

# **Sky Blue Sports & Leisure Limited**

Report and Financial Statements

Year Ended

31 May 2017

Company number 06414248

# Sky Blue Sports & Leisure Limited

Report and financial statements  
for the year ended 31 May 2017

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## Directors

T D Fisher  
L Deering

## Registered office

96 Kensington High Street, London, W8 4SG

## Company number

06414248

## Auditor

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

# Sky Blue Sports & Leisure Limited

## Strategic report for the year ended 31 May 2017

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The director's presents their strategic report together with the audited financial statements for the year ended 31 May 2017.

The result for the year for Sky Blue Sports & Leisure Limited (SBSL) is set out in the statement of total comprehensive income on page 7 and shows a loss for the year. The directors do not recommend the payment of a dividend.

The key performance indicators of the company are league status, finishing position of the club and the year's operating result.

The 2016-17 season saw the club relegated from League 1 to League 2 finishing 23<sup>rd</sup> in the table. The club had some respite with a successful Checkatrade Cup competition, ultimately winning the competition after a Wembley final on 2<sup>nd</sup> April 2017. A final which saw in excess of 40,000 Coventry City fans attend the game.

For the duration of the season the club was unable to pull away from the lower reaches of the table. The sporting performance continued to be poor despite renewed management appointments. Mark Robins ultimately took up the position in March 2017 and despite a pick-up in team performance the club was relegated to League 2.

An end of season review indicated that the sporting underperformance was principally attributed to poor player recruitment coupled with poor physical conditioning within the first team group. A new invigorated recruitment department and system has been subsequently implemented. In equal measure, a re-emphasis on strength and conditioning was put in place.

Outside of the first team there has continued to be significant on-going investment in the Academy. Under EPPP rules, to retain its Category Two Academy Status, the club must commit to a minimum contribution of £620,000 and as with prior years has exceeded this contribution. The U18s had a successful season and were narrowly defeated in the National Championship Final after winning the Professional Development League South. The Club continues to see Academy players progressing through the ranks, and ultimately breaking into the First Team.

In regard to the business performance, the 2016-17 period saw a lift in year-on-year turnover of around £0.7m. This is attributable to the successful Checkatrade Cup competition, which offset the downturn in League ticketing revenues due to the underperformance on the pitch during the league campaign. However, beyond ticketing, the key concern for the business remains the partial and limited access to non-ticketing match day revenues and an absence of non-match day turnover putting the club firmly at a competitive disadvantage relative to its peers.

Considering the increase in direct costs, this is partially attributable to additional match day costs for the Cup competitions, and the running cost of the new ticketing software system. The change of ticketing platform came into effect for the 16/17 season, following a decision to improve the ticket purchase experience for fans. The change incorporated a new dedicated ticketing call centre. A two year contract was entered into with TicketMaster. At the time of writing the club is minded to extend this contract.

A decrease in staffing cost reflects the season's sporting underperformance in that the club had very much reduced playing bonuses to pay out following restructure of the bonus schedules in the prior season.

Despite increases in revenues and decreases in costs then year-on-year the business showed an operational loss of £1,113,359 (2016: £1,876,832).

Further to the business operational losses, the 2016/17 season saw significantly lower player sales. The business realised a loss of £861,272 (2016: profit of £601,756) before interest due.

The interest payable has decreased from £2.47m to £1.86m year-on-year due to the adjustment in the previous year for additional withholding tax due to HMRC on the interest owed to ARVO. The net capital debt owed to ARVO sits at £14,283,853 including accrued interest.

The company has maintained its position of not having material creditors, other than its shareholder. The company has not securitized any future revenue streams.

# Sky Blue Sports & Leisure Limited

Strategic report  
for the year ended 31 May 2017

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A number of challenges continue to face the football club. Although the club has agreed a deal to continue to play at the Ricoh Arena until the end of the 2018/19 season, efforts to progress relocating to an alternative long term home ground for the club continue. With regard to the academy, we remain in talks with Coventry Sports Foundation in respect of a longer term contract to remain at our Academy current site.

