

Company Registration No. 06414248 (England and Wales)

**SKY BLUE SPORTS & LEISURE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MAY 2021**

# SKY BLUE SPORTS & LEISURE LIMITED

## COMPANY INFORMATION

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

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# SKY BLUE SPORTS & LEISURE LIMITED

## CONTENTS

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	Page
Strategic report	1 - 3
Directors' report	4 - 5
Directors' responsibilities statement	6
Independent auditor's report	7 - 9
Group statement of comprehensive income	10
Group balance sheet	11
Company balance sheet	12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
Notes to the financial statements	16 - 32

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# SKY BLUE SPORTS & LEISURE LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MAY 2021

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The directors present their strategic report together with the audited financial statements for the year ended 31 May 2021.

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 31st May 2021 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 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.

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. 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. 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 arrangement, 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. Indeed, the players, football management, and all involved with the club should be extremely proud of their combined achievements during both the 2019-20 and 2020-21 seasons. We now play our fixtures at the CBS (formerly Ricoh) Arena. We look forward to another memorable season in the EFL Championship.

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

# SKY BLUE SPORTS & LEISURE LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 MAY 2021**

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The 2020-21 period saw an increase in turnover of £6,744,234 (YE21 £11,847,727; YE20 £5,103,493). Within turnover, there was an expected decrease in match receipts through playing fixtures behind closed doors, but there was a significant increase in central league distributions as a result of being promoted to the EFL Championship for the 2020-21 season. Also, the loss of match receipts was supplemented through new income from live TV streaming: the fantastic take up by our fans of the new Championship Club memberships; and claims against the Clubs business interruption insurance cover.

In respect to costs then the decrease in direct costs of £159,308 (YE21 £1,149,155; YE20 £1,308,463) is again largely due to match costs savings as a result of playing all fixtures behind closed doors. The saving in this area would have been greater, but for new costs that are specific to Championship clubs, such as goal-line technology charges, together with costs appertaining to the Championship Club memberships income (shirt/delivery costs).

The administrative costs show a substantial increase of £6,661,594 (YE21 £15,700,397; YE20 £9,038,803). The main reason for this increase was the contractual player/management salary increases upon promotion to the EFL Championship, together with bonus' payable upon promotion from League 1. Savings made from reduced stadium rental costs as a result of playing fixtures behind closed doors, were offset by a £1M increase in player amortisation costs, such increase arising through the further investment in the playing squad. The increased investment to achieve a competitive playing squad was instrumental in the club achieving its target of retaining its EFL Championship status at the end of the 2020-21 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 £4,433,473 (YE20: £4,910,397), the company was again able to realise significant profit from the sale of players (YE21 £1,870,279; YE20 £3,818,867). The majority of this profit arose from income related to contingent fees on previous player disposals, in particular Callum Wilson.

The interest payable charges of £2,168,021 (YE21) and £2,293,749 (YE20) relate mainly to accrued interest on the related party loans - the decrease in charges was as a result of the YE20 charge including forward finance costs.

Due to the pandemic, and playing fixtures behind closed doors, the increase to the final loss for the year was not unexpected (YE21 Loss £4,731,201; YE20 £3,385,242). Indeed, given the circumstances endured, the reduction in the operating loss by £476,924 is quite a remarkable feat.

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.

# SKY BLUE SPORTS & LEISURE LIMITED

## STRATEGIC REPORT (CONTINUED)

*FOR THE YEAR ENDED 31 MAY 2021*

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### **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

T D Fisher

**Director**

23 February 2022

# SKY BLUE SPORTS & LEISURE LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 31 MAY 2021**

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The directors present their annual report and financial statements for the year ended 31 May 2021.

### Principal activities

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.

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 2021, taking into account applicable costs and player acquisitions, resulted in a net c.£1,102,000 payable by the club.

In addition to the above, subsequent to 31 May 2021, the club received £47,500 in relation to sell on clauses for ex-players and paid £55,000 in relation to contingent contractual liabilities.

### 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.

### 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.

# **SKY BLUE SPORTS & LEISURE LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 MAY 2021***

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### **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. 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 and signed on its behalf.

T D Fisher  
**Director**

23 February 2022



# **SKY BLUE SPORTS & LEISURE LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

***FOR THE YEAR ENDED 31 MAY 2021***

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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

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#### 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 2021 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 FRS 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 2021 and of the group's loss 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 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 provide additional financial support to the group when required and to not demand 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.

#### 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.

# **SKY BLUE SPORTS & LEISURE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SKY BLUE SPORTS & LEISURE LIMITED**

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#### **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.

