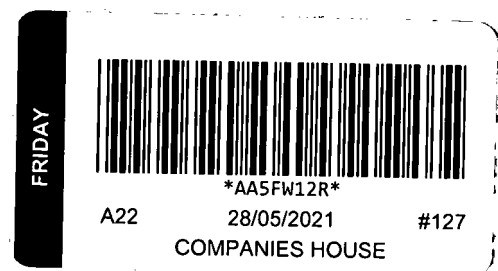


SKY BLUE SPORTS & LEISURE LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2020

Registered number: 06414248



EDWARDS
Chartered Accountants
Registered Auditor

SKY BLUE SPORTS & LEISURE LIMITED
REPORT AND FINANCIAL STATEMENTS

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SKY BLUE SPORTS & LEISURE LIMITED

COMPANY INFORMATION

Registered number 06414248

Directors T D Fisher
L Deering

Registered office 96 Kensington High Street
London
W8 4SG

Auditors Edwards
34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ

SKY BLUE SPORTS & LEISURE LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2020.

The result for the year for the group is set out in the statement of comprehensive income on page 11. 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 31st May 2020 endured the start of a period of blight that has continued until this time and will extend beyond the time of writing. A Global Pandemic, Covid-19 has struck all parts of the world and continues to affect the daily lives of everyone in the UK. As a club, our thoughts and sympathy go out to all that have lost a loved one, and of course our thanks will be eternal to all key workers including the NHS for their unwavering desire to help all under such dangerous circumstances.

From a business view point, sport has been severely impacted, with the postponement of fixtures and leagues, re-arrangement of the sporting calendar, and matches taking place behind closed doors. The impact to all EFL clubs has been huge and negative.

At the time of writing, a new 10-year Ricoh Arena lease was agreed and announced in March 2021. All stakeholders including the club owners, board and fans alike celebrated the return of the team to the Ricoh Arena. The 10 year deal took over 12 months to discuss, negotiate and close. This is a good deal for the club and playing at St Andrews gave both parties the opportunity to strike an appropriate long term agreement. The return was in part due to the positive role and intervention played by the Mayor's Office of the West Midlands Combined Authority. The lease agreement allows the club to benefit from a greater proportion of non-ticketing match day revenues. Notwithstanding the new lease deal, the club is continuing to progress its new stadium project. The club went on the record in thanking Birmingham City Football Club for their support in ground sharing at the St Andrews stadium.

The 2019-20 season saw the club get promoted from League One as Champions. Following the announcement of the first National Lockdown the EFL competition was suspended on 13th March 2020 and the season for League One finally curtailed on 9th June 2020, with the club sitting on top of League One with 67 points - having played 34 games. The club were 5 points clear of second place and 8 points clear of the play-off positions, with a game in hand over most of the other contenders. Champions, promotion and relegation issues were all decided on a 'points per game' method, with the play-offs being played behind closed doors during July 2020.

Despite the method of promotion, the achievement of promotion from League One to the Championship was richly deserved, following an exhilarating season of free flowing, attacking football enjoyed by all.

The 2020-21 Championship season got underway on 12th September 2020, with fixtures being played behind closed doors. Further into the season, the National Lockdown tiering system was introduced, allowing some clubs to hold a minor number of matches with a limited number of fans in attendance. However, the tiering system was short-lived, and the club unfortunately had to play the whole of its 2020-21 fixtures behind closed doors.

Despite operating under a ground-share, and missing the magnificent support of our fans, the club were able to retain their Championship status, finishing in a creditable 16th position in the league table. The playing surface undoubtedly contributed to and aided the playing style adopted by the football management. The players, football management, and all involved with the club should be extremely proud of their achievement's during both the 2019-20 and 2020-21 seasons, and we can now look forward to hopefully being able to welcome back our fans to the Ricoh Arena for what I am sure will be another memorable season in the EFL Championship.

SKY BLUE SPORTS & LEISURE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

Unfortunately, and as expected, the pandemic and lockdown has had a material impact on the financial performance for the year.

The 2019-20 period saw a fall in turnover of £1,158,579 (YE20 £5,103,493; YE19 £6,262,072), with this decrease being expected mainly as a consequence of the ground share at St. Andrew's, and being further compounded by the lost match receipts revenue through the early curtailment of the season.

