

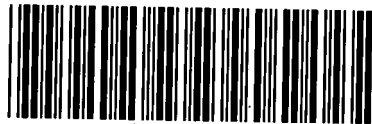
Registered number: 04440684

**ARENA COVENTRY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2016**

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**ARENA COVENTRY LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	N J Eastwood D Armstrong A L Gibb J C M Parker
<b>Registered number</b>	04440684
<b>Registered office</b>	Ricoh Arena Judds Lane Coventry CV6 6AQ
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 1 Kingsway Cardiff CF10 3PW

**ARENA COVENTRY LIMITED**

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## ARENA COVENTRY LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2016

#### Introduction

The principal activity of the business is the management of the Ricoh Arena ("Arena") in Coventry. Arena Coventry Limited ("ACL") leases the arena from its subsidiary Arena Coventry (2006) Limited, which purchased the head lease in June 2006 from Coventry North Regeneration Limited, a subsidiary of Coventry City Council. The company is a subsidiary of Wasps Holdings Limited (the "Group").

The capacity of the stadium is 32,600, and has over 20,000 sqm of flexible event space, including the 6,000 sqm Ericsson Exhibition Hall - hosting conferences and concerts. The Arena contains one of the UK's largest casinos and a 121 bedroom four star DoubleTree by Hilton hotel onsite. The Arena is a leading concert venue of 40,500 maximum capacity, that hosted some of the world's biggest acts (Bruce Springsteen, Rihanna and MTV Crashes) during the year. The facilities include three onsite restaurants, five bars and more than 20 retail food and beverage outlets.

#### Business Review

The conversion and rebranding of the hotel to a DoubleTree by Hilton was completed and the hotel opened in February 2016; income since opening has improved significantly with above target return on investment.

ACL turnover improved to £9.0m, and the operating loss increased to £1.8m. Ricoh remained as naming rights partner of the Arena for the year. It is anticipated that this will be replaced by a new partner during 2017. The rental of the space within the Arena improved 32%, and is anticipated to be maintained going forward. The Arena houses one of the largest casinos in the UK and with its operator Grosvenor, the Group is looking for new ways integrate the partnership and build on the successful synergies already exploited.

Arena Event Services was launched during the year which sees the Event Services team delivering production and logistics to Exhibitions, Events and Concerts. The Event Service business expects to deliver over £250,000 in contribution to the business over the 2016/17 year.

The Arena is the only leading UK conference and event centre with a resident elite sports team and the combination of the Wasps brand with the Arena facilities has created more sponsorship and partnership synergies offering multiple opportunities for the growth and development of both. The latest partner added is Ericsson who replace Jaguar as sponsor of the Indoor Arena and who are installing high density WI-FI throughout the Arena to provide an enriched experience for conferences, sport events, exhibitions and concerts.

Our Entertainment business sector has developed through the year with Danny Howard (Ministry of Sound DJ), Echo and the Bunnymen, Jess Glynn, MTV Crashes, Bruce Springsteen and Rihanna performing at the Arena during the year. Although there were significant successes with Bruce Springsteen and Rihanna, MTV Crashes fell below expectation and as such we are reviewing the appropriate economic model for future stadium concerts. Concerts form a significant part of the growth during the year from having no concerts in the previous year, the concentration remains to make Coventry a centre of entertainment excellence. The Group anticipates adding to this lineup during the 2016/17 year, and further developing the sector into more diverse revenue streams over the coming years. The Group has sponsored the Coventry bid for the City of Culture for 2021 and a number of new events will be developed in conjunction with and to support the bid, the first of which has seen Rahat Fateh Ali Khan play at the Arena in August 2016.

ACL has a 249 year lease remaining with Coventry City Council, via its wholly owned subsidiary ACL (2006) Ltd. The leasing of other operational space contains new rentals, multi-year renewals and new opportunities, which will combine for a better than anticipated rental yield. The property was valued at £48.5m by professional RICS valuers' Strutt and Parker LLP during the 2015 year, which the directors have adopted as the property valuation at 30 June 2016.

#### Highlights

Hotel conversion completed to DoubleTree by Hilton

Railway station construction complete improving infrastructure and funded by third parties.

Return of concerts to the Arena.

Event Services launched and showing significant growth.

Casino trading improvement with additional attendance.

Football attendances over 10,000 and maintaining spend per head.