## Principal risks and uncertainties

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

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

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

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

## Approval

This strategic report was approved on behalf of the Board on 27.2.2018



T D Fisher  
Director

# Sky Blue Sports & Leisure Limited

## Report of the directors for the year ended 31 May 2017

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The directors present their annual report together with the audited financial statements for the year ended 31 May 2017.

### **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**

There were no significant post balance sheet events.

### **Directors**

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

T D Fisher  
L Deering

# Sky Blue Sports & Leisure Limited

## Report of the directors for the year ended 31 May 2017 (*continued*)

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### 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.

### Auditor

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 auditor 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 D Fisher  
Director

Date 27-2-2018

# Sky Blue Sports & Leisure Limited

## Independent auditor's report for the year ended 31 May 2017

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### 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 2017 which comprise the consolidated statement of total comprehensive income, the consolidated and company balance sheets, the consolidated and company statement of changes in equity, 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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](http://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 company's affairs as at 31 May 2017 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 and the group's forecasts indicate that the group and company are likely to require additional funding within the next 6 months. Written confirmations have been received 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*) for the year ended 31 May 2017

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### Emphasis of matter - going concern (*continued*)

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

### Opinion on other matters prescribed by the Companies Act 2006

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

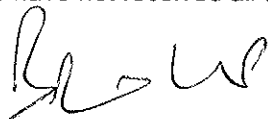
- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 28 FEBRUARY 2018

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



# **Sky Blue Sports & Leisure Limited**

**Report and Financial Statements  
for the year ended 31 May 2017**

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# Sky Blue Sports & Leisure Limited

## Consolidated statement of total comprehensive income for the year ended 31 May 2017

	Note	Total 2017 £	Total 2016 £
<b>Turnover</b>	2	<b>6,134,192</b>	5,445,427
Direct operating costs	3	<b>(1,506,587)</b>	(1,122,123)
<b>Gross profit</b>		<b>4,627,605</b>	4,323,304
Staff costs	4	<b>(4,172,031)</b>	(4,306,746)
Administrative expenses		<b>(1,568,933)</b>	(1,893,390)
<b>Total administrative expenses</b>		<b>(5,740,964)</b>	(6,200,136)
<b>Operating loss</b>	5	<b>(1,113,359)</b>	(1,876,832)
Profit on sale of player registrations		<b>252,087</b>	2,478,588
<b>(Loss) / Profit after sale of player registrations</b>		<b>(861,272)</b>	601,756
Interest receivable	6	<b>122</b>	35
Interest payable	6	<b>(1,858,410)</b>	(2,470,973)
<b>Loss on ordinary activities before taxation</b>		<b>(2,719,560)</b>	(1,869,182)
Taxation	7	-	-
<b>Loss for the financial year</b>		<b>(2,719,560)</b>	(1,869,182)
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b><u>(2,719,560)</u></b>	<b><u>(1,869,182)</u></b>
<b>Profit and total comprehensive income for the year attributable to:</b>			
Non-controlling interest		(268,758)	(172,793)
Owners of the parent company		(2,450,802)	(1,696,389)
		<b><u>(2,719,560)</u></b>	<b><u>(3,869,782)</u></b>

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 12 to 24 form part of these financial statements.

# Sky Blue Sports & Leisure Limited

## Consolidated balance sheet At 31 May 2017

Company number 06414248	Note	2017	2017	2016	2016
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	8		152,139		181,215
Tangible assets	9		415,472		428,157
			<u>567,611</u>		<u>609,372</u>
<b>Current assets</b>					
Debtors	11	1,157,530		929,383	
Cash at bank and in hand	12	298,161		779,437	
		<u>1,455,691</u>		<u>1,708,820</u>	
<b>Creditors: amounts falling due within one year</b>	13	<b>(48,145,782)</b>		<b>(45,721,112)</b>	
<b>Net current liabilities</b>			<b>(46,690,091)</b>		<b>(44,012,292)</b>
<b>Total assets less current liabilities</b>			<b>(46,122,480)</b>		<b>(43,402,920)</b>
<b>Capital and reserves</b>					
Called up share capital	15	13,698		13,698	
Profit and loss account		(53,453,966)		(51,003,164)	
<b>Shareholders' deficit</b>			<b>(53,440,268)</b>		<b>(50,989,466)</b>
<b>Non-controlling interest</b>			<b>7,317,788</b>		<b>7,586,546</b>
			<u>(46,122,480)</u>		<u>(43,402,920)</u>

The financial statements were approved and authorised for issue by the Board of Directors on 27-2-2018 and were signed on its behalf by:



T D Fisher  
Director

The notes on pages 12 to 24 form part of these financial statements.

