

Sky Blue Sports & Leisure Limited

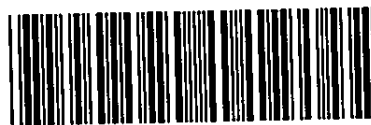
Report and Financial Statements

Year Ended

31 May 2014

Company number 6414248

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Sky Blue Sports & Leisure Limited

**Report and financial statements
for the year ended 31 May 2014**

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Directors

T D Fisher
S Waggott

Registered office

4th Floor, 1 Red Place, London, W1K 6PL

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 2014

The directors present their strategic report together with the audited financial statements for the year ended 31 May 2014

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 accounting period ending 31st May 2014 included a series of extraordinary off-field legal events.

Otium Entertainment Group Ltd ("Otium", a subsidiary of Sky Blue Sports & Leisure Limited) is the successor company to both Coventry City FC (Holdings) Ltd and Coventry City FC Ltd ("FC Ltd"). Following the breakdown of negotiations to purchase a 50% stake in Arena Coventry Limited (ACL), the Ricoh Arena landlord, ACL, commenced liquidation proceedings against FC Ltd. As a consequence, the director of FC Ltd had no option but to put the company into administration, resulting in a ten point deduction on 26th March 2013, applicable for season 12/13.

A Company Voluntary Arrangement (CVA) was proposed which is a process whereby a company works with its creditors to gain a better outcome for all compared to an administration and subsequent liquidation, including avoiding a further ten point deduction. On 2nd August 2013, ACL's rejection of the FC Ltd CVA resulted in a further ten point deduction for the club for the 13/14 season. Otium was awarded the Football League share on 2nd August 2013 and commenced to play its season 13/14 fixtures on 3rd August 2013.

Following the rejection of the CVA and the consequent administration order, the administrator traded the FC Ltd business on for some time, entering into negotiations with several potential acquirers, and finally sold the business and assets to Otium on 29th June 2013. In addition, under the Football Creditor Rule, Otium paid ACL large additional funds of £471,192, as required by the Football League.

Following the administration, the club faced the very real prospect of being made homeless and therefore unable to fulfil its fixtures for the 2013/14 season. In not fulfilling its fixtures the Football League could have ordered either a suspension or expulsion from membership of the League. The Football League was supportive of a ground share arrangement, and an agreement was struck with Northampton Town FC on 3rd July 2013. The former landlord, ACL, attempted to undertake litigation against the new landlord. ACL subsequently dropped the litigation action. The club fulfilled all its fixtures for the 13/14 season at Sixfields.

The club subsequently 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 Club had to adjust to the ground share arrangements and restructure both the on-field and off-field operations. However, despite the 10 point deduction, the club was able to finish 18th and therefore secured League One status.

Despite the return to the Ricoh Arena there is still no club access to non-match day revenues, and only partial access to typical matchday revenues, which remains a key board concern. The Board continues to work towards securing a sound financial platform in the longer term. This includes the development of a new community integrated stadium, which is critical under the League One Salary Cap Management Protocol.

The loss of £8.6m for the year, compared to £7.1m in 2013, largely reflects a reduction in match day and commercial turnover arising from reduced revenues emanating from the ground share situation. However, a reduction in operating costs reversed the impact of the reduced turnover such that the operating loss for ground share was £62K lower than the comparable period at the Ricoh Arena for the previous year.

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

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. The liquidation process and ground share were extraordinary events. The directors are satisfied that the ongoing re-structuring of the business will improve both long term, on and off field performance. Profitability is envisaged to be in line with industry norms.

