

Sky Blue Sports & Leisure Limited

Report and Financial Statements

Year Ended

31 May 2015

Company number 6414248



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Sky Blue Sports & Leisure Limited

Report and financial statements for the year ended 31 May 2015

Contents

Page:

1	Strategic report
3	Report of the directors
5	Independent auditor's report
7	Consolidated profit and loss account
8	Consolidated balance sheet
9	Company balance sheet
10	Consolidated cash flow statement
11	Notes forming part of the financial statements

Directors

T D Fisher

Registered office

96 Kensington High Street, London, W8 4SG

Company number

6414248

Auditors

BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT

Sky Blue Sports & Leisure Limited

Strategic report for the year ended 31 May 2015

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2015.

The loss for the year for the group is set out in the profit and loss account on page 7. The directors do not recommend a payment of a dividend.

The 2013-14 season saw the club finish 17th in the table with League One status being ensured on the last day of the season. The club had a change of football management with Tony Mowbray being hired in March 2015.

The club signed a new tenancy agreement with ACL on 21st August 2014 and returned to the Ricoh Arena on a two year, plus two year option tenancy agreement. The two year extension option agreement was signed in December 2015. This gives the club the right to play at the Ricoh Arena until the end of season 2017/18.

In regard to the business performance, the 2014-15 period saw a lift in year-on-year turnover of around £1Mio. This is attributable to both a large increase in match day ticket sales and a corresponding but smaller uplift in commercial revenues. Partial but limited access to non-ticketing match day revenues and no non-match day turnover both remain key concerns for the business, putting the club firmly at a competitive disadvantage to its peers.

The corresponding increase in direct costs was very much in line with the increase in turnover. That is, as match day attendances rise then match day operational costs rise proportionally e.g. policing, stewarding.

Staffing cost decreases were attributable in part to both operational head count re-structuring and outsourcing of the retail business to Just Sport Group.

Whilst further operational efficiencies are continuously sought and the business remains mindful of cost creep, the directors remain cognizant of the need to continue to manage operational and infrastructural risks across the entire business. To this end, infrastructure upgrades across, for example, ticketing and accounting systems, have been scheduled for 2016.

Legal costs for the Judicial Review legal actions were not paid by either Otium or SBSL.

Taking into account player sales and primarily the sale of Callum Wilson to AFC Bournemouth then before interest due (but not paid) the group made a loss of £1,951,233. The previous year, setting aside the exceptional charge related to goodwill impairment charge, the group lost £4,435,053.

Significant on-going investment in the Academy continues. Under EPPP rules, the club had to commit to a minimum contribution to Category Two Academy status of £512,000. For the period 2014-2015, the club committed in excess of £600,000.

The interest payable – but not paid – has decreased from £2.6Mio to £1.4Mio year-on-year. The substantial reduction in interest due is attributable to the previous year's debt for equity swap. The net capital debt owed to ARVO sits at £10,499,079 including accrued interest.

Having sufficient working capital, the company is not reliant on material external working capital facilities other than those already provided by shareholders. The company has maintained its position of not having material creditors, other than its shareholder. The company has not securitized any future revenue streams.

Going forward, two key strategic challenges involve the growth of commercial revenues and developing a sustainable and progressive football department. Commercial revenues have been lower than in previous years when playing at the Ricoh Arena, for a number of reasons. Going forward, the company will seek to address them by identifying additional revenue streams, including continuing to develop a long-term stadium solution, and both re-organizing and expanding commercial activities.

To develop a sustainable football model and sustained success on the pitch, the company will continue to develop its football department to enhance performance and best-in-class management in the areas of medical and fitness, match analysis, coaching and player development, and player personnel and recruitment.

Sky Blue Sports & Leisure Limited

Strategic report for the year ended 31 May 2015

Principal risks and uncertainties

The Board acknowledges that there are a number of risks and uncertainties which could have a material impact on the company's performance. The company'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 company prepares annual budgets and forecasts, and maintains a close working relationship with its financiers and shareholders. Further details of the going concern position of the company is set out in note 1.

The directors have made assumptions regarding the projected revenues that the group can earn through gate receipts, season ticket sales, merchandising, programme sales, advertising, sponsorship and other Football-related activity. However, uncertainty exists regarding the level of support and attendance, which impacts on other commercial revenues and there is no certainty that the level of revenues projected will be achieved.

Accordingly the directors consider the going concern basis to be appropriate. However, material uncertainty exists.

