company's business is such that there can be unpredictable variation and uncertainty regarding its business. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Player transfer costs

The directors have to make certain judgements as to whether a liability should be recognised under the terms of the contracts with other football clubs in respect of player transfers. These judgements include the directors' opinion, at the balance sheet date, on the likely league status in the next season. It also requires certain judgements as to whether a player will continue to make the contractually agreed number of first team appearances. Based on these judgements, the director decide on an individual player by player basis as to whether the liability is disclosed as a contingent liability or whether it becomes recognised as a liability in trade creditors in the balance sheet.

Intangible assets, tangible assets and impairment

The directors are required to test whether intangible and tangible assets have suffered any impairment. The recoverable amount of cash generating units connected to the recorded value of these assets has been determined based on value in use estimates and compared to the book value to determine if an impairment provision is needed.

3 Turnover and other revenue

	2022	2021
	£	£
Turnover analysed by class of business		
Match Receipts	4,277,927	273,168
Broadcasting	8,804,173	8,908,876
Other commercial income	5,005,510	2,665,683
	<u>18,087,610</u>	<u>11,847,727</u>

All turnover arose within the United Kingdom.

	2022	2021
	£	£
Other significant revenue		
Interest income	206	14
Grants received	118,662	568,352
	<u>118,868</u>	<u>568,366</u>

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

4 Exceptional income

	2022	2021
	£	£
Income		
Exceptional income	29,338,148	-

Exceptional income represents the write back of intercompany loans of £28,554,349 (2021: £Nil) waived by Scarba, accrued management charges of £542,819 (2021: £Nil) waived by SISU Capital Limited and accruals of £240,980 (2021: £Nil) waived by the respective creditors.

5 Operating loss

	2022	2021
	£	£
Operating loss for the year is stated after charging/(crediting):		
Government grants	(118,662)	(568,352)
Depreciation of owned tangible fixed assets	104,495	75,026
Amortisation of intangible assets	2,764,331	1,802,944
Operating lease charges	1,390,407	445,812

6 Auditor's remuneration

	2022	2021
	£	£
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and subsidiaries	15,750	15,000
For other services		
Taxation compliance services	2,100	2,000
All other non-audit services	2,650	2,500
	4,750	4,500

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2022 Number	2021 Number	Company 2022 Number	2021 Number
Players and management	134	147	-	-
Administrative and commercial	19	13	-	-
Total	153	160	-	-

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

7 Employees

(Continued)

During the year, in addition to the above, the club also had available approximately 162 (2021 - 225) temporary staff on match days, the cost of which are included within direct expenses. During the year ended 31 May 2021, due to the football matches being played behind closed doors, the majority of the temporary staff were unutilised.

The aggregate remuneration comprised:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Wages and salaries	14,072,239	11,827,852	-	-
Social security costs	1,522,452	1,135,123	-	-
Pension costs	79,512	210,966	-	-
	<u>15,674,203</u>	<u>13,173,941</u>	<u>-</u>	<u>-</u>

Included within wages and salaries, are amounts of £459,768 (2021 - £310,475) which have been included within direct operating costs for the year.

Eligible staff are members of the Football League Limited Pension and Life Assurance Scheme. The latest valuation of the scheme deficit has shown an underfunding of the scheme and accordingly the company's current share of the liability stands at £384,512 (2021 - £446,849). This is included within creditors.

The group operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the group.

The directors are considered to be the key management personnel. No remuneration was paid in respect of these services provided to the group.

8 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Other interest income	206	14
	<u>206</u>	<u>14</u>

9 Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	2,788	2,788
Withholding tax due on interest payable	453,562	405,250
Other interest payable	1,955,495	1,759,983
Total finance costs	<u>2,411,845</u>	<u>2,168,021</u>

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

10 Taxation

	2022 £	2021 £
Current tax		
Adjustments in respect of prior periods	(246,227)	-
Total current tax	(246,227)	-
Deferred tax		
Total deferred tax	-	-
Total tax credit	(246,227)	-

The actual (credit)/charge for the year can be reconciled to the expected charge/(credit) for the year based on the profit or loss and the standard rate of tax as follows:

	2022 £	2021 £
Profit/(loss) before taxation	21,836,457	(4,731,201)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	4,148,927	(898,928)
Tax effect of expenses that are not deductible in determining taxable profit	6,411	2,540
Tax effect of income not taxable in determining taxable profit	(5,540,100)	-
Unutilised tax losses carried forward	(34,149)	-
Under/(over) provided in prior years	(246,227)	-
Deferred tax not recognised	1,278,633	896,388
Deferred tax prior year adjustment not recognised	140,278	-
Taxation credit	(246,227)	-

Factors that may affect future tax charges

The group has an unrecognised deferred tax asset of £6,413,756 (2021 - £5,135,123). This has not been recognised as their future recoverability is uncertain.