Sky Blue Sports & Leisure Limited

Strategic report for the year ended 31 May 2014

It is envisaged that working capital requirements will be minimal Stadium capital expenditure will be met by an associated entity

The club is proud of its Category Two Elite Performance Player Plan (EPPP) status Academy, which was officially awarded in February 2014 following comprehensive audits in 2013 The club became one of only six League One clubs to gain a Category 2 status along with Sheffield United, Barnsley, Bristol City Colchester and Crewe

The Academy continued to produce exciting young local talent with first team debuts being made by Ryan Haynes and Aaron Phillips in 2013, with George Thomas making his first team debut in 2014

The acceleration of young players to the first team squad is a constant thread of the club's future strategy with a target of one third of our first team squad comprising Academy graduates The company continues to enjoy substantial off balance sheet asset value with the Academy-generated player talent, which is released over time Significant ongoing investment in the Academy is recognised as a key cornerstone for the future growth and club sustainability

It is recognised by the directors that the Salary Cost Management Protocol has a significant impact on the competitiveness of the first team squad Coventry City Football Club must therefore focus on the necessity to have its own stadium to secure all related revenue from a community-integrated facility to ensure the growth and success of the first team, the Academy and the role it plays within the community

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

There is a risk in terms of tenancy at the Ricoh Arena The current agreement allows for a two year, plus two year tenancy option This tenancy risk is mitigated by the club owning a call option to ground share at Northampton Town Football Club The Board's intention is to push ahead on its commitment to develop a new stadium

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 27 February 2015


T D Fisher
Director

Sky Blue Sports & Leisure Limited

Report of the directors for the year ended 31 May 2014

The directors present their annual report together with the audited financial statements for the year ended 31 May 2014

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 from ARVO Master Fund Limited of £1,021,192 in the form of preference shares.

Directors

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

T Fisher	
M Labovitch	(resigned 11 July 2014)
S Waggott	(appointed 1 September 2014)

Sky Blue Sports & Leisure Limited

Report of the directors for the year ended 31 May 2014 (*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

27 February 2015

Sky Blue Sports & Leisure Limited

Independent auditor's report

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 2014 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 2014 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.

Emphasis of matter - 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 Group and Company's ability to continue as a going concern.

The group and company are reliant on group shareholders. The group and company have received written confirmations from group shareholders of their intention to continue to provide support to the group by not demanding repayment of debt for the foreseeable future and of their intention to provide or source funding if required by the group and company to enable the group and company to continue as a going concern. Notwithstanding this intention, there is no contractual certainty that such funding will be made available nor that loans will not be called for immediate repayment.

Sky Blue Sports & Leisure Limited

Independent auditor's report (*continued*)

Emphasis of matter - going concern (*continued*)

These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt over the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

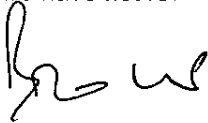
Opinion on other matters prescribed by the Companies Act 2006

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 27 February 2015

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 2014

	Note	Total 2014 £	Total 2013 £
Turnover	2	3,755,049	6,571,769
Direct operating costs	4	(1,110,753)	(2,406,913)
Gross profit		2,644,296	4,164,856
Staff costs	5	(5,363,906)	(6,957,287)
Administrative expenses		(4,153,468)	(4,143,061)
Operating loss	3	(6,873,078)	(6,935,492)
Profit on sale of player registrations		938,021	1,646,566
Profit on disposal of subsidiary		-	-
		(5,935,057)	(5,288,926)
Interest receivable	6	-	-
Interest payable	6	(2,660,280)	(1,806,836)
Loss on ordinary activities before taxation		(8,595,337)	(7,095,762)
Taxation	7	59,378	(59,378)
Loss for the financial year	19	(8,535,959)	(7,155,140)

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 2014

Company number 6414248	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Intangible assets	9		73,305		78,895
Tangible assets	10		481,227		475,193
			<u>554,532</u>		<u>554,088</u>
Current assets					
Stocks	12	87,899		115,268	
Debtors	13	665,681		1,369,133	
Cash at bank and in hand	14	281,417		373,586	
		<u>1,034,997</u>		<u>1,857,987</u>	
Creditors amounts falling due within one year	15	(40,781,164)		(47,133,500)	
Net current liabilities			<u>(39,746,167)</u>		<u>(45,275,513)</u>
Total assets less current liabilities			<u>(39,191,635)</u>		<u>(44,721,425)</u>
Creditors: amounts falling due after more than one year	16		-		171,779
Capital and reserves					
Called up share capital	18	13,698		13,698	
Equity component of convertible debt	18	249,087		249,087	
Other reserve	19	14,237,528		-	
Profit and loss account	19	(53,691,948)		(45,155,989)	
Shareholders' deficit	20		<u>(39,191,635)</u>		<u>(44,893,204)</u>
			<u>(39,191,635)</u>		<u>(44,721,425)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27 February 2015 and were signed on its behalf by