In respect to costs then the decrease in direct costs of £191,446 (YE20 £1,308,463; YE19 £1,499,909) is again largely due to match costs savings as a result 5 home league fixtures being cancelled through the early curtailment of the season.

The administrative costs show an increase of £2,003,773 (YE20 £9,038,803; YE19 £7,035,030). This increase arose through a combination of higher stadia facility costs at St. Andrew's, together with further investment in the playing squad, which gave rise to an additional £835K of player related expenditure, plus £441K in additional player amortisation costs.

The increased investment to achieve a competitive playing squad was instrumental in the club achieving its target of promotion to the EFL Championship at the end of the 2019/20 season.

The Coronavirus Job Retention Scheme (CJRS), made available by the government to provide financial assistance during the pandemic, was utilised by the company and is shown under other operating income.

Further to the business operational loss of £4,910,397 (YE19: £2,272,867), the company was again able to realise significant profit from the sale of players (YE20 £3,818,867; YE19 £4,381,086).

Player sales made included Conor Chaplin to Barnsley FC, Tom Bayliss to Preston North End FC, and Sam McCallum to Norwich City FC.

The interest payable increased from £2,095,626 (YE19) to £2,293,749 (YE20), with a final loss arising for the financial year of £3,385,242 (YE20) in comparison to the prior year profit of £12,605 (YE19).

Due to the pandemic, the level of the loss for the year was not unexpected. Some of this loss is hoped to be recouped in the future through cover provided under a business insurance policy, and although insurers have accepted that the club policy gives rise to a claim, it is difficult to quantify the likely final settlement whilst the claim negotiations are on-going.

Significant on-going investment in the Academy continues, with the club committing well in excess of the required minimum seasonal spend contribution in order to retain its Category Two Academy Status. The continued support for and investment into the Academy ensured that the outstanding performance has been maintained. Over the last 6 seasons, the Sky Blues have been ranked 1st in the EFL and 1st among all Category 2 clubs in productivity on how many young players they see through their Academy and Development structure reaching first-team football.

The group has maintained its position of not having material creditors, other than its shareholder.

SKY BLUE SPORTS & LEISURE LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

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 27 May 2021.



T D Fisher
Director

SKY BLUE SPORTS & LEISURE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2020

The directors present their report and financial statements for the year ended 31 May 2020.

Principal activity

The group is principally engaged in the operation of a professional football 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 on pages 2-4 of these financial statements.

Post statement of financial position events

In June 2020, following the first national lockdown the EFL competition was curtailed, with promotion and relegation issues being decided on a 'points per game' method. This resulted in the Club being promoted from League One to the Championship and upon promotion, the Club paid contractual promotion bonuses totalling £711,563. As the club's promotion was not guaranteed at the balance sheet date, these amounts were not provided within the financial statements.

Transfers of player registrations subsequent to 31 May 2020, taking into account applicable costs and player acquisitions, resulted in a net c.£2,580,000 payable by the club.

In addition to the above, subsequent to 31 May 2020, the club received £1,547,500 in relation to sell on clauses for ex-players.

In May 2021, as part of the ongoing support to football clubs provided as a result of the continuing Covid-19 pandemic, the club received an interest free loan of £3.2m from the EFL. The loan can only be used to support PAYE payments and working capital requirements as presented in the business plan and is repayable over three years.

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

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.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to assist them in order that their employment with the group may continue.

SKY BLUE SPORTS & LEISURE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the Group's auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Edwards be re-appointed will be put at a General Meeting.

Other matters

On 11th of March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. The pandemic resulted in suspension of the football season and therefore has negatively impacted the results for the current year. The group took advantage of various government schemes in order to minimise any lasting impact and to ensure the going concern status of the group. Management continue to closely monitor the evolution of this pandemic, including how it may affect the group, the economy and the general population further into the future. We currently have an appropriate response plan in place, and we will continue to monitor and assess the ongoing development and respond accordingly.

This report was approved by the board on 27 May 2021 and signed on its behalf.