#### **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 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 where 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 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.

# **SKY BLUE SPORTS & LEISURE LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF SKY BLUE SPORTS & LEISURE LIMITED**

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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, Taxation legislation, Health & Safety compliance and compliance with the EFL handbook 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.

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**

25 February 2022

**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 2021

	Notes	2021 £	2020 £
<b>Turnover</b>	<b>3</b>	11,847,727	5,103,493
Cost of sales		(1,149,155)	(1,308,463)
<b>Gross profit</b>		10,698,572	3,795,030
Administrative expenses		(15,700,397)	(9,038,803)
Other operating income		568,352	333,376
<b>Operating loss</b>	<b>4</b>	(4,433,473)	(4,910,397)
Interest receivable and similar income	<b>7</b>	14	37
Interest payable and similar expenses	<b>8</b>	(2,168,021)	(2,293,749)
Profit on sale of player registrations		1,870,279	3,818,867
<b>Loss before taxation</b>		(4,731,201)	(3,385,242)
Tax on loss	<b>9</b>	-	-
<b>Loss for the financial year</b>		(4,731,201)	(3,385,242)
Loss and total comprehensive income for the financial year is attributable to:			
- Owners of the parent company		(4,262,812)	(3,050,103)
- Non-controlling interests		(468,389)	(335,139)
		(4,731,201)	(3,385,242)

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 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Intangible assets	10	2,609,193		914,790	
Tangible assets	11	394,273		403,942	
		<u>3,003,466</u>		<u>1,318,732</u>	
<b>Current assets</b>					
Debtors	14	3,152,259		862,115	
Cash at bank and in hand		2,500,881		1,149,176	
		<u>5,653,140</u>		<u>2,011,291</u>	
<b>Creditors: amounts falling due within one year</b>	15	(63,869,512)		(55,054,516)	
<b>Net current liabilities</b>		<u>(58,216,372)</u>		<u>(53,043,225)</u>	
<b>Total assets less current liabilities</b>		<u>(55,212,906)</u>		<u>(51,724,493)</u>	
<b>Creditors: amounts falling due after more than one year</b>	16	(1,490,488)		(247,700)	
<b>Net liabilities</b>		<u>(56,703,394)</u>		<u>(51,972,193)</u>	
<b>Capital and reserves</b>					
Called up share capital	19	13,698		13,698	
Profit and loss reserves		(63,010,831)		(58,748,019)	
<b>Equity attributable to owners of the parent company</b>		<u>(62,997,133)</u>		<u>(58,734,321)</u>	
<b>Non-controlling interests</b>		6,293,739		6,762,128	
		<u>(56,703,394)</u>		<u>(51,972,193)</u>	

The financial statements were approved by the board of directors and authorised for issue on 23 February 2022 and are signed on its behalf by:

T D Fisher  
Director

# SKY BLUE SPORTS & LEISURE LIMITED

## COMPANY BALANCE SHEET

AS AT 31 MAY 2021

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Investments	12		-		-
<b>Current assets</b>					
Debtors	14	70		70	
<b>Creditors: amounts falling due within one year</b>	15	(29,925,789)		(29,925,789)	
<b>Net current liabilities</b>			(29,925,719)		(29,925,719)
<b>Capital and reserves</b>					
Called up share capital	19		13,698		13,698
Profit and loss reserves			(29,939,417)		(29,939,417)
<b>Total equity</b>			(29,925,719)		(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 £0 (2020 - £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 23 February 2022 and are signed on its behalf by:

T D Fisher  
**Director**

**Company Registration No. 06414248**

# SKY BLUE SPORTS & LEISURE LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2021

	Share capital	Profit and loss reserves	Total controlling interest	Non-controlling interest	Total
	£	£	£	£	£
<b>Balance at 1 June 2019</b>	13,698	(55,697,916)	(55,684,218)	7,097,267	(48,586,951)
<b>Year ended 31 May 2020:</b>					
Loss and total comprehensive income for the year	-	(3,050,103)	(3,050,103)	(335,139)	(3,385,242)
<b>Balance at 31 May 2020</b>	13,698	(58,748,019)	(58,734,321)	6,762,128	(51,972,193)
<b>Year ended 31 May 2021:</b>					
Loss and total comprehensive income for the year	-	(4,262,812)	(4,262,812)	(468,389)	(4,731,201)
<b>Balance at 31 May 2021</b>	13,698	(63,010,831)	(62,997,133)	6,293,739	(56,703,394)