Approval

This strategic report was approved on behalf of the Board on 25.2.16



T D Fisher
Director

Sky Blue Sports & Leisure Limited

Report of the directors for the year ended 31 May 2015

The directors present their annual report together with the audited financial statements for the year ended 31 May 2015.

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.

Post balance sheet events

Subsequent to the year-end, the group has received additional funding provided by Sisu Capital Limited and ARVO Master Fund Limited of £780,000 in the form of a Rolling Credit Facility. This has been paid down to £530,000. James Maddison was sold to Norwich City Football Club subsequent to the year end.

Directors

The directors of the company during the year and subsequent to the year end were:

T Fisher

M J Labovitch (resigned 11 July 2014)

S Waggott (appointed 1 September 2014 and resigned 6 November 2015)

Sky Blue Sports & Leisure Limited

Report of the directors for the year ended 31 May 2015 (*continued*)

Directors' responsibilities for the financial statements

The directors are responsible for preparing the strategic report, the directors' 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 group and company 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;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Employee involvement

The group recognises the importance of good communications and ensures that employees are informed of matters affecting them as appropriate.

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 retrain them in order that their employment with the group may continue.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board



T Fisher
Director

Date 25-2-16

Sky Blue Sports & Leisure Limited

Independent auditor's report for the year ended 31 May 2015

TO THE MEMBERS OF SKY BLUE SPORTS & LEISURE LIMITED

We have audited the financial statements of Sky Blue Sports & Leisure Limited for the year ended 31 May 2015 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2015 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.

Sky Blue Sports & Leisure Limited

Independent auditor's report (*continued*) for the year ended 31 May 2015

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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.



Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester
United Kingdom

Date 26 February 2016 .

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sky Blue Sports & Leisure Limited

Consolidated profit and loss account for the year ended 31 May 2015

	Note	Total 2015 £	Total 2014 £
Turnover	2	4,763,515	3,755,049
Direct operating costs	4	(1,517,404)	(1,110,753)
Gross profit		3,246,111	2,644,296
Staff costs	5	(5,035,061)	(5,363,906)
Administrative expenses		(2,879,973)	(4,153,468)
Operating loss	3	(4,668,923)	(6,873,078)
Profit on sale of player registrations		2,717,690	938,021
Profit on disposal of subsidiary		-	-
		(1,951,233)	(5,935,057)
Interest receivable	6	32	-
Interest payable	6	(1,369,689)	(2,660,280)
Loss on ordinary activities before taxation		(3,320,890)	(8,595,337)
Taxation	7	-	59,378
Loss for the financial year	19	(3,320,890)	(8,535,959)

All amounts relate to continuing activities.

There were no recognised gains or losses other than the loss for the financial year.

The notes on pages 11 to 27 form part of these financial statements.

Sky Blue Sports & Leisure Limited

Consolidated balance sheet At 31 May 2015

<i>Company number 6414248</i>	<i>Note</i>	2015	2015	2014	2014
				As restated	As restated
		£	£	(note 30)	(note 30)
				£	£
Fixed assets					
Intangible assets	9		17,657		73,305
Tangible assets	10		432,638		481,227
			<hr/>		<hr/>
			450,295		554,532
Current assets					
Stocks	12	24,575		87,899	
Debtors	13	512,671		665,681	
Cash at bank and in hand	14	152,877		281,417	
		<hr/>		<hr/>	
		690,123		1,034,997	
Creditors: amounts falling due within one year	15	(42,631,751)		(40,781,164)	
		<hr/>		<hr/>	
Net current liabilities			(41,941,628)		(39,746,167)
			<hr/>		<hr/>
Total assets less current liabilities			(41,491,333)		(39,191,635)
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	16		-		-
Capital and reserves					
Called up share capital	18	13,698		13,698	
Profit and loss account	19	(49,263,073)		(46,187,365)	
		<hr/>		<hr/>	
Shareholders' deficit	20		(49,249,375)		(46,173,667)
Minority interest	19		7,758,042		6,982,032
			<hr/>		<hr/>
			(41,491,333)		(39,191,635)
			<hr/>		<hr/>

The financial statements were approved and authorised for issue by the Board of Directors on and were signed on its behalf by:

25.2.16



T Fisher
Director

The notes on pages 11 to 27 form part of these financial statements.