T D Fisher
Director

SKY BLUE SPORTS & LEISURE LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 MAY 2020

The directors are responsible for preparing 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). The financial statements are required by law to 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 and of the group 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 policies have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that 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. The directors 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 FOR THE YEAR ENDED 31 MAY 2020

Opinion

We have audited the financial statements of Sky Blue Sports & Leisure Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2020 which comprise of a Consolidated statement of Comprehensive Income, a Consolidated Statement of Financial Position, a Consolidated Statement of Changes in Equity, a Consolidated Statement of Cashflows and notes to the financial statements, including a summary of 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 parent company's affairs as at 31 May 2020, and of its results 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.

Material uncertainty in relation to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the company and group's ability to continue as a going concern.

The group is reliant on its shareholders and the group's forecasts indicate that they are likely to require additional funding within the next 12 months. The group has received written confirmations from its shareholders of their intention to continue to provide support to the group by not demanding repayment of loans owing to them for the foreseeable future.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the group's and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and parent were unable to continue as a going concern.

SKY BLUE SPORTS & LEISURE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the 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.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

SKY BLUE SPORTS & LEISURE LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, 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 group's and 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 group or 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. 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
Registered Auditors**

27 MAY 2021

**34 High Street
Aldridge
Walsall
West Midlands
WS9 8LZ**

SKY BLUE SPORTS & LEISURE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2020

	Note	2020 £	2019 £
Turnover	3	5,103,493	6,262,072
Cost of sales		(1,308,463)	(1,499,909)
Gross profit		3,795,030	4,762,163
Administrative expenses		(9,038,803)	(7,035,030)
Other operating income		333,376	-
Operating loss	4	(4,910,397)	(2,272,867)
Profit on sale of player registrations		3,818,867	4,381,086
Interest receivable and similar income	6	37	12
Interest payable and similar expenses	7	(2,293,749)	(2,095,626)
(Loss)/profit before taxation		(3,385,242)	12,605
Taxation on (loss)/profit	8	-	-
(Loss)/profit for the financial year		(3,385,242)	12,605
Other comprehensive income		-	-
Total comprehensive (loss)/profit for the year		(3,385,242)	12,605
(Loss)/profit for the year attributable to:			
Non-controlling interests		(335,139)	6,922
Owners of the parent company		(3,050,103)	5,683
		(3,385,242)	12,605

The notes on pages 16 to 32 form part of these financial statements.

SKY BLUE SPORTS & LEISURE LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MAY 2020

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	9		914,790		729,163
Tangible assets	10		403,942		432,960
			<u>1,318,732</u>		<u>1,162,123</u>
Current assets					
Stock			-		10,176
Debtors	12	862,115		447,213	
Cash at bank and in hand	13	1,149,176		56,603	
			<u>2,011,291</u>	<u>513,992</u>	
Creditors: amounts falling due within one year	14	(55,054,516)		(50,263,066)	
			<u>(53,043,225)</u>	<u>(49,749,074)</u>	
Net current liabilities					
			<u>(53,043,225)</u>	<u>(49,749,074)</u>	
Total assets less current liabilities			<u>(51,724,493)</u>	<u>(48,586,951)</u>	
Creditors: amounts falling due after more than one year	15		(247,700)		-
			<u>(51,972,193)</u>	<u>(48,586,951)</u>	
Net liabilities			<u>(51,972,193)</u>	<u>(48,586,951)</u>	
Capital and reserves					
Called up share capital	18		13,698		13,698
Profit and loss account			(58,748,019)		(55,697,916)
Equity attributable to owners of the parent company			<u>(58,734,321)</u>	<u>(55,684,218)</u>	
Non-controlling interests			6,762,128		7,097,267
Total shareholders' funds			<u>(51,972,193)</u>	<u>(48,586,951)</u>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 May 2021.



T D Fisher
Director

Company Registration Number: 06414248

The notes on pages 16 to 32 form part of these financial statements.

SKY BLUE SPORTS & LEISURE LIMITED

COMPANY BALANCE SHEET AS AT 31 MAY 2020

	Note	2020 £	2020 £	2019 £	2019 £
Current assets					
Debtors					
	12	70		70	
Creditors: amounts falling due within one year	14	(29,925,789)	(29,925,789)		
Net current liabilities		(29,925,719)	(29,925,719)		
Capital and reserves					
Called up share capital	18	13,698	13,698		
Profit and loss account		(29,939,417)	(29,939,417)		
Total equity		(29,925,719)	(29,925,719)		

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 May 2021.



