

Sky Blue Sports & Leisure Limited

Report and Financial Statements

Year Ended

31 May 2010

Company number 6414248

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Sky Blue Sports & Leisure Limited

**Annual report and financial statements
for the year ended 31 May 2010**

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Directors

O Igwe (Chairman)
K Dulieu
L Brody

Secretary and registered office

Adam Bradley
11-12 Hanover Street
London
W1S 1YQ

Company number

6414248

Auditors

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Sky Blue Sports & Leisure Limited

Report of the directors for the year ended 31 May 2010

The directors present their annual report together with the audited financial statements for the year ended 31 May 2010

Principal activity

The group is principally engaged in the operation of various sports related businesses including a professional football club. The company is engaged as a holding company for businesses in the sports and leisure industry.

Business review

The group result for the year is set out in the profit and loss account on page 6. The directors do not recommend payment of a dividend and the loss for the year has been transferred to reserves.

The consolidated loss of £5.8m for the year is an improvement on 2009 and reflects a commitment to operate the business at a more sustainable level.

A slight increase in turnover reflects improved performance of the Prozone operations as well as increased TV and radio revenues from the football operations. Increased administrative expenses are largely a reflection of the £1m impairment of fixed asset investments outlined in note 10 and a general increase in operating costs of the Prozone business as the scale of its operations increases.

The major factor underlying the reduction in the level of the losses compared to 2009 levels was an improvement in player trading, a profit of £4.7m for the year was generated from player disposals.

Coventry City Football Club Limited (the "Club") maintained its status in the Championship during the 2010/2011 season. The aim of the Club is to become established as a successful top half of the Championship team with the potential to reach the play-offs and the Premier League. The Board continue to work towards securing a sound financial platform.

Sky Blue Sports & Leisure Limited expects that Coventry City Football Club will continue to require financial support which will be provided through external financing and player trading, further details with regard to future financing are set out in the group's going concern policy on page 10.

Prozone has a clear leadership position in its field of activity within the domestic market and, during 2010, it has successfully developed internationally. The company presented a positive financial position as at 31 May 2010.

The directors consider the key performance indicators of Coventry City Football Club to be league finishing position and the operating result for the year. With respect to Prozone, the directors consider the key performance indicators to be the consolidation of its presence in the domestic market, the increased penetration of international markets and the launch of new applications as well as turnover and operating result. The directors are satisfied with the performance of the group.

In March 2011 the group repaid loans due to Arley Group plc, a company owned by Ray Ranson, from funds provided by shareholders. Ray Ranson also stepped down as Executive Chairman at that date.

Directors

The directors of the company during the year were

Onye Igwe	
Ray Ranson	(resigned 28 March 2011)
Walter Bosco	(appointed 19 January 2010, resigned 21 January 2011)

The following directors were appointed subsequent to the year end

Kenneth Dulieu	(appointed 20 December 2010)
Leonard Brody	(appointed 20 December 2010)

Sky Blue Sports & Leisure Limited

Report of the directors for the year ended 31 May 2010 (continued)

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 income is affected by the performance of Coventry City Football Club because significant revenues are dependent upon team performance in the Football League Championship 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 responsibility of the Board which is to maintain a financially secure professional football club for all of the Coventry City supporters and the city as a whole.

The Board have therefore imposed greater 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 company's approach to liquidity management are explained in the going concern accounting policy on page 10.

With respect to the group's sports analysis activities the main risk is rival products emerging which take away Prozone's market share. The Board is constantly seeking to improve the product by the launch of new applications and other development activities, the aim being to maintain our position as market leader in the sector.

Directors' responsibilities for the financial statements

The directors are responsible for preparing 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

Sky Blue Sports & Leisure Limited

Report of the directors for the year ended 31 May 2010 (*continued*)

Employee involvement

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

Disabled employees

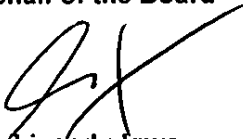
Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue

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



**Onyechinaedu Igwe
Director**

28 April 2011

Sky Blue Sports & Leisure Limited

Report of the independent auditors

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 2010 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 Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2010 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.