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 2014

Company number 6414248	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Investments	11		-		-
Current assets					
Debtors	13	27,618		69,882	
Cash at bank and in hand	14	-		15,196	
		<u>27,618</u>		<u>85,078</u>	
Creditors amounts falling due within one year	15	<u>(30,047,713)</u>		<u>(29,231,423)</u>	
Net current liabilities			<u>(30,020,095)</u>		<u>(29,146,345)</u>
Total assets less current liabilities			<u>(30,020,095)</u>		<u>(29,146,345)</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>(30,033,793)</u>		<u>(29,160,043)</u>	
Shareholders' deficit			<u>(30,020,095)</u>		<u>(29,146,345)</u>
			<u>(30,020,095)</u>		<u>(29,146,345)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27 February 2015 and were signed on its behalf by



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 2014

	Note	2014 £	2014 £	2013 £	2013 £
Net cash outflow from operating activities	21		(5,455,827)		(6,298,799)
Returns on investments and servicing of finance					
Interest paid		-		(1,058)	
Net cash outflow from returns on investments and servicing of finance			-		(1,058)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(158,800)		(112,616)	
Purchase of tangible fixed assets		(108,962)		(25,068)	
Sale of fixed assets		1,030,161		1,803,984	
Purchase of goodwill		(1,500,004)		-	
Net cash inflow from capital expenditure and financial investment			(737,605)		1,666,300
Net cash outflow before financing			(6,193,432)		(4,633,557)
Financing					
New loans received		2,808,000		5,378,000	
Issue of preference shares		3,295,000		-	
Loan repayments		-		(1,178,999)	
Capital element of finance lease repayments		(1,737)		(5,372)	
Net cash inflow from financing			6,101,263		4,193,629
Decrease in cash			(92,169)		(439,928)

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 2014

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 £39,746,167 and net liabilities of £39,191,635, 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 2015-16 season and reviewed the group and company's trading and working capital requirements.

These forecasts indicate that the group and company should not require any additional funding from group shareholders. The group and company has received written confirmations from group shareholders of their intention to continue to provide support to the group by not demanding repayment of debt for the foreseeable future and have confirmed their intention to provide or source funding if required by the group to enable the group to continue as a going concern. Notwithstanding this intention, there is no contractual certainty that such funding will be made available nor that loans will not be called for repayment.

The forecasts include a number of assumptions regarding cost reductions, the projected revenues that the company can earn through player sales, gate receipts, season ticket sales, programme sales, advertising, sponsorship and other Football related activity. Certain elements of the business plan have been achieved, however there are uncertainties to whether all assumptions regarding projected revenues and cost reductions can be achieved. Should these assumptions not be achieved, further funding in addition to that identified in the forecasts will be required from group shareholders. As stated above the directors are confident that further funding will be received from or sourced by group shareholders based on written confirmations and assurances received to date.

Accordingly the directors consider the going concern basis to be appropriate, however these conditions indicate the existence of a material uncertainty which may cast significant doubt on the company and group's ability to continue as a going concern.

Basis of consolidation

The group financial statements incorporate those of the company and all of its subsidiary undertakings (see note 11) drawn up to 31 May 2014. 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.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2014 (continued)

1 Accounting policies (continued)

Basis of consolidation (continued)

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

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.