Sky Blue Sports & Leisure Limited

Company balance sheet At 31 May 2015

Company number 6414248	Note	2015 £	2015 £	2014 £	2014 £
Fixed assets					
Investments	11		-		-
Current assets					
Debtors	13	12,600		27,618	
Cash at bank and in hand	14	-		-	
		<u>12,600</u>		<u>27,618</u>	
Creditors: amounts falling due within one year	15	<u>(29,723,282)</u>		<u>(30,047,713)</u>	
Net current liabilities			<u>(29,710,682)</u>		<u>(30,020,095)</u>
Total assets less current liabilities			<u>(29,710,682)</u>		<u>(30,020,095)</u>
Creditors: amounts falling due after more than one year	16				-
Capital and reserves					
Called up share capital	18	13,698		13,698	
Profit and loss account	19	<u>(29,724,380)</u>		<u>(30,033,793)</u>	
Shareholders' deficit			<u>(29,710,682)</u>		<u>(30,020,095)</u>
			<u>(29,710,682)</u>		<u>(30,020,095)</u>

The financial statements were approved and authorised for issue by the Board of Directors on and were signed on its behalf by:

25-2-16



T Fisher
Director

The notes on pages 11 to 27 form part of these financial statements.

Sky Blue Sports & Leisure Limited

Consolidated cash flow statement for the year ended 31 May 2015

	Note	2015 £	2015 £	2014 £	2014 £
Net cash outflow from operating activities	21		(3,762,847)		(5,455,827)
Returns on investments and servicing of finance					
Interest paid		-		-	
Net cash outflow from returns on investments and servicing of finance					-
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(11,714)		(158,800)	
Purchase of tangible fixed assets		(92,861)		(108,962)	
Sale of fixed assets		2,717,690		1,030,161	
Purchase of goodwill		-		(1,500,004)	
Net cash inflow from capital expenditure and financial investment			2,613,115		(737,605)
Net cash outflow before financing			(1,149,732)		(6,193,432)
Financing					
New loans received		-		2,808,000	
Issue of preference shares in subsidiary undertaking		1,021,192		3,295,000	
Loan repayments		-		-	
Capital element of finance lease repayments		-		(1,737)	
Net cash inflow from financing			1,021,192		6,101,263
Decrease in cash			(128,540)		(92,169)

The notes on pages 11 to 27 form part of these financial statements.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015

1 Accounting policies

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies of the group have remained unchanged throughout the year and are set out below.

Going concern

Notwithstanding the year end consolidated balance sheet, which shows net current liabilities of £41,941,628 and net liabilities of £41,491,333, the financial statements have been prepared on a going concern basis.

As part of the going concern review the directors have prepared detailed forecasts including the 2016-17 season and reviewed the company's trading and working capital requirements.

These forecasts indicate that the company should not require any additional funding from group shareholders based on its current cash position and known and anticipated future cash inflows. The company has received written confirmations from group shareholders of their current intention to continue to provide support to the company by not demanding repayment of debt for the foreseeable future and have confirmed their intention that although the group is not expected to require any additional funding, that they have the intention to help source such additional funding as is necessary to ensure the group is able to honour its expected financial commitments for a period of at least 12 to enable the company to continue as a going concern.

Accordingly the directors consider the going concern basis to be appropriate.

Basis of consolidation

The group financial statements incorporate those of the company and its subsidiary undertaking (see note 11) drawn up to 31 May 2015. Profits or losses on intra-group transactions are eliminated in full. The results of subsidiary undertakings are included in the consolidated results from the date of acquisition.

Acquisitions are accounted for under the acquisition method of accounting with goodwill representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, being capitalised in the consolidated balance sheet and amortised over its expected useful life, being 10 years.

Minority interests in the net liabilities of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's share of changes in equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Turnover

Turnover 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.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015(*continued*)

1 Accounting policies (*continued*)

Impairment of fixed assets and goodwill

The need for any fixed asset and goodwill impairment write-down is assessed by comparison of the carrying value of the asset against the higher of realisable value and value in use.

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives. The rates generally applicable are:

Plant, fixtures and fittings	- 7.5% to 33.3% straight line
Buildings	- 2% straight line

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less provisions for impairment.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015(continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represent a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

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's reduce this liability. Further details of this scheme are set out in note 24.

Intangible 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. Financial Reporting Standard No 10 "Goodwill and Intangible Assets" makes no provision for the value of players developed within the group. 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 the 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 of 10 years. 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.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015(continued)

1 Accounting policies (continued)

Loyalty bonuses and deferred signing on fees

Under the terms of certain player contracts additional sums may be payable dependent upon the achievement of certain future conditions. Such fees are charged to the profit and loss account in the period in which the criteria for payment are met. Unprovided elements of such contracts are disclosed as contingent liabilities where the criteria are not met at the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited directly to equity.