Opinion on other matters prescribed by the Companies Act 2006

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

Sky Blue Sports & Leisure Limited

Report of the independent auditors (*continued*)

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

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning group's and parent company's ability to continue as a going concern. The group anticipates having additional funding requirements during the 12 month period from the date of approval of these financial statements. The directors are currently in active negotiations to secure the finance required by the group, including additional equity finance. Until additional finance can be secured the group is dependent upon the directors securing other sources of short term finance to meet its liabilities as they fall due.

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 on the group's and parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and parent company were unable to continue as a going concern.



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

28 April 2011

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 2010

	Note	2010 £	2010 £	2009 £	2009 £
Turnover	2		14,133,893		13,529,629
Direct operating costs	3		(3,319,815)		(3,265,798)
Gross profit			<u>10,814,078</u>		<u>10,263,831</u>
Staff costs	4	(12,310,464)		(12,217,675)	
Administrative expenses		(6,465,385)		(4,214,135)	
			<u>(18,775,849)</u>		<u>(16,431,810)</u>
Operating loss before amortisation of players			(7,961,771)		(6,167,979)
Amortisation of players			(2,069,025)		(2,530,274)
Operating loss	2		<u>(10,030,796)</u>		<u>(8,698,253)</u>
Profit on sale of players			4,700,574		705,113
			<u>(5,330,222)</u>		<u>(7,993,140)</u>
Interest receivable	5		111,887		8,432
Interest payable	5		(554,325)		(196,758)
Loss on ordinary activities before taxation			<u>(5,772,660)</u>		<u>(8,181,466)</u>
Taxation	6		-		17,093
Loss for the financial year	18		<u><u>(5,772,660)</u></u>		<u><u>(8,164,373)</u></u>

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

All results arose from continuing activities

The notes on pages 10 to 22 form part of these financial statements

Sky Blue Sports & Leisure Limited

Consolidated balance sheet at 31 May 2010

<i>Company number 6414248</i>	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Intangible assets	8		13,398,104		16,008,623
Tangible assets	9		1,565,231		1,803,411
Investments	10		-		1,000,000
			<u>14,963,335</u>		<u>18,812,034</u>
Current assets					
Stocks	11	223,563		161,139	
Debtors	12	1,964,826		2,382,545	
Cash at bank and in hand	13	2,065,832		1,341,517	
		<u>4,254,221</u>		<u>3,885,201</u>	
Creditors: amounts falling due within one year	14	<u>(10,893,084)</u>		<u>(10,694,710)</u>	
Net current liabilities			<u>(6,638,863)</u>		<u>(6,809,509)</u>
Total assets less current liabilities			<u>8,324,472</u>		<u>12,002,525</u>
Creditors: amounts falling due after more than one year	15		26,197,196		24,102,589
Capital and reserves					
Called up share capital	17	13,698		13,698	
Profit and loss account	18	<u>(17,886,422)</u>		<u>(12,113,762)</u>	
Shareholders' deficit	19		<u>(17,872,724)</u>		<u>(12,100,064)</u>
			<u>8,324,472</u>		<u>12,002,525</u>

The financial statements were approved by the Board of Directors on 28 April 2011 and were signed on its behalf by



Onyechinaedu Igwe
Director

The notes on pages 10 to 22 form part of these financial statements

Sky Blue Sports & Leisure Limited

Company balance sheet at 31 May 2010

Company number 6414248	Note	2010 £	2010 £	2009 £	2009 £
Fixed assets					
Investments	10		369,577		1,369,577
Current assets					
Debtors	12	8,937,730		11,766,705	
Cash at bank and in hand	13	-		1,889	
		<u>8,937,730</u>		<u>11,768,594</u>	
Creditors: amounts falling due within one year	14	<u>(1,985,111)</u>		<u>(1,839,180)</u>	
Net current assets			6,952,619		9,929,414
Total assets less current liabilities			<u>7,322,196</u>		<u>11,298,991</u>
Creditors: amounts falling due after more than one year	15		24,099,055		23,399,055
Capital and reserves					
Called up share capital	17	13,698		13,698	
Profit and loss account	18	<u>(16,790,557)</u>		<u>(12,113,762)</u>	
Shareholders' deficit			<u>(16,776,859)</u>		<u>(12,100,064)</u>
			<u>7,322,196</u>		<u>11,298,991</u>