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
Motor vehicles	-	25% reducing balance
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 2014 (*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 2014 (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

	2014 £	2013 £
Match receipts		
Net receipts from league and cup matches, pools and executive box rentals	1,140,759	2,996,143
Commercial activities		
Television, sponsorship, advertising, club lottery, shop and other promotion activities	2,614,290	3,575,626
	<u>3,755,049</u>	<u>6,571,769</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 2014 (*continued*)

3 Operating loss on ordinary activities

The loss on ordinary activities is stated after charging

	2014 £	2013 £
Depreciation, amortisation and impairment		
- Depreciation of tangible fixed assets	97,556	87,358
- Amortisation of intangible fixed assets	77,685	608,797
- Impairment of tangible fixed assets	-	408,101
- Impairment of intangible fixed assets	-	219,406
Loss on disposal of tangible fixed assets	-	16,126
Auditor's remuneration		
- Audit services	24,500	21,000
- Non audit services - taxation	4,500	15,075
- Non audit services - other	1,000	4,000
Operating lease charges		
- Equipment and vehicles	4,264	24,235
- Land and buildings	296,758	1,195,702
Rent payment	471,192	-
Goodwill impairment	1,500,004	-

The goodwill impairment charge relates 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

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 2014 (continued)

5 Directors and employees

Staff costs across the group during the year were as follows

	2014 £	2013 £
Wages and salaries	4,706,319	6,299,447
Social security costs	761,958	710,555
Other pension costs	19,511	29,558
	<u>5,487,788</u>	<u>7,039,560</u>

Of the amounts disclosed within wages and salaries above £123,881 (2013 - £279,545) 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

	2014 Number	2013 Number
Players and management	102	122
Administrative and commercial	28	41
Stewards (part time)	287	375
	<u>417</u>	<u>538</u>

Remuneration in respect of directors was as follows

	2014 £	2013 £
Emoluments	-	-
Remuneration paid to third parties in respect of directors' services	240,000	246,250
	<u>240,000</u>	<u>246,250</u>

6 Interest receivable and payable

	2014 £	2013 £
Interest payable	-	-
Finance charges on finance leases	-	1,058
On bank loans and overdrafts	-	92
Other loans	2,660,280	1,805,686
	<u>2,660,280</u>	<u>1,806,836</u>
Other interest receivable and similar income	-	-
	<u>2,660,280</u>	<u>1,806,836</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (*continued*)

7 Tax on loss on ordinary activities

There was a current corporation tax credit of £59,378 in the year (2013 – charge of £59,378)

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

	2014 £	2013 £
Loss on ordinary activities before tax	(8,595,337)	(7,155,140)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2013 - 20%)	(1,719,067)	(1,431,028)
Effect of		
Expenses not deductible for tax purposes	-	59,378
Adjustment in respect of previous periods	(59,378)	-
Tax losses arising in the year	1,719,067	1,431,028
	<hr/>	<hr/>
Current tax (credit) / charge for the year	(59,378)	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 loss of £873,750 (2013 - loss of £406,133) 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 2014 (*continued*)

9 Intangible fixed assets

Group	Trade marks £	Player registrations £	Goodwill £	Total £
<i>Cost</i>				
At 31 May 2013	14,059	1,545,528	9,533,152	11,092,739
Additions	-	158,800	1,500,004	1,658,004
Disposals	-	(162,597)	-	(162,597)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2014	14,059	1,541,731	11,033,156	12,588,146
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>				
At 31 May 2013	11,390	1,469,302	9,533,152	11,013,844
Provided in the year	381	77,304	-	77,685
Impairment	-	-	1,500,004	1,500,004
Disposals	-	(75,893)	-	(75,893)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2014	11,772	1,470,713	11,033,156	12,516,640
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 31 May 2014	2,287	71,018	-	73,305
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2013	2,669	76,226	-	78,895
	<hr/>	<hr/>	<hr/>	<hr/>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (*continued*)

10 Tangible fixed assets

Group	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
<i>Cost</i>			
At 31 May 2013	984,221	1,677,115	2,661,336
Additions	-	108,962	108,962
Disposals	-	(69,522)	(69,522)
	<hr/>	<hr/>	<hr/>
At 31 May 2014	984,221	1,716,555	2,700,776
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 31 May 2013	624,222	1,561,921	2,186,143
Provided in the year	7,849	89,707	97,556
Impairment	-	-	-
Disposals	-	(64,150)	(64,150)
	<hr/>	<hr/>	<hr/>
At 31 May 2014	632,071	1,587,478	2,219,549
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 May 2014	352,150	129,077	481,227
	<hr/>	<hr/>	<hr/>
At 31 May 2013	359,999	115,194	475,193
	<hr/>	<hr/>	<hr/>

Included within the net book value of plant, fixtures and fittings is £NIL (2013 - £Nil) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2013 - £Nil).