# SKY BLUE SPORTS & LEISURE LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2021

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 June 2019	13,698	(29,939,417)	(29,925,719)
Year ended 31 May 2020:			
Profit and total comprehensive income for the year	-	-	-
Balance at 31 May 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)

# SKY BLUE SPORTS & LEISURE LIMITED

## GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2021

		2021	2020
	Notes	£	£
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	26	(664,393)	(3,530,347)
Interest paid		(47,307)	(125,112)
<b>Net cash outflow from operating activities</b>		(711,700)	(3,655,459)
<b>Investing activities</b>			
Purchase of intangible assets		(1,746,752)	(1,119,427)
Proceeds on disposal of intangibles		1,615,500	4,269,512
Purchase of tangible fixed assets		(65,357)	(37,487)
Interest received		14	37
<b>Net cash (used in)/generated from investing activities</b>		(196,595)	3,112,635
<b>Financing activities</b>			
Repayment of borrowings		(140,000)	-
Proceeds of new loans		2,400,000	1,635,397
<b>Net cash generated from financing activities</b>		2,260,000	1,635,397
<b>Net increase in cash and cash equivalents</b>		1,351,705	1,092,573
Cash and cash equivalents at beginning of year		1,149,176	56,603
<b>Cash and cash equivalents at end of year</b>		2,500,881	1,149,176

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2021

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### 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 2021. 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.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

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### 1 Accounting policies

(Continued)

#### 1.3 Going concern

Notwithstanding the year-end consolidated balance sheet, which shows net current liabilities of £58,216,372 (2020 - £53,043,225) and net liabilities of £56,703,394 (2020 - £51,972,193) 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 2023 as part of the longer term forecasts prepared for the group. These forecasts show that the group needs additional funding from its shareholders for the period from June 2021 to May 2023.

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 their intention to provide or source funding as required. 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 group'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 shareholders will not provide the required support. However these conditions indicate the existence of a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern.

#### 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.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 1 Accounting policies

(Continued)

#### 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.

#### 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.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 1 Accounting policies

(Continued)

#### **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.

#### **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.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

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### 1 Accounting policies

(Continued)

#### 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.

### 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.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 3 Turnover and other revenue

	2021 £	2020 £
<b>Turnover analysed by class of business</b>		
Match Receipts	273,168	1,527,068
Broadcasting	8,908,876	1,719,382
Other commercial income	2,665,683	1,857,043
	<u>11,847,727</u>	<u>5,103,493</u>

All turnover arose within the United Kingdom.

	2021 £	2020 £
<b>Other significant revenue</b>		
Interest income	14	37
Grants received	568,352	333,376
	<u>568,352</u>	<u>333,376</u>

### 4 Operating loss

	2021 £	2020 £
Operating loss for the year is stated after charging/(crediting):		
Government grants	(568,352)	(333,376)
Depreciation of owned tangible fixed assets	75,026	66,505
Amortisation of intangible assets	1,802,944	888,155
Operating lease charges	445,812	1,147,654
	<u>1,755,430</u>	<u>1,768,938</u>

### 5 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and subsidiaries	15,000	15,000
	<u>15,000</u>	<u>15,000</u>
<b>For other services</b>		
Taxation compliance services	2,000	2,000
All other non-audit services	2,500	2,500
	<u>4,500</u>	<u>4,500</u>



# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 6 Employees

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

	Group 2021 Number	2020 Number	Company 2021 Number	2020 Number
Players and management	147	133	-	-
Administrative and commercial	13	12	-	-
Total	160	145	-	-

During the year, in addition to the above, the club also had available approximately 225 (2020 - 206) temporary staff on match days, the cost of which are included within direct expenses. Due to the football matches being played behind closed doors, the majority of the temporary staff were unutilised during the year.

The aggregate remuneration comprised:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Wages and salaries	11,827,852	5,916,040	-	-
Social security costs	1,135,123	579,524	-	-
Pension costs	210,966	39,560	-	-
	13,173,941	6,535,124	-	-

Included within wages and salaries, are amounts of £310,475 (2020 - £189,536) 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 £446,849 (2020 - £378,680). 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.