# Sky Blue Sports & Leisure Limited

## Company balance sheet At 31 May 2017

Company number 06414248	Note	2017 £	2017 £	2016 £	2016 £
<b>Fixed assets</b>					
Investments	10		-		-
<b>Current assets</b>					
Debtors	11	70		3,145	
Cash at bank and in hand		-		-	
		70		3,145	
<b>Creditors: amounts falling due within one year</b>	13	<b>(29,925,789)</b>		<b>(29,840,098)</b>	
<b>Net current liabilities</b>			<b>(29,925,719)</b>		<b>(29,836,953)</b>
<b>Total assets less current liabilities</b>			<b>(29,925,719)</b>		<b>(29,836,953)</b>
<b>Capital and reserves</b>					
Called up share capital	16	13,698		13,698	
Profit and loss account		<b>(29,939,417)</b>		<b>(29,850,651)</b>	
<b>Shareholders' deficit</b>			<b>(29,925,719)</b>		<b>(29,836,953)</b>
			<b>(29,925,719)</b>		<b>(29,836,953)</b>

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 £88,766 (2016 – loss of £126,271) which is dealt with in the financial statements of the company.

The financial statements were approved and authorised for issue by the Board of Directors on 27.2.2018 and were signed on its behalf by:



T Fisher  
Director

The notes on pages 12 to 24 form part of these financial statements.

# Sky Blue Sports & Leisure Limited

## Statement of changes in equity for the year ended 31 May 2017

Group	Share capital £	Non- Controlling interest £	Retained earnings £	Total £
<b>At 31 May 2015</b>	13,698	7,759,339	(49,306,775)	(41,533,738)
<b>Changes in equity for the year ended 30 May 2016</b>				
Loss for the year	-	(172,793)	(1,696,389)	(1,869,182)
<b>At 31 May 2016</b>	13,698	7,586,546	(51,003,164)	(43,402,920)
<b>Changes in equity for the year ended 30 May 2017</b>				
Loss for the year	-	(268,758)	(2,450,802)	(2,719,560)
<b>At 31 May 2017</b>	13,698	7,317,788	(53,453,966)	(46,122,480)
<b>Company</b>		<b>Share capital £</b>	<b>Retained earnings £</b>	<b>Total £</b>
<b>At 31 May 2015</b>		13,698	(29,724,380)	(29,710,682)
<b>Changes in equity for the year ended 30 May 2016</b>				
Loss for the year		-	(126,271)	(126,271)
<b>At 31 May 2016</b>		13,698	(29,850,651)	(29,836,953)
<b>Changes in equity for the year ended 30 May 2016</b>				
Loss for the year		-	(88,766)	(88,766)
<b>At 31 May 2017</b>		13,698	(29,939,417)	(29,925,719)

The notes on pages 12 to 24 form part of these financial statements.