The financial statements were approved by the Board of Directors on 28 April 2011 and were signed on its behalf by



Onyechinaedu Igwe
Director

The notes on pages 10 to 22 form part of these financial statements

Sky Blue Sports & Leisure Limited

Cash flow statement for the year ended 31 May 2010

	Note	2010 £	2010 £	2009 £	2009 £
Net cash outflow from operating activities	20		(4,232,934)		(7,876,841)
Returns on investments and servicing of finance					
Interest received		-		8,432	
Interest paid		(494,172)		(27,922)	
Interest element of finance lease rental payments		(5,225)		(15,091)	
Net cash outflow from returns on investments and servicing of finance			(499,397)		(34,581)
Acquisitions					
Purchase of subsidiary undertaking		-		(95,960)	
Net cash acquired with subsidiary undertaking		-		41,004	
Net cash outflow from acquisitions			-		(54,956)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(2,056,968)		(3,092,933)	
Purchase of tangible fixed assets		(256,478)		(734,981)	
Sale of intangible fixed assets		5,163,288		1,030,713	
Sale of tangible fixed assets		-		22,113	
Net cash inflow/(outflow) from capital expenditure and financial investment			2,849,842		(2,775,088)
Net cash outflow before financing			(1,882,489)		(10,741,466)
Financing					
New loans received		3,526,120		12,862,369	
Loan repayments		(864,641)		(2,594,038)	
Issue of ordinary share capital		-		10,492	
Capital element of finance lease repayments		(55,069)		(93,549)	
Net cash inflow from financing			2,606,410		10,185,274
Increase/(decrease) in cash			723,921		(556,192)

The notes on pages 10 to 22 form part of these financial statements

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2010

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 £6,638,863 and net liabilities of £17,872,724, the financial statements have been prepared on a going concern basis.

The directors of the group have prepared detailed cash flow forecasts for the group covering the 12 month period from the date of approval of these financial statements. These forecasts make assumptions regarding the football team's on field performance, players under contract and revenue generation opportunities from ticket sales, sponsorships and merchandising. In common with other football clubs, the company anticipates continuing to be active in the transfer market and, with its squad, the directors anticipate generating positive cash flows from such player transfer activity to support and develop the business.

The group also has detailed plans to dispose of non-core trading assets and to raise additional debt and equity capital finance. There is no guarantee that this fundraising will be successful and this fact indicates the existence of a material uncertainty which may cast significant doubt upon the group's ability to continue as a going concern and it may therefore be unable to realise assets and discharge liabilities in the ordinary course of business. The timing of specific cash flows may be uncertain but the group have received written confirmation from the majority shareholder of their intention to provide or source financial support as it is expected to be required by the group for its continued operation for a period of not less than one year from the date of approval of the financial statements. The directors have a reasonable expectation that they will be able to raise the funds required to allow the group to remain in operational existence. For these reasons the directors have prepared the financial statements on a going concern basis. The accounts do not include adjustments that would result if the company were unable 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 10) drawn up to 31 May 2010. 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.

Turnover

Turnover represents match receipts, executive box rentals, provision of sports analysis services 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 period end in respect of future football seasons, is treated as deferred income.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2010 (*continued*)

1 Accounting policies (*continued*)

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.

Fixed asset investments

Investments held as fixed assets are stated at cost less any provision 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.

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 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 represents 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 23.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements for the year ended 31 May 2010 (continued)

1 Accounting policies (continued)

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.

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 direct to equity.