2 Turnover

The turnover is attributable to the following classes of business:

	2015 £	2014 £
Match receipts:		
-Net receipts from league and cup matches, pools and executive box rentals	1,797,352	1,140,759
Commercial activities:		
-Television, sponsorship, advertising, club lottery, shop and other promotion activities	2,966,163	2,614,290
	<u>4,763,515</u>	<u>3,755,049</u>

All turnover originates in the United Kingdom.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015 (*continued*)

3 Operating loss on ordinary activities

The loss on ordinary activities is stated after charging:

	2015 £	2014 £
Depreciation, amortisation and impairment:		
- Depreciation of tangible fixed assets	60,303	97,556
- Amortisation of intangible fixed assets	74,473	77,685
Loss on disposal of intangible fixed assets	74,036	-
Auditor's remuneration:		
- Audit services	20,000	24,500
- Non audit services - taxation	4,000	4,500
- Non audit services - other	1,500	1,000
Operating lease charges:		
- Equipment and vehicles	99,045	4,264
- Land and buildings	443,857	296,758
Exceptional rent payment	-	471,192
Goodwill impairment	-	1,500,004
	<u> </u>	<u> </u>

The goodwill impairment charge in the prior year related to the additional amounts paid for the business, assets and certain liabilities of Coventry City Football Club Limited, in excess of the fair value of the net assets acquired in the subsidiary Otium Entertainment Group Limited. The rent payment in the prior year related to amounts paid in relation to the termination of the lease at the Ricoh Arena.

4 Direct operating costs

Direct operating costs include match expenses and the direct costs relating to commercial activities.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015 (continued)

5 Directors and employees

Staff costs across the group during the year were as follows:

	2015 £	2014 £
Wages and salaries	4,294,949	4,706,319
Social security costs	614,519	761,958
Other pension costs	337,596	19,511
	<u>5,247,064</u>	<u>5,487,788</u>

Of the amounts disclosed within wages and salaries above £ 212,003 (2014 - £123,881) 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 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 average number of employees of the group during the year was:

	2015 Number	2014 Number
Players and management	105	102
Administrative and commercial	20	28
Stewards (part time)	289	287
	<u>414</u>	<u>417</u>

Remuneration in respect of directors was as follows:

	2015 £	2014 £
Emoluments	-	-
Remuneration paid to third parties in respect of directors' services	314,000	240,000
	<u>314,000</u>	<u>240,000</u>

6 Interest receivable and payable

	2015 £	2014 £
Interest payable:		
Other loans	1,369,689	2,660,280
	<u>1,369,689</u>	<u>2,660,280</u>
Other interest receivable and similar income	(32)	-
	<u>1,369,657</u>	<u>2,660,280</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015 (continued)

7 Tax on loss on ordinary activities

There was a current corporation tax credit of £nil in the year (2014-credit of £59,378).

The tax assessed for the year differs from the UK standard rate of corporation tax as explained below:

	2015 £	2014 £
Loss on ordinary activities before tax	(3,320,890)	(8,595,337)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2014 - 20%)	(664,178)	(1,719,067)
Effect of:		
Expenses not deductible for tax purposes	52,967	-
Adjustment in respect of previous periods		(59,378)
Depreciation in excess of capital allowances	10,367	-
Tax losses arising in the year	600,844	1,719,067
	<hr/>	<hr/>
Current tax (credit) for the year	-	(59,378)
	<hr/>	<hr/>

The directors have not recognised any deferred tax in relation to accumulated tax losses.

8 Loss for the financial year

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in the financial statements. The group loss for the year includes a profit of £309,413 (2014 - loss of £873,750) which is dealt with in the financial statements of the company.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015 (*continued*)

9 Intangible fixed assets

Group	Trade marks £	Player registrations £	Goodwill £	Total £
<i>Cost</i>				
At 31 May 2014	14,059	1,541,731	11,033,156	12,588,946
Additions	-	92,861	-	92,861
Disposals	-	(518,756)	-	(518,756)
At 31 May 2015	14,059	1,115,836	11,033,156	12,163,051
<i>Amortisation</i>				
At 31 May 2014	11,772	1,470,713	11,033,156	12,515,641
Provided in the year	382	74,091	-	74,473
Disposals	-	(444,720)	-	(444,720)
At 31 May 2015	12,154	1,100,084	11,033,156	12,145,394
<i>Net book value</i>				
At 31 May 2015	1,905	15,752	-	17,657
At 31 May 2014	2,287	71,018	-	73,305