# Sky Blue Sports & Leisure Limited

## Consolidated cash flow statement for the year ended 31 May 2017

	2017	2016
<b>Cash flows from operating activities</b>		
<b>Loss for the financial year</b>	<b>(2,719,560)</b>	(1,869,182)
Adjustments for:		
Interest payable	<b>1,858,288</b>	2,470,938
Profit on disposal of player registrations	<b>(252,087)</b>	(2,478,588)
Depreciation, impairment and amortisation of fixed assets	<b>144,587</b>	149,180
(Increase) in trade and other debtors	<b>(228,147)</b>	(416,712)
Decrease in stocks	-	24,575
Increase in trade and other creditors	<b>231,105</b>	104,439
Profit on sale of fixed assets	<b>(696)</b>	110,494
<b>Cash from operations</b>	<b>(966,510)</b>	(1,904,856)
Interest paid – other	<b>(13,297)</b>	(54,717)
Interest paid – shareholder loans	<b>(39,105)</b>	(25,000)
Interest received	<b>122</b>	35
<b>Net cash absorbed by operating activities</b>	<b>(1,018,790)</b>	(1,984,538)
<b>Cash flows from investing activities</b>		
Proceeds from sale of intangible fixed assets	<b>252,087</b>	2,499,849
Purchases of tangible fixed assets	<b>(26,927)</b>	(378,714)
Purchases of intangible assets	<b>(75,203)</b>	(40,037)
<b>Net cash from investing activities</b>	<b>(868,833)</b>	2,081,098
<b>Cash flows from financing activities</b>		
New loans received	<b>500,000</b>	530,000
Repayment of loan	<b>(112,443)</b>	-
<b>Net cash from financing activities</b>	<b>387,557</b>	530,000
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(481,276)</b>	626,560
Cash and cash equivalents at beginning of year	<b>779,437</b>	152,877
<b>Cash and cash equivalents at end of year</b>	<b>298,161</b>	779,437
<b>Cash and cash equivalents comprise:</b>		
Cash at bank and in hand	<b>298,161</b>	779,437
Bank overdrafts	-	-
	<b>298,161</b>	779,437

The notes on pages 12 to 24 form part of these financial statements

# Sky Blue Sports & Leisure Limited

## Notes forming part of the financial statements for the year ended 31 May 2017

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### 1 Accounting policies

#### *Basis of Preparation*

Sky Blue Sports & Leisure is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the directors' report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Company's accounting policies.

In preparing the financial statements of the company, advantage has been taken of the following disclosure exemptions available in FRS 102 as equivalent disclosures are provided for the group:

- No cash flow statement has been presented for the company;
- Disclosures in respect of the company's financial instruments have not been presented;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company

The following principal accounting policies have been applied.

#### *Going concern*

Notwithstanding the year end consolidated balance sheet, which shows net current liabilities of 46,690,091 (2016 - £44,012,292) and net liabilities of £46,122,480 (2016 – £43,402,920), the financial statements have been prepared on a going concern basis.

As part of their going concern considerations the directors have prepared detailed forecasts including the 2018-19 season and reviewed the group and company's trading and working capital requirements.

These forecasts indicate that the group and company are likely to require additional funding from group shareholders within the next six months. 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 group shareholders 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 directors consider the going concern basis to be appropriate as they have no reason to believe that group shareholders will not provide the required support. However these conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's and group's ability to continue as a going concern.

# Sky Blue Sports & Leisure Limited

## Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

### *Basis of consolidation*

The group financial statements incorporate those of the company and its subsidiary undertaking (see note 10) drawn up to 31 May 2017. 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.

Non-controlling interests in the net liabilities of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling's share of changes in equity since the date of the combination. Losses applicable to the non-controlling in excess of the non-controlling's share of changes in equity are allocated against the interests of the group except to the extent that the non-controlling 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.

### *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.



# Sky Blue Sports & Leisure Limited

## Notes forming part of the financial statements for the year ended 31 May 2017 (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 18.

#### *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. 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 2017(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.

#### *Judgements in applying accounting policies and key sources of estimation uncertainty*

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

### 2 Turnover

The turnover is attributable to the following classes of business:

	2017 £	2016 £
Match receipts:		
-Net receipts from league and cup matches, pools and executive box rentals	2,461,807	2,314,567
Commercial activities:		
-Television, sponsorship, advertising, club lottery, shop and other promotion activities	3,672,385	3,130,860
	<u>6,134,192</u>	<u>5,445,427</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 2017 (continued)

## 3 Direct operating costs

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

## 4 Directors and employees

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

	2017 £	2016 £
Wages and salaries	4,051,778	4,081,160
Social security costs	365,144	392,421
Other pension costs	36,417	38,800
	<u>4,453,339</u>	<u>4,512,381</u>

Of the amounts disclosed within wages and salaries above £281,309 (2016 - £205,635) 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:

	2017 Number	2016 Number
Players and management	129	107
Administrative and commercial	11	15
Stewards (part time)	258	272
	<u>398</u>	<u>394</u>