### 7 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Other interest income	14	37

## SKY BLUE SPORTS & LEISURE LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

*FOR THE YEAR ENDED 31 MAY 2021*

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**8 Interest payable and similar expenses**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Other loan interest payable	2,788	2,795
Withholding tax due on interest payable	405,250	371,895
Other interest payable	1,759,983	1,919,059
	<hr/>	<hr/>
Total finance costs	2,168,021	2,293,749
	<hr/>	<hr/>

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 9 Taxation

	2021 £	2020 £
<b>Current tax</b>		
Total current tax	-	-
<b>Deferred tax</b>		
Total deferred tax	-	-
Total tax charge	-	-

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

	2021 £	2020 £
Loss before taxation	(4,731,201)	(3,385,242)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(898,928)	(643,196)
Tax effect of expenses that are not deductible in determining taxable profit	2,540	4,179
Deferred tax not recognised	896,388	1,017,935
Change in deferred tax rate	-	(378,918)
Taxation charge	-	-

### Factors that may affect future tax charges

The group has an unrecognised deferred tax asset of £5,135,123 (2020 - £4,238,735). These have not been recognised as their future recoverability is uncertain.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 10 Intangible fixed assets

Group	Goodwill	Trademarks	Player registrations	Total
	£	£	£	£
<b>Cost</b>				
At 1 June 2020	2,224,038	3,820	2,185,570	4,413,428
Additions	-	2,750	3,494,818	3,497,568
Disposals	-	-	(89,482)	(89,482)
At 31 May 2021	2,224,038	6,570	5,590,906	7,821,514
<b>Amortisation and impairment</b>				
At 1 June 2020	2,224,038	3,721	1,270,879	3,498,638
Amortisation charged for the year	-	259	1,802,685	1,802,944
Disposals	-	-	(89,261)	(89,261)
At 31 May 2021	2,224,038	3,980	2,984,303	5,212,321
<b>Carrying amount</b>				
At 31 May 2021	-	2,590	2,606,603	2,609,193
At 31 May 2020	-	99	914,691	914,790

The company had no intangible fixed assets at 31 May 2021 or 31 May 2020.

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 2021

### 11 Tangible fixed assets

Group	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
<b>Cost</b>			
At 1 June 2020	359,999	365,229	725,228
Additions	-	65,357	65,357
	<u>359,999</u>	<u>430,586</u>	<u>790,585</u>
At 31 May 2021	359,999	430,586	790,585
<b>Depreciation</b>			
At 1 June 2020	40,441	280,845	321,286
Depreciation charged in the year	5,432	69,594	75,026
	<u>45,873</u>	<u>350,439</u>	<u>396,312</u>
At 31 May 2021	45,873	350,439	396,312
<b>Carrying amount</b>			
At 31 May 2021	<u>314,126</u>	<u>80,147</u>	<u>394,273</u>
At 31 May 2020	<u>319,558</u>	<u>84,384</u>	<u>403,942</u>

The company had no tangible fixed assets at 31 May 2021 or 31 May 2020.

The carrying value of land and buildings comprises:

	Group 2021 £	2020 £	Company 2021 £	2020 £
Freehold land	<u>118,573</u>	<u>118,573</u>	<u>-</u>	<u>-</u>

### 12 Fixed asset investments

	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 12 Fixed asset investments (Continued)

#### Movements in fixed asset investments Company

Shares in  
subsidiary  
undertakings  
£

#### Cost or valuation

At 1 June 2020 and 31 May 2021

272,412

#### Impairment

At 1 June 2020 and 31 May 2021

272,412

#### Carrying amount

At 31 May 2021

-

At 31 May 2020

-

### 13 Subsidiaries

Details of the company's subsidiaries at 31 May 2021 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
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 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.

### 14 Debtors

	Group 2021 £	2020 £	Company 2021 £	2020 £
<b>Amounts falling due within one year:</b>				
Trade debtors	571,878	140,776	-	-
Other debtors	1,363,604	332,634	70	70
Prepayments and accrued income	1,216,777	388,705	-	-
	<u>3,152,259</u>	<u>862,115</u>	<u>70</u>	<u>70</u>

Included within trade debtors is £80,000 (2020 - £Nil) and included within accrued income is £175,000 (2020 - £Nil) in respect of transfer fees receivable.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 15 Creditors: amounts falling due within one year

		Group 2021	2020	Company 2021	2020
	Notes	£	£	£	£
Other loans and overdrafts	17	38,483,375	38,623,375	28,554,349	28,554,349
Trade creditors and transfer fees		1,944,362	910,596	33,786	33,786
Amounts owed to group undertakings		-	-	847,699	847,699
Taxation and social security		2,002,652	1,356,676	-	-
Other creditors		1,743,031	480,351	52,766	52,766
Accruals and deferred income		19,696,092	13,683,518	437,189	437,189
		<u>63,869,512</u>	<u>55,054,516</u>	<u>29,925,789</u>	<u>29,925,789</u>

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

Included within trade creditors is £1,110,000 (2020 – £405,000) and included within accruals is £1,045,816 (2020 – £Nil) in respect of actual and probable transfer fees payable.