In October 2022, the UK Government announced that the proposed increase in the UK Corporation Tax rate to 25% will go ahead as planned starting 1 April 2023. As such, the deferred tax has been calculated at future tax rates based on the estimated timing of reversal.

There were no other factors that may affect future tax charges.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

11 Intangible fixed assets

Group	Goodwill	Trademarks	Player registrations	Total
	£	£	£	£
Cost				
At 1 June 2021	2,224,038	6,570	5,590,906	7,821,514
Additions	-	-	2,987,787	2,987,787
Disposals	-	-	(1,180,220)	(1,180,220)
At 31 May 2022	2,224,038	6,570	7,398,473	9,629,081
Amortisation and impairment				
At 1 June 2021	2,224,038	3,980	2,984,303	5,212,321
Amortisation charged for the year	-	275	2,764,056	2,764,331
Disposals	-	-	(1,180,220)	(1,180,220)
At 31 May 2022	2,224,038	4,255	4,568,139	6,796,432
Carrying amount				
At 31 May 2022	-	2,315	2,830,334	2,832,649
At 31 May 2021	-	2,590	2,606,603	2,609,193

The company had no intangible fixed assets at 31 May 2022 or 31 May 2021.

Any players whom the group do not consider to be a long term part of the first team squad and who will therefore not contribute to future cash flows earned by the group are assessed for impairment by considering the carrying value with the group's best estimate of fair value (being post year-end sales proceeds or expected sales proceeds) less costs to sell. The directors are satisfied that no further provision is required.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

12 Tangible fixed assets

Group	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
Cost			
At 1 June 2021	359,999	430,586	790,585
Additions	-	300,407	300,407
At 31 May 2022	359,999	730,993	1,090,992
Depreciation			
At 1 June 2021	45,873	350,439	396,312
Depreciation charged in the year	5,432	99,063	104,495
At 31 May 2022	51,305	449,502	500,807
Carrying amount			
At 31 May 2022	308,694	281,491	590,185
At 31 May 2021	314,126	80,147	394,273

The company had no tangible fixed assets at 31 May 2022 or 31 May 2021.

The carrying value of land and buildings comprises:

	Group 2022 £	2021 £	Company 2022 £	2021 £
Freehold land	118,573	118,573	-	-

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

13 Fixed asset investments

		Group 2022 £	2021 £	Company 2022 £	2021 £
Investments in subsidiaries	14	-	-	-	-
Movements in fixed asset investments					
Company					Shares in subsidiary undertakings £
Cost or valuation					
At 1 June 2021 and 31 May 2022					272,412
Impairment					
At 1 June 2021 and 31 May 2022					272,412
Carrying amount					
At 31 May 2022					-
At 31 May 2021					-

14 Subsidiaries

Details of the company's subsidiaries at 31 May 2022 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
Coventry City Football Club Limited (formerly known as Otium Entertainment Group Limited)	England	Football club	Ordinary	90.10

The registered address of the above named company is Sky Blue Lodge, Leamington Road, Ryton on Dunsmore, CV8 3FL.

The group has not accounted for an asset in relation to the minority interest held in Coventry City Football Club Limited (formerly known as Otium Entertainment Group Limited) as there is no contractual commitment for the minority shareholder to fund any losses generated by the subsidiary undertaking.

The subsidiary undertaking has been consolidated in the group financial statements from the period in which the group obtained control of the assets and liabilities.