Remuneration in respect of directors was as follows:

	2017 £	2016 £
Remuneration paid / accrued to third parties in respect of directors' services	<u>175,781</u>	<u>215,500</u>

# Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements  
for the year ended 31 May 2017 *(continued)*

## 5 Operating loss on ordinary activities

The loss on ordinary activities is stated after charging:

	2017 £	2016 £
Depreciation, amortisation and impairment:		
- Amortisation of intangible fixed assets	100,704	108,795
- Depreciation of tangible fixed assets	43,833	40,385
Loss on disposal of intangible fixed assets		-
Auditor's remuneration:		
- Audit services	21,000	20,000
- Non audit services - taxation	4,000	4,000
- Non audit services - other	1,500	1,500
Operating lease charges:		
- Equipment and vehicles	54,370	118,029
- Land and buildings	602,814	491,324
	602,814	491,324

## 6 Interest receivable and payable

	2017 £	2016 £
Interest payable:		
Other loans	1,484,993	1,454,477
Withholding tax due on interest payable	367,109	837,533
Debt factoring	-	146,451
Other interest payable	6,308	32,512
	1,858,410	2,470,973
Other interest receivable and similar income	(122)	(35)
	1,858,288	2,470,938

# Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements  
for the year ended 31 May 2017 (*continued*)

## 7 Tax on loss on ordinary activities

There was a current corporation tax credit of £nil in the year (2016- £nil).

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

	2017 £	2016 £
Loss on ordinary activities before tax	(2,719,560)	(1,869,182)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.83% (2017 - 20%)	(539,373)	(373,836)
Effect of:		
Expenses not deductible for tax purposes	1,878	3,986
Income not taxable for tax purposes	-	(8,481)
Deferred tax not recognised	-	60,042
Adjust deferred tax average rate	535,965	317,261
Other differences	1,530	1,028
	-	-
Total tax charge for the year	-	-

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

## 8 Intangible fixed assets

Group	Trade marks £	Player registrations £	Goodwill £	Total £
<i>Cost</i>				
At 31 May 2016	14,059	1,378,929	11,033,156	12,426,144
Additions	-	75,203	-	75,203
Disposals	(10,239)	(1,082,026)	(8,809,118)	(9,901,383)
	3,820	372,106	2,224,038	2,599,964
<i>Amortisation</i>				
At 31 May 2016	12,536	1,199,237	11,033,156	12,244,929
Provided in the year	382	100,322	-	100,704
Disposals	(10,239)	(1,078,451)	(8,809,118)	(9,897,808)
	2,679	221,108	2,224,038	2,447,825
<i>Net book value</i>				
<b>At 31 May 2017</b>	<b>1,141</b>	<b>150,998</b>	<b>-</b>	<b>152,139</b>
At 31 May 2016	1,523	179,692	-	181,215

# Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements  
for the year ended 31 May 2017 *(continued)*

## 9 Tangible fixed assets

Group	Freehold land and buildings £	Plant, fixtures and fittings £	Total £
<i>Cost</i>			
At 31 May 2016	984,221	1,752,454	2,736,675
Additions	-	26,927	26,927
Disposals	(624,222)	(1,568,616)	(2,192,838)
	<hr/>	<hr/>	<hr/>
At 31 May 2017	359,999	210,765	570,764
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 31 May 2016	642,935	1,665,583	2,308,518
Provided in the year	5,432	38,451	43,883
Disposals	(624,222)	(1,572,887)	(2,197,109)
	<hr/>	<hr/>	<hr/>
At 31 May 2017	24,145	131,147	155,292
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
<b>At 31 May 2017</b>	<b>335,854</b>	<b>79,618</b>	<b>415,472</b>
	<hr/>	<hr/>	<hr/>
At 31 May 2016	341,286	86,871	428,157
	<hr/>	<hr/>	<hr/>

# Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements  
for the year ended 31 May 2017 *(continued)*

## 10 Fixed assets investments

<b>Company</b>	<b>Subsidiary undertakings £</b>
<i>Cost</i>	
At 31 May 2016 and 31 May 2017	272,412
<i>Impairment</i>	
At 31 May 2016 and 31 May 2017	272,412
<i>Net Book Value</i>	-
At 31 May 2016 and 31 May 2017	-