2 Turnover and operating loss on ordinary activities

The turnover is attributable to the following classes of business

	2010 £	2009 £
Match receipts		
Net receipts from league and cup matches, pools and executive box rentals	9,291,108	8,895,301
Sports analysis		
Net receipts for provision of sports analysis services	3,179,589	2,675,378
Commercial activities		
Television, sponsorship, advertising, club lottery, shop and other promotion activities	1,663,196	1,958,950
	<u>14,133,893</u>	<u>13,529,629</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (*continued*)

2 Turnover and operating loss on ordinary activities (*continued*)

The loss on ordinary activities is stated after charging

	2010 £	2009 £
Depreciation and amortisation		
Goodwill amortisation	1,355,754	1,350,241
Other intangible fixed assets	2,069,755	2,531,242
Tangible fixed assets - owned	395,997	444,308
Tangible fixed assets - leased	84,078	103,913
Impairment of fixed asset investments	1,000,000	-
Auditor's remuneration		
Audit services	34,500	34,500
Non audit services	12,675	12,675
Operating lease charges		
Equipment and vehicles	144,534	80,740
Other	1,472,873	1,227,382
Loss on disposal of tangible fixed assets	14,583	999
	<u> </u>	<u> </u>

3 Direct operating costs

Direct operating costs include match expenses, sports analysis processing costs and the direct costs relating to commercial activities

4 Directors and employees

Staff costs across the group during the year were as follows

	2010 £	2009 £
Wages and salaries	10,935,044	10,852,709
Social security costs	1,141,866	1,248,631
Other pension costs	233,554	116,335
	<u>12,310,464</u>	<u>12,217,675</u>

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

	2010 Number	2009 Number
Players and management	94	80
Administrative and commercial	69	64
Stewards (part time)	294	335
	<u>457</u>	<u>479</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (*continued*)

4 Directors and employees (*continued*)

Remuneration in respect of directors was as follows

	2010 £	2009 £
Remuneration paid to third parties in respect of directors' services	303,125	294,500

5 Interest receivable and payable

	2010 £	2009 £
Interest payable		
Finance charges on finance leases	5,225	15,091
On bank loans and overdrafts	468	27,922
Other loans	548,632	153,745
	554,325	196,758
Other interest receivable and similar income	(111,887)	(8,432)
	442,438	188,326

6 Tax on loss on ordinary activities

There was a current corporation tax charge of £Nil in the year (year ended 31 May 2009 - credit of £17,093)

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

	2010 £	2009 £
Loss on ordinary activities before tax	(5,772,660)	(8,181,466)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	(1,616,345)	(2,290,810)
Effect of		
Expenses not deductible for tax purposes	666,915	221,264
Fixed asset timing differences	(70,587)	(64,247)
Movement on provisions	(1,773)	(13,660)
Tax losses arising in the year	1,021,790	2,147,453
Adjustments in respect of prior year research and development tax relief	-	(17,093)
Current tax for the year	-	(17,093)

The group has unrelieved tax losses of approximately £54,020,895 (2009 - £46,400,000) which remain available to offset against future taxable trading profits. The group also has an unprovided deferred tax asset of £585,916 (2009 - £420,000) in relation to fixed asset timing differences.

7 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 £4,676,795 (year ended 31 May 2009 - £11,974,902) 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 2010 (*continued*)

8 Intangible fixed assets

Group	Trade Marks £	Player registrations £	Goodwill £	Total £
<i>Cost</i>				
At 1 June 2009	10,239	7,466,038	13,557,543	21,033,820
Additions	2,500	1,882,798	-	1,885,298
Disposals	-	(3,563,685)	-	(3,563,685)
At 31 May 2010	<u>12,739</u>	<u>5,785,151</u>	<u>13,557,543</u>	<u>19,355,433</u>
<i>Amortisation</i>				
At 1 June 2009	9,557	3,407,535	1,608,105	5,025,197
Provided in the year	730	2,069,025	1,355,754	3,425,509
Disposals	-	(2,493,377)	-	(2,493,377)
At 31 May 2010	<u>10,287</u>	<u>2,983,183</u>	<u>2,963,859</u>	<u>5,957,329</u>
Net book value at 31 May 2010	<u>2,452</u>	<u>2,801,968</u>	<u>10,593,684</u>	<u>13,398,104</u>
Net book value at 31 May 2009	<u>682</u>	<u>4,058,503</u>	<u>11,949,438</u>	<u>16,008,623</u>