**ARENA COVENTRY LIMITED**

**STRATEGIC REPORT (continued)  
FOR THE YEAR ENDED 30 JUNE 2016**

**Principal risks and uncertainties**

**Closure of the Arena from unforeseen circumstances**

Impact: Reduced revenue from events at the Arena.

Mitigation: Insurance to cover lost profits (based on budget) reviewed twice per year for forecast changes and updated with insurance company.

**Valuation of Arena materially lower than revaluation**

Impact: Asset cover reduced for Bondholders.

Mitigation: Use professional valuation companies to provide accurate valuation on a regular basis. Long term contracts and income growth to support valuation.

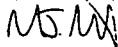
**Financial key performance indicators**

ACL measures its performance based on both financial and non-financial KPIs. The KPIs are:

	<b>2016</b>	<b>2015</b>
EBITDA (£'000)	(595)	(437)
Naming rights*		

\*Discussions with potential naming rights partners are ongoing and it is anticipated that a new partner will be announced in 2017

This report was approved by the board on 31 March 2017 and signed on its behalf.



**D Armstrong**  
Director

## ARENA COVENTRY LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2016

The directors present their report and the financial statements for the year ended 30 June 2016.

#### Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. The directors 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.

#### Results and dividends

The profit for the year, after taxation, amounted to £2,722,605 (2015 - loss £1,862,338). The directors do not propose a dividend (2015: £nil).

#### Directors

The directors who served during the year were:

N J Eastwood  
D Armstrong  
A L Gibb (appointed 23 August 2015)  
J C M Parker (appointed 24 August 2015)

#### Future developments

During the 2016/17 season the Arena will hold a minimum of 16 home competitive matches for Wasps with a pre-season match. In addition, Coventry City Football Club will stage a further 23 Home league matches. The management team continue to look for additional matches which will further the Arena's standing and income streams.

Concerts have been reintroduced to the Arena with sales totaling £1.4m and ACL intends to host a full programme of concerts during the 2016/17 year to further enhance the establishment of the Arena as an entertainment venue.

**ARENA COVENTRY LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2016**

**Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

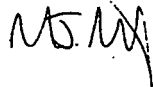
**Post balance sheet events**

There have been no significant events affecting the Company since the year end.

**Auditors**

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 31 March 2017 and signed on its behalf.



D Armstrong  
Director

**ARENA COVENTRY LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARENA COVENTRY LIMITED  
(CONTINUED)**

**Report on the financial statements**

**Our opinion**

In our opinion, Arena Coventry Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit for the period 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.

**What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the balance sheet as at 30 June 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



**ARENA COVENTRY LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARENA COVENTRY LIMITED  
(CONTINUED)**

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' responsibilities statement set out on page 4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

*Mark Ellis*

**Mark Ellis (Senior Statutory Auditor)**

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Cardiff

*31 March 2017*

**ARENA COVENTRY LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 £	2015 £
Turnover	4	8,989,712	6,985,373
<b>Gross profit</b>		<b>8,989,712</b>	<b>6,985,373</b>
Administrative expenses		(10,827,996)	(8,394,825)
<b>Operating loss</b>	5	<b>(1,838,284)</b>	<b>(1,409,452)</b>
Interest receivable and similar income	9	278,884	301,453
Interest payable and expenses	10	(985,937)	(754,339)
<b>Loss before tax</b>		<b>(2,545,337)</b>	<b>(1,862,338)</b>
Tax on loss	11	5,267,942	-
<b>Profit/(loss) for the year</b>		<b>2,722,605</b>	<b>(1,862,338)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Unrealised surplus on revaluation of tangible fixed assets		-	29,301,423
Tax rate change movement on deferred tax relating to revaluation of tangible assets		586,029	-
Tax relating to components of other comprehensive income		-	(5,860,285)
		<b>586,029</b>	<b>23,441,138</b>
<b>Total comprehensive income for the year/period</b>		<b>3,308,634</b>	<b>21,578,800</b>

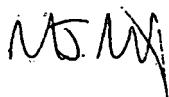
The notes on pages 11 to 25 form part of these financial statements.