T D Fisher
Director

Company Registration Number: 06414248

The notes on pages 16 to 32 form part of these financial statements.

SKY BLUE SPORTS & LEISURE LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

Group	Called up share capital	Profit and loss account	Equity attributable to owners of parent company	Non- controlling interest	Total
As at 1 June 2018	13,698	(55,703,599)	(55,689,901)	7,090,345	(48,599,556)
Comprehensive income for the year					
Profit for the year	-	5,683	5,683	6,922	12,605
As at 31 May 2019	13,698	(55,697,916)	(55,684,218)	7,097,267	(48,586,951)
Comprehensive income for the year					
Loss for the year	-	(3,050,103)	(3,050,103)	(335,139)	(3,385,242)
As at 31 May 2020	13,698	(58,748,019)	(58,734,321)	6,762,128	(51,972,193)
Company			Called up share capital	Profit and loss account	Total
As at 1 June 2018			13,698	(29,939,417)	(29,925,719)
Comprehensive income for the year					
Loss for the year			-	-	-
As at 31 May 2019			13,698	(29,939,417)	(29,925,719)
Comprehensive income for the year					
Loss for the year			-	-	-
As at 31 May 2020			13,698	(29,939,417)	(29,925,719)

The notes on pages 16 to 32 form part of these financial statements.

SKY BLUE SPORTS & LEISURE LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2020

	Note	2020 £	2019 £
Net cash flow from operating activities	26	(3,530,347)	(2,484,812)
Cash flow from investing activities			
Proceeds from sales of intangible assets		4,269,512	4,411,340
Purchase of tangible fixed assets		(37,487)	(114,427)
Purchase of intangible fixed assets		(1,119,427)	(706,379)
Interest received		37	12
Net cash generated in investing activities		3,112,635	3,590,546
Cash flow from financing activities			
New loans received		1,635,397	-
Repayment of loan		-	(253,448)
Interest paid		(125,112)	(1,477,906)
Net cash generated/(used) in financing activities		1,510,285	(1,731,354)
Net increase/(decrease) in cash at bank and in hand		1,092,573	(625,620)
Cash and cash equivalents at the beginning of the year		56,603	682,223
Cash and cash equivalents at the end of the year		1,149,176	56,603
Consisting of:			
Cash at bank and in hand		1,149,176	56,603

The notes on pages 16 to 32 form part of these financial statements.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies

Company information

Sky Blue Sports & Leisure Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

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.

Consolidation

The group accounts consolidate the accounts of the company and all its subsidiary undertakings at 31 May 2020 using acquisition accounting. As permitted by Section 408 of the Companies Act 2006, the parent company has not presented its own profit and loss account. The loss after tax of the parent company for the year was £nil (2019 - £nil).

Going concern

Notwithstanding the year end consolidated balance sheet, which shows net current liabilities of £53,043,225 (2019 - £49,749,074) and net liabilities of £51,972,193 (2019 - £48,586,951), the financial statements have been prepared on a going concern basis.

As part of their going concern considerations, the directors have prepared detailed forecasts for the period to 31 May 2022 as part of the longer term forecasts prepared for the company. These forecasts show that the company needs additional funding from its shareholders for the period from June 2020 to May 2022.

The group has received written confirmations from its shareholders of their intention to continue to provide support to the group by not demanding repayment of loans owing to them for the foreseeable future. Shareholders have also confirmed to the parent company their intention to provide or source funding, as required by the parent company. The parent company has confirmed to Otium Entertainment Group Limited, its undertaking, to provide continuing support which will enable the group to continue as a going concern. Notwithstanding this intention, there is no contractual certainty that such funding will be made available nor that the shareholders loans will not be called upon for repayment within the next 12 months. This casts significant doubt on the company's ability to continue as a going concern.