9 Tangible fixed assets

Group	Freehold land £	Plant, fixtures and fittings £	Total £
<i>Cost</i>			
At 1 June 2009	984,221	3,167,580	4,151,801
Additions	-	256,478	256,478
Disposals	-	(20,000)	(20,000)
At 31 May 2010	<u>984,221</u>	<u>3,404,058</u>	<u>4,388,279</u>
<i>Depreciation</i>			
At 1 June 2009	24,425	2,323,965	2,348,390
Provided in the year	17,469	462,606	480,075
Disposals	-	(5,417)	(5,417)
At 31 May 2010	<u>41,894</u>	<u>2,781,154</u>	<u>2,823,048</u>
Net book value at 31 May 2010	<u>942,327</u>	<u>622,904</u>	<u>1,565,231</u>
Net book value at 31 May 2009	<u>959,796</u>	<u>843,615</u>	<u>1,803,411</u>

Included within the net book value of plant, fixtures and fittings is £119,715 (2009 - £227,543) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £84,078 (2009 - £103,913).

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (continued)

10 Fixed assets investments

Group	Other Investments £
Cost	
At 1 June 2009 and 31 May 2010	1,000,000
Impairment provided for in the year	(1,000,000)
	<u>-</u>

The impairment charge of £1,000,000 against other investments in both the Group and Company financial statements relates to option of the Group to purchase a 50% share of the Arena Coventry Limited (ACL), who own the Ricoh Arena. This does not impact on the desire of the Board in the short to medium term to take up their option to acquire the share of ACL.

Company	Subsidiary undertakings £	Other investments £	Total £
Cost			
At 1 June 2009	369,577	1,000,000	1,369,577
Impairment provided for in the year	-	(1,000,000)	(1,000,000)
At 31 May 2010	<u>369,577</u>	<u>-</u>	<u>369,577</u>

At 31 May 2010 the company held a controlling interest in the ordinary share capital of the following subsidiary undertakings

Subsidiary undertaking	Country of registration	Class of share capital held	Proportion held by the parent company	Nature of business
Coventry City Football Club (Holdings) Limited	England & Wales	Ordinary	100%	Holding company providing management and other services to subsidiary undertakings
Coventry City Football Club Limited	England & Wales	Ordinary	100% ^	Playing activities of a professional football club
Arena 2001 Limited	England & Wales	Ordinary	100% ^	Non-trading
Rhapsody Funding Limited	England & Wales	Ordinary	100%	Dormant
Prozone Group Limited	England & Wales	Ordinary	100%	Holding company making investments in sports related businesses
Prozone Sports Limited	England & Wales	Ordinary	99.38% *	Sports analysis company
Prozone Media Limited	England & Wales	Ordinary	100%	Dormant
Prozone Sports International Limited	England & Wales	Ordinary	100%	Dormant

(*) - Shares held by Prozone Group Limited

(^)- Shares held by Coventry City Football Club (Holdings) Limited

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (continued)

10 Fixed assets investments (continued)

All of the subsidiary undertakings have been consolidated in the group financial statements. Arena 2001 Limited entered a creditors' voluntary liquidation arrangement during the previous year, a process which is still on going at the date of approval of these financial statements.

11 Stocks

	2010 £	2009 £
Group		
Goods for resale	223,563	161,139

12 Debtors

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade debtors	1,415,218	687,877	-	-
Other debtors	177,123	1,055,710	53,198	152,275
Prepayments and accrued income	372,485	638,958	-	-
Amounts owed by group undertakings	-	-	8,884,532	11,614,430
	<u>1,964,826</u>	<u>2,382,545</u>	<u>8,937,730</u>	<u>11,766,705</u>

13 Cash

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Cash at bank and in hand	1,565,832	841,517	-	1,889
Restricted cash	500,000	500,000	-	-
	<u>2,065,832</u>	<u>1,341,517</u>	<u>-</u>	<u>1,889</u>

Restricted cash relates to amounts held on deposit in relation to guarantees entered into by the group and are not available for use.