As described in note 23, subsequent to the year end, the company disposed of its subsidiary.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

15 Debtors

	Group 2022	2021	Company 2022	2021
Amounts falling due within one year:	£	£	£	£
Trade debtors	740,668	571,878	-	-
Corporation tax recoverable	246,227	-	-	-
Other debtors	1,946,736	1,363,604	-	70
Prepayments and accrued income	1,247,301	1,216,777	-	-
	<u>4,180,932</u>	<u>3,152,259</u>	<u>-</u>	<u>70</u>

Included within trade debtors is £Nil (2021 - £80,000) and included within accrued income is £132,237 (2021 - £175,000) in respect of transfer fees receivable.

16 Creditors: amounts falling due within one year

	Notes	Group 2022	2021	Company 2022	2021
		£	£	£	£
Other loans and overdrafts	18	13,033,276	38,483,375	-	28,554,349
Trade creditors and transfer fees		3,014,180	1,944,362	-	33,786
Amounts owed to group undertakings		-	-	-	847,699
Taxation and social security		1,274,796	2,002,652	-	-
Other creditors		1,648,501	1,743,031	-	52,766
Accruals and deferred income		22,206,418	19,696,092	-	437,189
		<u>41,177,171</u>	<u>63,869,512</u>	<u>-</u>	<u>29,925,789</u>

Included within trade creditors is £1,677,400 (2021 - £1,110,000) and included within accruals is £703,260 (2021 - £1,045,816) in respect of actual and probable transfer fees payable.

Included within other creditors due within one year is an amount of £60,800 (2021 - £60,800) in respect of a loan advanced by the English Football League ("EFL"). This loan is unsecured and is interest free. In the event of the company defaulting on payment terms, interest will be charged at a rate of 2% above the base rate of the EFL's bankers. In addition, in the event of the Club being promoted or relegated out of the Football League the amount becomes repayable immediately.

Included within other creditors due within one year is an amount of £1,066,666 (2021 - £1,066,666) in respect of a "PAYE" loan advanced by the EFL. This loan is unsecured and is interest free. In the event of the Club being promoted to the Premier League the amount becomes repayable immediately.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

17 Creditors: amounts falling due after more than one year

	Group 2022 £	2021 £	Company 2022 £	2021 £
Other creditors	1,150,580	1,490,488	-	-

Included within other creditors due after more than one year is an amount of £61,200 (2021 - £122,000) in respect of a loan advanced by the EFL and an amount of £1,066,667 (31 May 2021 - £1,333,334) in respect of a "PAYE" loan advanced by the EFL. The terms for each loan are described above in note 16.

18 Loans and overdrafts

	Group 2022 £	2021 £	Company 2022 £	2021 £
Other loans	13,033,276	38,483,375	-	28,554,349
Payable within one year	13,033,276	38,483,375	-	28,554,349

Included within other loans falling due within one year is an amount of £Nil (2021 - £28,554,349) which relates to amounts advanced under a loan facility with Investment Funds managed by SISU Capital Limited, collectively these Funds held a majority shareholding in the company at the balance sheet date.

Included within other loans falling due within one year is an amount of £7,472,556 (2021 - £5,732,556) secured on certain assets of the football club in relation to monies advanced by Arvo Master Fund Limited, a company which has an interest in the shares of the company. Interest of £9,221,210 (2021 - £7,994,812) is included within accruals in relation to this loan.

Included within other loans falling due within one year is an amount of £1,750,913 (2021 - £1,750,913) which relates to monies advanced by Arvo Master Fund Limited, a company which has an interest in the shares of the company. Interest of £2,008,334 (2021 - £1,808,334) is included in accruals in relation to this loan. These loan notes are convertible to ordinary shares in specific circumstances and have been treated as having elements of both debt and equity (see note 20).

Included within other loans falling due within one year is an amount of £2,682,557 (2021 - £2,207,557) which relates to a Revolving Credit Facility agreed with SISU Capital Fund Limited. Interest of £1,697,734 (2021 - £1,243,218) is included within accruals in relation to this loan.

Included within other loans falling due within one year is an amount of £1,127,250 (2021 - £238,000) which relates to a Revolving Credit Facility agreed with SISU Capital (UK) Limited. Interest of £140,309 (2021 - £65,727) is included within accruals in relation to this loan.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

19 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	79,512	210,966

Certain employees of the group participate in the Football League Pension and Life Assurance (FLPLA) Scheme and the Football League Player' Benefit Scheme. Both schemes are defined benefit schemes co-sponsored by the FA Premier League and the Football League.