Included within other creditors due within one year is an amount of £60,800 (2020 – £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.

Included within other creditors due within one year is an amount of £1,066,666 (31 May 2020 – £Nil) in respect of a "PAYE" loan advanced by the English Football League ("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.

### 16 Creditors: amounts falling due after more than one year

	Group 2021	2020	Company 2021	2020
	£	£	£	£
Other creditors	1,490,488	247,700	-	-
	<u>1,490,488</u>	<u>247,700</u>	<u>-</u>	<u>-</u>

Included within other creditors due after more than one year is an amount of £122,000 (2020 – £182,800) 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 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.

Included within other creditors due after more than one year is an amount of £1,333,334 (31 May 2020 – £Nil) in respect of a "PAYE" loan advanced by the English Football League ("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 2021

### 17 Loans and overdrafts

	Group 2021 £	2020 £	Company 2021 £	2020 £
Other loans	38,483,375	38,623,375	28,554,349	28,554,349
Payable within one year	38,483,375	38,623,375	28,554,349	28,554,349

Included within other loans falling due within one year is an amount of £28,554,349 (2020 - £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 (2020 - £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 £7,994,813 (2020 - £6,876,964) 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 (2020 - £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 £1,808,334 (2020 - £1,608,334) 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 19).

Included within other loans falling due within one year is an amount of £2,207,557 (2020 - £2,347,557) which relates to a Revolving Credit Facility agreed with SISU Master Fund Limited. Interest of £1,243,218 (2020 - £869,745) is included within accruals in relation to this loan.

Included within other loans falling due within one year is an amount of £238,000 (2020 - £238,000) which relates to a Revolving Credit Facility agreed with SISU Capital (UK) Limited. Interest of £65,727 (2020 - £36,033) is included within accruals in relation to this loan.

### 18 Retirement benefit schemes

	2021 £	2020 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	210,966	39,560

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 £446,849 (2020 - £378,680). This is included within creditors.



# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 19 Share capital

	2021 Number	2020 Number	2021 £	2020 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary shares of £1 each	13,698	13,698	13,698	13,698

### Equity component of convertible debt

£

At 1 June 2020 and 31 May 2021 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.

### 20 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 2021 £	2020 £	Company 2021 £	2020 £
Within one year	733,682	66,770	-	-
Between two and five years	2,630,413	197,218	-	-
In over five years	1,250,000	-	-	-
	<u>4,614,095</u>	<u>263,988</u>	<u>-</u>	<u>-</u>

### 21 Events after the reporting date

Transfers of player registrations subsequent to 31 May 2021, taking into account applicable costs and player acquisitions, resulted in a net c.£1,102,000 payable by the club.

In addition to the above, subsequent to 31 May 2021, the club received £47,500 in relation to sell on clauses for ex-players and paid £55,000 in relation to contingent contractual liabilities.

## SKY BLUE SPORTS & LEISURE LIMITED

### NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

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#### 22 Related party transactions

Details on loan arrangements with investment funds managed by SISU Capital Limited are set out in the "Other 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 17. 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 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.

	2021	2020
	£	£
Maximum amounts payable:	155,534	207,933
	<u>          </u>	<u>          </u>

#### 24 Contingent assets

Based on transfer agreements signed prior to the year-end the group could potentially receive additional amounts of at least £205,000 (2020 - £350,000). 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.

#### 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.

# SKY BLUE SPORTS & LEISURE LIMITED

## NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

### 26 Cash absorbed by group operations

	2021 £	2020 £
Loss for the year after tax	(4,731,201)	(3,385,242)
<b>Adjustments for:</b>		
Finance costs	2,168,021	2,293,749
Investment income	(14)	(37)
Amortisation of intangible fixed assets	1,802,944	888,155
Depreciation of tangible fixed assets	75,026	66,505
Profit on sale of player registrations	(1,870,279)	(3,818,867)
<b>Movements in working capital:</b>		
Decrease in stocks	-	10,176
Increase in debtors	(2,035,144)	(414,902)
Increase in creditors	3,926,254	830,116
<b>Cash absorbed by operations</b>	<b>(664,393)</b>	<b>(3,530,347)</b>

### 27 Analysis of changes in net debt - group

	1 June 2020 £	Cash flows £	31 May 2021 £
Cash at bank and in hand	1,149,176	1,351,705	2,500,881
Borrowings excluding overdrafts	(38,623,375)	140,000	(38,483,375)
	<b>(37,474,199)</b>	<b>1,491,705</b>	<b>(35,982,494)</b>

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.