14 Creditors: amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank overdrafts	394	-	394	-
Other loans	2,433,512	1,966,941	1,563,141	1,563,141
Trade creditors and transfer fees	2,754,543	2,854,855	38,379	25,806
Social security and other taxes	609,200	756,388	-	-
Other creditors	366,828	174,428	-	2,307
Accruals	2,390,117	2,291,481	383,197	247,926
Finance leases	60,328	56,551	-	-
Deferred income	2,278,162	2,594,066	-	-
	<u>10,893,084</u>	<u>10,694,710</u>	<u>1,985,111</u>	<u>1,839,180</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (continued)

15 Creditors: amounts falling due after more than one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Trade creditors and transfer fees	72,035	171,142	-	-
Finance leases (note 16)	18,496	77,342	-	-
Other loans	25,879,163	23,734,255	24,099,055	23,399,055
Other creditors	227,502	119,850	-	-
	<u>26,197,196</u>	<u>24,102,589</u>	<u>24,099,055</u>	<u>23,399,055</u>

Other loans

Included within other loans falling due after more than one year is an amount of £24,099,055 (2009 - £23,399,055) 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. No interest is currently accruing under this loan agreement.

Other loans include a balance of £2,129,279 which are secured on future income streams.

16 Borrowings

Borrowings are repayable as follows

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Within one year				
Other loans	2,433,512	1,966,941	1,563,141	1,563,141
Finance leases	60,328	56,551	-	-
After one and within two years				
Other loans	25,189,194	23,734,255	24,099,055	23,399,055
Finance leases	18,496	77,342	-	-
After two and within five years				
Other loans	689,969	-	-	-
	<u>28,391,499</u>	<u>25,835,089</u>	<u>25,662,196</u>	<u>24,962,196</u>

Finance leases are secured on the assets to which they relate.

17 Share capital

	2010 £	2009 £
Allotted, called up and fully paid 13,698 ordinary shares of £1 each	<u>13,698</u>	<u>13,698</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (*continued*)

18 Reserves

	Profit and loss account £
Group	
At 1 June 2009	(12,113,762)
Loss for the financial year	(5,772,660)
At 31 May 2010	(17,886,422)
	Profit and loss account £
Company	
At 1 June 2009	(12,113,762)
Loss for the financial year	(4,676,795)
At 31 May 2010	(16,790,557)

19 Reconciliation of movements in shareholders' deficit

	2010 £	2009 £
Group		
Issue of share capital	-	12,598
Loss for the financial year	(5,772,660)	(8,164,373)
Shareholders' deficit at start of year	(12,100,064)	(3,948,289)
Shareholders' deficit at 31 May 2010	(17,872,724)	(12,100,064)

20 Net cash outflow from operating activities

	2010 £	2009 £
Operating loss	(10,030,796)	(8,698,253)
Depreciation	480,075	548,221
Amortisation	3,425,509	3,881,483
Increase in stock	(62,424)	(53,755)
Decrease/(increase) in debtors	733,219	(923,300)
Increase/(decrease) in creditors	256,900	(1,857,236)
Waiver of loan debts	(50,000)	(775,000)
Loss on disposal of fixed assets	14,583	999
Provision against fixed asset investments	1,000,000	-
Net cash outflow from operating activities	(4,232,934)	(7,876,841)

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (continued)

21 Reconciliation of net cash flow to movement in net debt

	2010 £	2009 £
Increase/(decrease) in cash in the year	723,921	(556,192)
Cash flow from changes in debt	(2,606,410)	(10,174,782)
Movement in net debt resulting from cashflows	(1,882,489)	(10,730,974)
Debt acquired with subsidiary undertakings	-	(4,088,325)
Debt waiver	50,000	775,000
New finance lease	-	(47,619)
Net debt at start of year	(24,493,572)	(10,401,654)
Net debt at end of year	(26,326,061)	(24,493,572)