The directors consider the going concern basis to be appropriate as they have no reason to believe that the group shareholders will not provide the required support. However these conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

In May 2021, as part of the ongoing support to football clubs provided as a result of the continuing Covid-19 pandemic, the club received an interest free loan of £3.2m from the EFL. The loan can only be used to support PAYE payments and working capital requirements as presented in the business plan and is repayable over three years.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (continued)

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.

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.

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.

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 FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (continued)

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 fittings -	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.

Stocks

Stocks are stated at the lower of cost and estimated selling price less cost to complete and sell. Cost comprises of direct materials.

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.

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.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (continued)

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.

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.

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. Further details of this scheme are set out in note 21.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (continued)

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.

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.

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.

Governments 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.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

2 Critical accounting estimates and judgements

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

Management 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 management's opinion, at the statement of financial position 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, management decide on an individual player by player basis as to whether the liability is disclosed as a contingent liability in note 22 or whether it becomes recognised as a liability in trade payables in the statement of financial position.

Intangible assets, tangible assets and impairment

Management 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

The group's turnover is attributable to the principal activities of the group and represents the value, excluding value added tax, of services supplied to customers during the period. The analysis of turnover by class of business is as follows:

	2020 £	2019 £
Match receipts	1,302,068	2,545,705
Broadcasting	1,719,382	1,720,213
Other commercial income	2,082,043	1,996,154
	<u>5,103,493</u>	<u>6,262,072</u>

All turnover arose within the United Kingdom.

Other significant revenue

	2020 £	2019 £
Interest income	37	12
Grants received	333,376	-
	<u>333,413</u>	<u>12</u>

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

4 Operating loss

	2020 £	2019 £
Operating loss is stated after charging/(crediting):		
Depreciation of tangible fixed assets	66,505	67,002
Amortisation of intangible fixed assets	888,155	446,889
Auditor's remuneration:		
Audit of company and subsidiary	15,000	12,000
Taxation service	2,000	2,000
Other	2,500	2,500
Operating lease charges	1,147,654	535,831
Government grants	(333,376)	-
	<u> </u>	<u> </u>

5 Staff costs

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

	2020 Number	2019 Number
Players and management	133	122
Administrative and commercial	12	13
	<u> </u>	<u> </u>
	145	135
	<u> </u>	<u> </u>

During the year, in addition to the above, the group also employed approximately 206 (2019 - 227) temporary staff on match days, the cost of which are included within direct expenses.

The aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	5,916,040	4,839,886
Social security costs	579,524	448,083
Other pension costs	39,560	33,646
	<u> </u>	<u> </u>
	6,535,124	5,321,615
	<u> </u>	<u> </u>

Included within wages and salaries, are amounts of £189,536 (2019 - £51,180) which have been included within direct operating costs for the year.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

5 Staff costs (Continued)

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 £378,680 (2019 - £430,516). 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.

The company had no staff costs.

6 Interest receivable and similar income

	2020 £	2019 £
Other interest receivable	37	12

7 Interest payable and similar charges

	2020 £	2019 £
Other loans	2,795	2,788
Withholding tax due on interest payable	371,895	336,101
Other loan interest payable	1,919,059	1,756,737
	<u>2,293,749</u>	<u>2,095,626</u>

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

8 Taxation

	2020 £	2019 £
UK corporation tax	-	-
Overseas tax	-	-
Total current tax charge/(credit)	-	-
Deferred tax	-	-
Taxation on (loss)/profit on ordinary activities	-	-

The current tax charge differs from expected tax charge, with the differences reconciled below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before taxation	(3,385,242)	12,605
(Loss)/profit on ordinary activities multiplied by standard rate of UK corporation tax of 19% (2019: 19%)	(643,196)	2,395
Effects of:		
Non-deductible expenses	4,179	13,368
Tax losses utilised	-	(16,795)
Deferred tax not recognised	1,017,935	1,032
Changes in tax rates	(378,918)	-
Current tax charge for the period	-	-

Factors that may affect future tax charges:

The group has unrecognised losses of £4,238,735 (2019 £3,221,650). These have not been recognised as their future recoverability is uncertain.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

9 Intangible fixed assets

Group:

	Trademarks £	Player registrations £	Goodwill £	Total £
Cost:				
At 1 June 2019	3,820	1,302,770	2,224,038	3,530,628
Additions	-	1,524,427	-	1,524,427
Disposals	-	(641,627)	-	(641,627)
	<u>3,820</u>	<u>1,761,143</u>	<u>2,224,038</u>	<u>3,808,201</u>
At 31 May 2020	3,820	2,185,570	2,224,038	4,413,428
	<u>3,820</u>	<u>2,185,570</u>	<u>2,224,038</u>	<u>4,413,428</u>
Amortisation:				
At 1 June 2019	3,443	573,984	2,224,038	2,801,465
Charge for the year	278	887,877	-	888,155
Disposals	-	(190,982)	-	(190,982)
	<u>3,721</u>	<u>1,270,879</u>	<u>2,224,038</u>	<u>3,498,638</u>
At 31 May 2020	3,721	1,270,879	2,224,038	3,498,638
	<u>3,721</u>	<u>1,270,879</u>	<u>2,224,038</u>	<u>3,498,638</u>
Net book value:				
At 31 May 2020	99	914,691	-	914,790
	<u>99</u>	<u>914,691</u>	<u>-</u>	<u>914,790</u>
At 31 May 2019	377	728,786	-	729,163
	<u>377</u>	<u>728,786</u>	<u>-</u>	<u>729,163</u>

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.

The company has no intangible fixed assets.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

10 Tangible fixed assets

Group:

	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
Cost:			
At 1 June 2019	359,999	327,742	687,741
Additions	-	37,487	37,487
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 May 2020	359,999	365,229	725,228
	<hr/>	<hr/>	<hr/>
Depreciation:			
At 1 June 2019	35,009	219,772	254,781
Charge for the year	5,432	61,073	66,505
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 May 2020	40,441	280,845	321,286
	<hr/>	<hr/>	<hr/>
Net book value:			
At 31 May 2020	319,558	84,384	403,942
	<hr/>	<hr/>	<hr/>
At 31 May 2019	324,990	107,970	432,960
	<hr/>	<hr/>	<hr/>

The company has no tangible fixed assets.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

11 Fixed asset investments

Company:

Investments
in subsidiary
companies
£

Cost:

At 1 June 2019 and 31 May 2020 272,412

Impairment:

At 1 June 2019 and 31 May 2020 272,412

Net book value:

At 31 May 2020 -

At 31 May 2019 -

Subsidiary undertakings

At 31 May 2020 the following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
Otium Entertainment Group Limited	Ordinary	90.10%	Football club

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 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 have been consolidated in the group financial statements during the period in which the group retained control of the assets and liabilities.

12 Debtors

	2020		2019	
	Group £	Company £	Group £	Company £
Trade debtors	140,776	-	25,942	-
Other debtors	332,634	70	44,910	70
Prepayments and accrued income	388,705	-	376,361	-
	<u>862,115</u>	<u>70</u>	<u>447,213</u>	<u>70</u>

Included within trade debtors is £Nil (2019 - £Nil) in respect of transfer fees receivable.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

13 Cash and cash equivalents

	2020		2019	
	Group £	Company £	Group £	Company £
Cash at bank and in hand	1,149,176	-	56,603	-

14 Creditors: amounts falling due within one year

	2020		2019	
	Group £	Company £	Group £	Company £
Other loans and overdrafts	38,623,375	28,554,349	37,205,278	28,554,349
Trade creditors and transfer fees	910,596	33,786	1,047,866	33,786
Social security and other taxes	1,356,676	-	389,043	-
Other creditors	480,351	52,766	547,722	52,766
Accruals	13,441,823	437,189	11,058,006	437,189
Deferred income	241,695	-	15,151	-
Amounts owed to group undertakings	-	847,699	-	847,699
	55,054,516	29,925,789	50,263,066	29,925,789

Amounts owed to group undertakings are interest free and due on demand.

Included within trade payables is £405,000 (2019 – £333,000) in respect of actual and probable transfer fees payable.

15 Creditors: amounts falling due after more than one year

	2020		2019	
	Group £	Company £	Group £	Company £
Other creditors	247,700	-	-	-
	247,700	-	-	-

Included within other creditors due after more than one year is an amount of £182,800 (2019 - £Nil) 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 group 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.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

16 Other loans

Included within other loans falling due within one year is an amount of £28,554,349 (2019 - £28,554,349) which relates to amounts advanced under a loan facility with Investment Funds managed by SISU Capital Limited, collectively these Funds hold a majority shareholding in the company.