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (continued)

11 Fixed assets investments

Company	Subsidiary undertakings £
<i>Cost</i>	
At 31 May 2013 and 31 May 2014	272,412
<i>Impairment</i>	
At 31 May 2013 and 31 May 2014	272,412
	<hr/>
At 31 May 2013 and 31 May 2014	-
	<hr/>

During the year, the company received 49,955,588 'B' preference shares in Otium Entertainment Group in satisfaction of a debtor previously provided against. The directors do not consider it appropriate to re-instate the carrying value.

At 31 May 2014 the following companies were subsidiary undertakings

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.

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

Coventry City Football Club Limited ceased to be in the company's control in the prior year and Coventry City Football Club (Holdings) Limited was dissolved in the period and its results have been included up to the date of transfer of the business to Otium Entertainment Group Limited.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (continued)

12 Stocks

Group	2014 £	2013 £
Goods for resale	87,899	115,268

13 Debtors

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Trade debtors	292,689	223,446	-	7,467
Other debtors	132,142	895,840	27,618	62,415
Prepayments and accrued income	240,850	249,847	-	-
	<u>665,681</u>	<u>1,369,133</u>	<u>27,618</u>	<u>69,882</u>

The amounts above fall due within one year

14 Cash

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Cash at bank and in hand	281,417	373,586	-	15,196
	<u>281,417</u>	<u>373,586</u>	<u>-</u>	<u>15,196</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (continued)

15 Creditors: amounts falling due within one year

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Other loans and overdrafts	36,762,321	42,131,128	28,554,312	28,554,312
Trade creditors and transfer fees	543,573	618,665	67,419	62,164
Social security and other taxes	401,009	482,862	-	-
Other creditors	504,761	79,599	-	52,765
Accruals	2,420,014	3,637,904	788,639	525,182
Corporation tax payable	-	59,378	-	-
Finance leases	-	1,737	-	-
Deferred income	149,485	122,227	-	-
Amounts owed to group undertakings	-	-	637,343	37,000
	<u>40,781,163</u>	<u>47,133,500</u>	<u>30,047,713</u>	<u>29,231,423</u>

16 Creditors: amounts falling due after more than one year

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Other loans	-	-	-	-
Other creditors	-	171,779	-	-
	<u>-</u>	<u>171,779</u>	<u>-</u>	<u>-</u>

Other loans

Included within other loans falling due within one year is an amount of £28,554,312 (2013 – 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. Interest of £656,667 (2013 - £456,667) is included within accruals in relation to the interest bearing element loan.

Included within other loans falling due within one year is an amount of £6,457,295 (2013 - £11,653,000) 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 £961,472 (2013 - £1,328,417) 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 (2013 – amounts due after more than 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 £433,333 (2013 - £233,333) 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).

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (continued)

17 Borrowings

Borrowings are repayable as follows

	Group 2014 £	Group 2013 £	Company 2014 £	Company 2013 £
Within one year				
Other loans	36,762,321	42,131,128	28,554,312	28,554,312
Finance leases	-	1,737	-	-
After one and within two years				
Other loans	-	-	-	-
Finance leases	-	-	-	-
After two and within five years				
Other loans	-	-	-	-
	<u>36,762,321</u>	<u>42,132,865</u>	<u>28,554,312</u>	<u>28,554,312</u>

Finance leases are secured on the assets to which they relate

As at the balance date, the loans were due for repayment within one year. Subsequent to the year-end, the company have received written confirmations from group shareholders of their intention to continue to provide support to the group and company by not demanding repayment of debt for a period of at least twelve months from the date of approval of the financial statements (see note 1)

18 Share capital

	2014 £	2013 £
Allotted, called up and fully paid 13,698 ordinary shares of £1 each	13,698	13,698

Equity component of convertible debt

	2014 £
At 1 June 2013 and at 31 May 2014	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)

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (*continued*)