22 Analysis of changes in net debt

	At 31 May 2009 £	Non cash items £	Cashflow £	At 31 May 2010 £
Cash at bank and in hand	1,341,517	-	724,315	2,065,832
Bank overdraft	-	-	(394)	(394)
			723,921	
Hire purchase and finance leases	(133,893)	-	55,069	(78,824)
Debt due within one year	(1,966,941)	-	(466,571)	(2,433,512)
Debt due after one year	(23,734,255)	50,000	(2,194,908)	(25,879,163)
	(24,493,572)	50,000	(1,882,489)	(26,326,061)

23 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 underfunding of the scheme and accordingly an additional provision of £145,807 was made in the financial statements for the year ended 31 May 2010. The group's current share of the liability stands at £264,580 and is included within other creditors.

24 Capital commitments

At 31 May 2010 the group had capital commitments of £Nil (2009 - £Nil) which had been approved by the Board but not contracted for.

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (*continued*)

25 Contingent liabilities

Group

The group has, under transfer agreements, a liability to pay additional sums dependent on players' attainment of agreed numbers of first team appearances and any subsequent transfer value. No provision has been made in these accounts for such liabilities as the conditions are not met at the balance sheet date and no reliable estimates can be made of any subsequent transfer values.

Appearance liabilities

	2010 £	2009 £
Amounts payable		
In one year or less	100,000	353,333
In more than one year	175,000	175,000
	<u>275,000</u>	<u>528,333</u>

Loan assignment contingent amounts

Under the terms of assignment agreements reached with certain creditors of subsidiary undertakings, Coventry City Football Club (Holdings) Limited and Coventry City Football Club Limited, during the acquisition of these companies the Group would have to pay a maximum additional amount of £6 million were Coventry City Football Club, to achieve promotion to the Premier League prior to the end of season 2012/13.

26 Contingent assets

The group could be owed £150,000 (2009 - £500,000) under transfer agreements, these sums are dependent on various potential achievements by the player and the club they are now employed by.

27 Financial commitments

Leases

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

	2010		2009	
	Land and buildings £	Other £	Land and buildings £	Other £
In relation to contracts expiring				
In one year or less	-	40,338	75,000	39,955
Between one and five years	-	192,407	-	115,772
After more than 5 years	1,297,097	-	1,154,793	-
	<u>1,297,097</u>	<u>232,745</u>	<u>1,229,793</u>	<u>155,727</u>

Sky Blue Sports & Leisure Limited

Notes forming part of the financial statements
for the year ended 31 May 2010 (*continued*)

27 Financial commitments (*continued*)

Bonuses and signing on fees

The minimum payments in respect of loyalty bonuses and deferred signing on fees for playing staff under contract with the group as at the year end, which have not been provided for in the financial statements as the conditions are not met at the balance sheet date, are as follows

Group	2010 £	2009 £
Amounts payable		
In one year or less	1,028,126	1,257,951
Between one and five years	1,522,016	869,526
	<u>2,550,142</u>	<u>2,127,477</u>

28 Post balance sheet events

The group has signed transfer agreements under which a minimum net sum of £986,400 was payable (2009 - £3,073,280 receivable)

29 Transactions with directors and other related parties

The majority shareholding in the company is held by Investment Funds under the management of SISU Capital Limited. The loan arrangements with these Investment Funds are set out in note 15.

Arley Group plc, a holding company owned by Ray Ranson, invoiced the group £303,125 in the year (2009 - £294,500) in relation to the services of Ray Ranson. Arley Group plc, which has a minority interest in the share capital of the group, was owed an amount of £1,563,141 which is included in the other loans within one year. Interest accruing on this loan in the year of £310,059 (2009 - £153,745) is included within accruals, the interest charge in the year being £156,314 (2009 - £153,745).