Included within other loans falling due within one year is an amount of £5,732,556 (2019 - £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 share of group companies. Interest of £6,876,964 (2019 - £5,756,053) 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 (2019 - £1,750,913) which relates to monies advanced by Arvo Master Fund Limited, a company which has an interest in the shares of group companies. Interest of £1,608,334 (2019 - £1,408,334) 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 18).

Included within other loans falling due within one year is an amount of £2,585,557 (2019 - £1,167,557) which relates to a Revolving Credit Facility agreed with SISU Master Fund Limited. Interest of £905,778 (2019 - £537,073) is included within accruals in relation to this loan.

17 Borrowings

Borrowings are repayable as follows:

	2020		2019	
	Group	Company	Group	Company
	£	£	£	£
Amounts falling due within one year				
Other loans	38,623,375	28,554,349	37,205,278	28,554,349
Amounts falling due after more than one year				
Other loans	247,700	-	-	-
	<u>38,871,075</u>	<u>28,554,349</u>	<u>37,205,278</u>	<u>28,554,349</u>

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

18 Share capital

	2020		2019	
	Number of shares	£	Number of shares	£
Allotted, called up and fully paid:				
Ordinary share capital of £1.00 each	13,698	13,698	13,698	13,698
Equity component of convertible debt				£
At 1 June 2019 and 31 May 2020				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.

19 Commitments under operating leases

At 31 May 2020 the group and company were committed to making the following payments under non-cancellable operating leases:

	2020		2019	
	Group £	Company £	Group £	Company £
Within one year	66,770	-	21,734	-
Between two to five years	197,218	-	12,625	-
	<u>263,988</u>	<u>-</u>	<u>34,359</u>	<u>-</u>

20 Events after the reporting date

In June 2020, following the first national lockdown the EFL competition was curtailed, with promotion and relegation issues being decided on a 'points per game' method. This resulted in the Club being promoted from League One to the Championship and upon promotion, the Club paid contractual promotion bonuses totalling £711,563. As the club's promotion was not guaranteed at the balance sheet date, these amounts were not provided within the financial statements.

Transfers of player registrations subsequent to 31 May 2020, taking into account applicable costs and player acquisitions, resulted in a net c.£2,580,000 payable by the club.

In addition to the above, subsequent to 31 May 2020, the club received £1,547,500 in relation to sell-on clauses for ex-players.

In May 2021, as part of the ongoing support to football clubs provided as a result of the continuing Covid-19 pandemic, the club received an interest free loan of £3.2m from the EFL. The loan can only be used to support PAYE payments and working capital requirements as presented in the business plan and is repayable over three years.

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

21 Pension costs

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 £378,680 (2019 - £430,516). This is included within creditors.

22 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 statement of financial position date and no reliable estimate can be made of any subsequent transfer values.

	2020 £	2019 £
Maximum amounts payable:	207,933	194,000

23 Contingent assets

Based on transfer agreements signed prior to the year-end the group could potentially receive additional amounts of at least £350,000 (2019 - £342,500). 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 statement of financial position date and no asset has been recognised.

24 Related party transactions

Details on loan arrangements with investment funds managed by SISU Capital Limited are set out in note 16.

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 16. 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 note 7.

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

SKY BLUE SPORTS & LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

25 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.

26 Notes to the consolidated cash flow statement

	2020 £	2019 £
(Loss)/profit for the financial year	(3,385,242)	12,605
Interest payable	2,293,749	2,095,626
Interest received	(37)	(12)
Profit on sale of player registrations	(3,818,867)	(4,381,086)
Operating loss	(4,910,397)	(2,272,867)
Amortisation of intangible fixed assets	888,155	446,889
Depreciation of tangible fixed assets	66,505	67,002
Decrease/(increase) in stocks	10,176	(10,176)
(Increase)/decrease in debtors	(414,902)	349,003
Increase/(decrease) in creditors	830,116	(1,064,663)
Net cash flow from operating activities	(3,530,347)	(2,484,812)