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015 (*continued*)

10 Tangible fixed assets

Group	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
<i>Cost</i>			
At 31 May 2014	984,221	1,716,555	2,700,776
Additions	-	11,714	11,714
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 May 2015	984,221	1,728,269	2,712,490
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 31 May 2014	632,071	1,587,478	2,219,549
Provided in the year	5,432	54,871	60,303
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 May 2015	637,503	1,642,349	2,279,852
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 May 2015	346,718	85,920	432,638
	<hr/>	<hr/>	<hr/>
At 31 May 2014	352,150	129,077	481,227
	<hr/>	<hr/>	<hr/>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015 (*continued*)

11 Fixed assets investments

Company	Subsidiary undertakings £
<i>Cost</i>	
At 31 May 2014 and 31 May 2015	272,412
<i>Impairment</i>	
At 31 May 2014 and 31 May 2015	272,412
<i>Net Book Value</i>	
At 31 May 2014 and 31 May 2015	-

At 31 May 2015 the following company was a subsidiary undertaking:

Subsidiary undertaking	Country of registration	Class of share capital held	Effective proportion held by the parent company	Nature of business
Otium Entertainment Group Limited	England & Wales	Ordinary	90.1%	Football Club

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.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015 (*continued*)

12 Stocks

Group	2015 £	2014 £
Goods for resale	24,575	87,899

13 Debtors

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Trade debtors	102,291	292,689	-	-
Other debtors	132,301	132,142	12,600	27,618
Prepayments and accrued income	278,079	240,850	-	-
	512,671	665,681	12,600	27,618

The amounts above fall due within one year.

14 Cash

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Cash at bank and in hand	152,877	281,417	-	-
	152,877	281,417	-	-

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015 (continued)

15 Creditors: amounts falling due within one year

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Other loans and overdrafts	36,291,132	36,762,321	28,554,312	28,554,312
Trade creditors and transfer fees	642,315	543,573	42,113	67,419
Social security and other taxes	371,559	401,009	-	-
Other creditors	605,031	504,761	69,771	-
Accruals	4,374,236	2,420,014	234,132	788,639
Corporation tax payable	-	-	-	-
Deferred income	347,478	149,485	-	-
Amounts owed to group undertakings	-	-	822,954	637,343
	<u>42,631,751</u>	<u>40,781,163</u>	<u>29,723,282</u>	<u>30,047,713</u>

16 Other loans

Included within other loans falling due within one year is an amount of £28,554,312 (2014-amounts falling due within one year, £28,554,312) 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 £5,986,006 (2014 - £6,457,295) 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 group companies. Interest of £2,128,743 (2014 - £961,472) is included within accruals in relation to this loan.

Included within other loans falling due within one year is an amount of £1,750,814 (2014-amounts due after within one year, £1,750,814) which relates to monies advanced by Arvo Master Fund Limited, a company which has an interest in the shares of group companies. Interest of £633,333 (2014 - £433,333) is included within 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 in accordance with FRS 25 (see note 18).

During the year £471,192 was capitalised into 'A' preference shares in a subsidiary

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015(continued)

17 Borrowings

Borrowings are repayable as follows:

	Group 2015 £	Group 2014 £	Company 2015 £	Company 2014 £
Within one year:				
Other loans	36,291,132	36,762,321	28,554,312	28,554,312
Finance leases		-		-
	<u>36,291,132</u>	<u>36,762,321</u>	<u>28,554,312</u>	<u>28,554,312</u>

18 Share capital

	2015 £	2014 £
Allotted, called up and fully paid 13,698 ordinary shares of £1 each	13,698	13,698

Equity component of convertible debt

	2015 £
At 1 June 2014 and at 31 May 2015	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 in 2014 and have been treated as having elements of both debt and equity in accordance with FRS 25 (see note 1 for details of the accounting treatment). This has been included as part of the minority interest (see note 19).

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015(continued)

19 Reserves

Group	Minority interest (as restated) £	Other Reserve (as restated) £	Profit and loss Account (as restated) £
At 31 May 2014 – as previously stated	-	14,237,528	(53,691,948)
Amount restated as minority interest (note 30)	6,732,945	(14,237,528)	7,504,583
Equity component of preference shares	249,087	-	-
As restated	6,982,032	-	46,187,365
Issue of preference shares in subsidiary undertaking	1,021,192	-	-
Loss for the financial year	(245,182)	-	(3,075,708)
At 31 May 2015	<u>7,758,042</u>	<u>-</u>	<u>(49,263,073)</u>

The minority interest relates to preferences shares held in the subsidiary undertaking by a third party, less their share of the subsidiary's profit and loss deficit.