19 Reserves

Group	Other reserve £	Profit and loss account £
At 31 May 2013	-	(45,155,989)
Issue of preference shares in subsidiary undertaking	14,237,528	-
Loss for the financial year	-	(8,535,959)
	<hr/>	<hr/>
At 31 May 2014	14,237,528	(53,691,948)
	<hr/>	<hr/>

The other reserve relates to preference shares issued in a subsidiary undertaking

Company	Profit and loss account £
At 31 May 2013	(29,160,043)
Loss for the financial year	(873,750)
	<hr/>
At 31 May 2014	(30,033,793)
	<hr/>

20 Reconciliation of movements in shareholders' deficit

Group	2014 £	2013 £
Loss for the financial year	(8,535,959)	(7,155,140)
Issue of preference shares in subsidiary undertaking	14,237,528	-
Shareholders' deficit at start of year	(44,893,204)	(37,738,064)
	<hr/>	<hr/>
Shareholders' deficit at the end of the year	(39,191,635)	(44,893,204)
	<hr/>	<hr/>

21 Net cash outflow from operating activities

	2014 £	2013 £
Operating loss	(6,873,078)	(6,935,492)
Depreciation	97,556	87,358
Amortisation	77,685	608,797
Impairment of tangible fixed assets	-	408,101
Impairment of intangible fixed assets	-	219,406
Decrease in stock	27,369	142,587
Decrease in debtors	703,452	687,834
Decrease in creditors	(988,815)	(1,533,516)
Payment for goodwill	1,500,004	-
Loss on disposal of fixed assets	-	16,126
	<hr/>	<hr/>
Net cash outflow from operating activities	(5,455,827)	(6,298,799)
	<hr/>	<hr/>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (continued)

22 Reconciliation of net cash flow to movement in net debt

	2014 £	2013 £
Decrease in cash in the year	(92,169)	(439,928)
Cash flow from changes in debt	(3,293,263)	(4,193,629)
	<u> </u>	<u> </u>
Movement in net debt resulting from cashflows	(3,385,432)	(4,633,557)
Non-cash movements	8,663,807	-
	<u> </u>	<u> </u>
Net debt at start of year	(41,759,279)	(37,125,722)
	<u> </u>	<u> </u>
Net debt at end of year	(36,480,904)	(41,759,279)
	<u> </u>	<u> </u>

23 Analysis of changes in net debt

	At 31 May 2013 £	Non cash items £	Cash flow £	At 31 May 2014 £
Cash at bank and in hand	373,586	-	(92,169)	281,417
Bank overdraft	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	373,586	-	(92,169)	281,417
Hire purchase and finance leases	(1,737)	-	1,737	-
Debt due within one year	(42,131,128)	8,663,807	(3,295,000)	(36,762,321)
Debt due after one year	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(41,759,279)	8,663,807	(3,385,432)	(36,480,904)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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 £171,779 and is included within other creditors. Outstanding pension contributions to individuals' money purchase pension schemes included within creditors at 31 May 2014 were £63,542.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (*continued*)

25 Capital commitments

At 31 May 2014 the group had capital commitments of £Nil (2013 - £Nil) which had been approved by the Board but not contracted for

26 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

	2014 £	2013 £
Amounts payable		
In one year or less	50,000	122,500
In more than one year	-	80,000
	<u>50,000</u>	<u>202,500</u>

27 Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of £420,000 (2013 - £NIL). 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.

28 Financial commitments

Leases

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

	2014 Land and buildings £	2014 Other £	2013 Land and buildings £	2013 Other £
In relation to contracts expiring				
In one year or less	360,410	59,845	-	5,890
Between one and five years	160,000	-	94,600	76,749
After more than 5 years	-	-	-	-
	<u>520,410</u>	<u>59,845</u>	<u>94,600</u>	<u>82,639</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2014 (*continued*)

29 Post balance sheet events

Subsequent to the year-end, the group has received additional funding from ARVO Master Fund Limited of £1,021,192 in the form of preference shares. No preference shares have been issued since August 2014. The group has also signed transfer agreements under which net proceeds of £2.1m were received (2013: £0.4m).

30 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.