Accrual of the benefits on a final salary basis was suspended with effect from 31 August 1999, when actuarial review showed a substantial deficit. As one of the number of participating employers the group is advised only of its share of the scheme's deficit and recognises a liability in respect of this.

The latest valuation of the scheme deficit has shown an understanding of the scheme and accordingly the group's current share of the liability stands at £384,512 (2021 - £446,849). This is included within creditors.

20 Share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	13,698	13,698	13,698	13,698

Equity component of convertible debt

	£
At 1 June 2021 and 31 May 2022	249,087

A subsidiary company has issued £2,000,000 of unsecured convertible loan notes to a related party. These loan notes are convertible to ordinary shares in specific circumstances and have been treated as having elements of both debt and equity.

21 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Within one year	794,048	733,682	-	-
Between two and five years	2,548,722	2,630,413	-	-
In over five years	650,000	1,250,000	-	-
	3,992,770	4,614,095	-	-

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

22 Related party transactions

Details on loan arrangements with investment funds managed by SISU Capital Limited are set out in the "loans and overdrafts" note.

The group also received loans from Arvo Master Fund Limited, a company with an interest in the shares of group companies. These amounts are included within note 18. The minority interest relates to preference shares in the subsidiary owned by Arvo Master Fund Limited. Interest payable to the minority shareholder is shown in the "Interest payable and similar expenses" note.

23 Events after the reporting date

Transfers of player registrations subsequent to 31 May 2022, taking into account applicable costs and player acquisitions, resulted in a net c.£2,090,000 receivable by the club.

In addition to the above, subsequent to 31 May 2022, the club received £197,500 in relation to sell on clauses for ex-players and paid £187,500 in relation to contingent contractual liabilities.

On 10th January 2023, Doug King received approval from the EFL to become the Club's owner. Following this, CovCityCo Ltd, owned 100% by Doug King at the time, acquired the share capital of the Club. Subsequent to the takeover completing, debts totalling £31m, consisting of amounts acquired by Doug King from the previous owners and amounts owed to SISU Capital Fund Limited, were assigned to CovCityCo Ltd in exchange for shares issued to both SISU Capital Fund Limited (15%) and Doug King (85%). CovCityCo Ltd then executed a debt for equity swap to clear these loans and subsequently acquired the remaining 15% of the Club from the club's previous owners.

Subsequent to the year end, CovCityCo have pledged loans to the Club which are available to be drawn down. These will attract no interest.

24 Contingent liabilities

Group

The group has, under transfer agreements, a liability to pay additional sums dependent on players' attainment of agreed numbers of first team appearances and any subsequent transfer value. No provision has been made in these accounts for such liabilities as the conditions are not met at the balance sheet date and no reliable estimate can be made of any subsequent transfer values.

	2022	2021
	£	£
Maximum amounts payable:	834,056	155,534

25 Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of at least £197,500 (2021 - £205,000). These sums are dependent on the attainment of certain objectives by the player and the club they are now employed by. Conditions have not been met at the balance sheet date and no asset has been recognised.

26 Controlling party

The majority shareholding in the company is held by investment funds under the management of SISU Capital Limited who are considered to be the controlling party.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

27 Cash absorbed by group operations

	2022 £	2021 £
Profit/(loss) for the year after tax	22,082,684	(4,731,201)
Adjustments for:		
Taxation credited	(246,227)	-
Finance costs	2,411,845	2,168,021
Investment income	(206)	(14)
Exceptional income	(29,338,148)	-
Amortisation of intangible fixed assets	2,764,331	1,802,944
Depreciation of tangible fixed assets	104,495	75,026
Profit on sale of player registrations	(494,012)	(1,870,279)
Movements in working capital:		
Increase in debtors	(905,209)	(2,035,144)
Increase in creditors	1,185,779	3,926,254
Cash absorbed by operations	(2,434,668)	(664,393)

28 Analysis of changes in net debt - group

	1 June 2021 £	Cash flows £	31 May 2022 £
Cash at bank and in hand	2,500,881	(2,397,606)	103,275
Borrowings excluding overdrafts	(38,483,375)	25,450,099	(13,033,276)
	(35,982,494)	23,052,493	(12,930,001)

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.