Company	Profit and loss account £
At 31 May 2014	(30,033,793)
Profit for the financial year	309,413
At 31 May 2015	<u>(29,724,380)</u>

20 Reconciliation of movements in shareholders' deficit

Group	2015 £	2014 As restated £
Shareholders deficit at the start of the year – as previously stated	(39,191,635)	(44,893,204)
Minority interest restated	(6,982,032)	298,803
Shareholders deficit at the start of the year – as restated	<u>(46,173,667)</u>	<u>(44,594,401)</u>
Group loss for the year	(3,075,708)	(7,608,179)
Minority interest adjustment for the subsidiary share restructure	-	6,028,913
Shareholders deficit at the end of the year	<u>(49,249,375)</u>	<u>(46,173,667)</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2015(*continued*)

21 Net cash outflow from operating activities

	2015 £	2014 £
Operating loss	(4,668,923)	(6,873,078)
Depreciation	60,303	97,556
Amortisation	74,473	77,685
Decrease in stock	63,324	27,369
Decrease in debtors	153,010	703,452
Increase / (decrease) in creditors	480,930	(988,815)
Payment for goodwill	-	1,500,004
Loss on disposal of fixed assets	74,036	-
	<u>(3,762,847)</u>	<u>(5,455,827)</u>

22 Reconciliation of net cash flow to movement in net debt

	2015 £	2014 £
Decrease in cash in the year	(128,540)	(92,169)
Cash flow from changes in debt	-	(3,293,263)
	<u>(128,540)</u>	<u>(3,385,432)</u>
Movement in net debt resulting from cashflows	(128,540)	(3,385,432)
Non-cash movements	471,192	8,663,807
Net debt at start of year	(36,480,904)	(41,759,279)
	<u>(36,138,252)</u>	<u>(36,480,904)</u>

23 Analysis of changes in net debt

	At 31 May 2014 £	Non cash items £	Cash flow £	At 31 May 2015 £
Cash at bank and in hand	281,417	-	(128,540)	152,877
	<u>281,417</u>		<u>(128,540)</u>	<u>152,877</u>
Hire purchase and finance leases	-			
Debt due within one year	(36,762,321)	471,192	-	(36,291,129)
	<u>(36,480,904)</u>	<u>471,192</u>	<u>(128,540)</u>	<u>(36,138,252)</u>

Non cash items relate to amounts capitalised into preference shares in the year (see note 16).

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015(continued)

24 Pension costs

Certain employees of the group participate in the Football League Pension and Life Assurance (FLPLA) Scheme and the Football League Players' 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 underfunding of the scheme and accordingly the group's current share of the liability stands at £361,272 (2014: £63,542). This is included within creditors.

25 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 estimates can be made of any subsequent transfer values.

Appearance liabilities

	2015 £	2014 £
Amounts payable:		
In one year or less	-	50,000
In more than one year	-	-
	<hr/>	<hr/>
	-	50,000
	<hr/>	<hr/>

26 Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of £615,000(2014 - £420,000). 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.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2015(*continued*)

27 Financial commitments

Leases

The group has annual commitments under non-cancellable operating lease commitments as set out below:

	2015 Land and buildings £	2015 Other £	2014 Land and buildings £	2014 Other £
In relation to contracts expiring:				
In one year or less	314,069	406	360,410	59,845
Between one and five years	160,000	-	160,000	-
After more than 5 years	-	-	-	-
	<u>474,069</u>	<u>406</u>	<u>520,410</u>	<u>59,845</u>

28 Post balance sheet events

Subsequent to the year-end, the group has received additional funding provided by Sisú Capital Limited and ARVO Master Fund Limited of £780,000 in the form of a Rolling Credit Facility. This has been paid down to £530,000. James Maddison was sold to Norwich City Football Club subsequent to the year end.

29 Transactions with directors and other related parties

The majority shareholding in the company is held by Investment Funds under the management of SISU Capital Limited. The loan arrangements with these Investment Funds 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.

30 Prior year restatement

The prior year balance sheet has been restated to show a minority interest of £6,982,032 which was previously included within shareholders deficit. This has therefore increased the shareholders deficit previously reported by £6,982,032 and increased the minority interest by the same amount.