At 31 May 2017 the following company was a subsidiary undertaking:

<b>Subsidiary undertaking</b>	<b>Subsidiary Address</b>	<b>Country of registration</b>	<b>Class of share capital held</b>	<b>Effective proportion held by the parent company</b>	<b>Nature of business</b>
Otium Entertainment Group Limited	Sky Blue Lodge, Leamington Road, Ryton on Dunsmore, CV8 3FL	England & Wales	Ordinary	90.10%	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 2017 *(continued)*

## 11 Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	114,938	190,236	-	-
Other debtors	224,925	420,078	70	3,145
Prepayments and accrued income	817,667	319,069	-	-
	1,157,530	929,383	70	3,145

The amounts above fall due within one year.

## 12 Cash

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	298,161	779,437	-	-

## 13 Creditors: amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other loans and overdrafts	37,208,726	36,821,168	28,554,349	28,554,312
Trade creditors and transfer fees	356,281	482,446	26,513	28,974
Social security and other taxes	242,163	329,670	-	-
Other creditors	901,387	523,002	52,767	69,771
Accruals	8,617,756	6,554,641	437,189	334,132
Deferred income	819,469	1,010,185	-	-
Amounts owed to group undertakings	-	-	854,971	852,909
	48,145,782	45,721,112	29,925,789	29,840,098

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



# Sky Blue Sports & Leisure Limited

## Notes forming part of the financial statements for the year ended 31 May 2017 (continued)

### 14 Other loans

Included within other loans falling due within one year is an amount of £28,554,312 (2016 - 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 (2016 - £5,986,006) 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 £4,466,664 (2016 - £3,299,393) 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 (2016-amounts due 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 £1,008,334 (2016 - £833,333) 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 (see note 16).

Included within other loans falling due within one year is an amount of £917,557 (2016 – £530,000 which relates to a Revolving Credit Facility agreed with SISU Master Fund Limited. Interest of £154,479 (2016 – £50,740) is included within accruals in relation to this loan.

### 15 Borrowings

Borrowings are repayable as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Within one year:				
Other loans	<b>37,208,726</b>	36,821,168	<b>28,554,349</b>	28,554,312

### 16 Share capital

	2017 £	2016 £
Allotted, called up and fully paid 13,698 ordinary shares of £1 each	<b>13,698</b>	13,698

Ordinary Shares hold full rights with regards to voting, participation and dividends.

### Equity component of convertible debt

	2017 £
At 1 June 2016 and at 31 May 2017	<b>249,087</b>

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

# Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements  
for the year ended 31 May 2017(continued)

## 17 Reserves

### Share Capital

The share capital account includes the nominal value for all shares issued and outstanding.

### Retained Earnings

The profit and loss account includes the accumulated profits and losses arising from the statement of total comprehensive income

## 18 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 £295,856 (2016 - £330,499). This is included within creditors.

## 19 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*

	2017 £	2016 £
Amounts payable: In more than one year	100,000	100,000

## 20 Contingent assets

Based on transfer agreements signed prior to the year-end the company could potentially receive additional amounts of at least £125,000 (2016 - £200,000). 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 2017 (continued)

## 21 Financial commitments

### Leases

The group has total commitments under non-cancellable operating lease commitments payable as follows:

	<b>2017</b>	<b>2016</b>
	<b>Land and buildings</b>	<b>Land and buildings</b>
	<b>£</b>	<b>£</b>
In one year or less	<b>389,162</b>	490,096
Between one and five years	<b>43,300</b>	389,262
	<hr/>	<hr/>
	<b>432,462</b>	879,358
	<hr/>	<hr/>

## 22 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 and are the controlling interest. The loan arrangements with these Investment Funds are set out in note 14.

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 14. The minority interest relates to preference shares in the subsidiary owned by Arvo Master Fund Limited. Interest payable to the minority shareholder is shown in note 6.

The directors are considered to be the key management personnel. See note 4 for details of the total compensation paid to key management personnel for services provided to the company.