**ARENA COVENTRY LIMITED**  
**REGISTERED NUMBER: 04440684**

**BALANCE SHEET**  
**AS AT 30 JUNE 2016**

	Note	£	2016 £	£	2015 £
Fixed assets	12		56,849,008		53,248,575
Fixed asset investments	13		79		79
<b>Current assets</b>					
Stocks	14	23,542			
Debtors due within one year	15	16,511,958		12,663,407	
Cash at bank and in hand	16	255		8,580,022	
Creditors: amounts falling due within one year	17	(13,823,005)		(14,219,162)	
<b>Net current assets</b>			<u>2,712,750</u>		<u>7,024,267</u>
<b>Creditors: Amounts due within one year</b>					
<b>Net current assets</b>					
<b>Total assets less current liabilities</b>			<u>59,561,837</u>		<u>60,272,921</u>
Creditors: amounts falling due after more than one year	18		(36,931,666)		(35,091,099)
<b>Provisions for liabilities</b>					
Deferred taxation				(5,860,285)	
					<u>(5,860,285)</u>
<b>Net assets</b>			<u><u>22,630,171</u></u>		<u><u>19,321,537</u></u>
Share Capital	22		3,516,112		3,516,112
Revaluation Reserve			23,833,167		23,441,138
Profit And Loss Account			(4,719,108)		(7,635,713)
<b>Capital and reserves</b>			<u><u>22,630,171</u></u>		<u><u>19,321,537</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 31 March 2017.



**D Armstrong**  
 Director

The notes on pages 11 to 25 form part of these financial statements.

**ARENA COVENTRY LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2016**

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2015	3,516,112	23,441,138	(7,635,713)	19,321,537
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	2,722,605	2,722,605
Surplus on revaluation of leasehold property	-	586,029	-	586,029
Transfer to/from profit and loss account	-	(194,000)	194,000	-
<b>Total transactions with owners</b>	-	(194,000)	194,000	-
<b>At 30 June 2016</b>	<b>3,516,112</b>	<b>23,833,167</b>	<b>(4,719,108)</b>	<b>22,630,171</b>

**ARENA COVENTRY LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015**

	<b>Called up share capital</b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 1 June 2014	3,516,112	-	(5,773,375)	(2,257,263)
<b>Comprehensive income for the period</b>				
Loss for the period	-	-	(1,862,338)	(1,862,338)
Surplus on revaluation of leasehold property	-	23,441,138	-	23,441,138
<b>At 30 June 2015</b>	<b>3,516,112</b>	<b>23,441,138</b>	<b>(7,635,713)</b>	<b>19,321,537</b>

The notes on pages 11 to 25 form part of these financial statements.

## ARENA COVENTRY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 1. General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales. The principal activity of the company is the management of the Ricoh Arena in Coventry.

The address of its registered office is:

Ricoh Arena  
Judds Lane  
Longford  
Coventry  
CV6 6AQ

These financial statements were authorised by the Board on 30 March 2017

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The Company has taken advantage of the following disclosure exemptions under FRS101:

- (a) the requirement of FRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Preparation of Financial Statements;
- (d) the requirements of IFRS 7 Statement of Cash Flows;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraphs 17 of IAS 24 Related Party Disclosures (key management personnel); and
- (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary that is a party to the transaction is wholly owned by such a member.

##### Going Concern

In order to assess the adequacy of the financial facilities available to the Company, the directors of the Parent Company, Wasps Holdings Limited, for which the Company is a wholly owned subsidiary and a member of the Group comprising the Parent Company and their other subsidiaries, have prepared cash flow forecasts for the 12 months from the date of signing of these accounts, together with a higher level five-year plan. These forecasts show the Group moving from its current loss-making position to generating sufficient profits to remain within its committed lending facilities, and to meet the financial covenants associated with the Retail Bond. The directors are satisfied that sufficient headroom exists in the forecasts to absorb reasonable sensitivity analysis, and that existing shareholder support will continue to be forthcoming in the event of a cash shortfall.

The directors therefore have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and have continued to adopt the going concern basis in preparing the financial statements.

The following principal accounting policies have been applied:

## ARENA COVENTRY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 2. Accounting policies (continued)

##### 2.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### 2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in-use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Accounting policies (continued)**

**2.3 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Long-term leasehold property	- Over the life of the lease
Fixtures and fittings	- Between 2% and 50% per annum on a straight line basis

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

**2.4 Revaluation of tangible fixed assets**

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

**2.5 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and Loss Account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance Sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

**2.6 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.



## ARENA COVENTRY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 2. Accounting policies (continued)

##### 2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

##### 2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

##### 2.9 Financial instruments

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

###### Financial assets

The Company classifies all of its financial assets as loans and receivables.

###### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Profit and Loss Account. On confirmation that the trade receivable will not be collected, the gross carrying value of the asset is written off against the associated provision.

###### Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost.

###### At amortised cost

Financial liabilities at amortised cost including bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried into the Balance Sheet.

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**2. Accounting policies (continued)**

**2.10 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**2.11 Finance costs**

Finance costs are charged to the Profit and Loss Account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.12 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

**2.13 Interest income**

Interest income is recognised in the Profit and Loss Account using the effective interest method.

**2.14 Borrowing costs**

All borrowing costs are recognised in the Profit and Loss Account in the year in which they are incurred.

**2.15 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

## ARENA COVENTRY LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

#### 2. Accounting policies (continued)

##### 2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

##### Valuation of the Arena

The Group assesses the value of the Arena on an annual basis in accordance with the accounting policy stated in note 2. This valuation follows the principles of IFRS 13 and is based on an income approach. This approach requires estimation of the future income streams, length of the leasehold and a number of other market based assumptions. Any changes in these assumptions will impact the carrying value of the Arena. The Arena was revalued in the prior year by an independent valuer, Strutt and Parker LLP. Management have prepared forecasts for future years which support the carrying value of the Arena in the current year.

#### 4. Turnover

The whole of the turnover is attributable to the provision of services at the Arena

	2016 £	2015 £
United Kingdom	8,989,712	6,985,373
	<u>8,989,712</u>	<u>6,985,373</u>

All turnover arose within the United Kingdom.

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**5. Operating loss**

The operating loss is stated after charging:

	2016	2015
	£	£
Depreciation of tangible fixed assets	1,243,109	972,933
Defined contribution pension cost	23,703	20,837
	1,266,812	1,014,567

**6. Auditors' remuneration**

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

	2016	2015
	£	£
Fees for the audit of the Company	20,000	20,000
	20,000	20,000

The company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent company.

**7. Employees**

Staff costs, including directors' remuneration, were as follows:

	2016	2015
	£	£
Wages and salaries	1,687,213	759,723
Social security costs	167,692	73,533
Cost of defined contribution scheme	23,703	20,837
	1,878,608	854,093

The average monthly number of employees, including the directors, during the year was as follows:

	2016	2015
	No.	No.
Administration and support	47	18
	47	18

**8. Directors' remuneration**

	2016	2015
	£	£
Directors' emoluments	165,000	11,830
	165,000	11,830

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**9. Interest receivable**

	2016 £	2015 £
Interest receivable from group companies	278,884	301,453
	<u>278,884</u>	<u>301,453</u>

**10. Interest payable and similar charges**

	2016 £	2015 £
Other loan interest payable	985,937	754,339
	<u>985,937</u>	<u>754,339</u>

**11. Taxation**

	2016 £	2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	6,314	-
	<u>6,314</u>	<u>-</u>
<b>Total current tax</b>	<u>6,314</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(5,860,285)	-
Changes to tax rates	586,029	-
	<u>(5,274,256)</u>	<u>-</u>
<b>Total deferred tax</b>	<u>(5,274,256)</u>	<u>-</u>
<b>Taxation on loss on ordinary activities</b>	<u>(5,267,942)</u>	<u>-</u>

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**11. Taxation (continued)**

**Factors affecting tax charge for the year/period**

The tax assessed for the period is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	<u>(2,545,337)</u>	<u>(1,862,338)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	(509,067)	(372,468)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	13,754	98,902
Capital allowances for year/period in excess of depreciation	96,739	77,418
Recognition of deferred tax asset	(5,455,397)	-
Remeasurement of deferred tax - change in tax rate	586,029	-
Adjustments to tax charge in respect of prior periods	-	196,148
<b>Total tax credit for the period</b>	<u><u>(5,267,942)</u></u>	<u><u>-</u></u>

During the year the UK corporation tax rate remained at 20%. Following Budget 2016 announcements, there will be a further reduction in the main rate of corporation tax to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

Where applicable, deferred taxes at the balance sheet date have been measured using these enacted rates and reflected in these financial statements.

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**12. Tangible fixed assets**

	Long-term leasehold property £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 July 2015	48,500,000	13,166,762	1,343,809	63,010,571
Additions	3,202,006	1,458,646	182,889	4,843,541
At 30 June 2016	<u>51,702,006</u>	<u>14,625,408</u>	<u>1,526,698</u>	<u>67,854,112</u>
<b>Depreciation</b>				
At 1 July 2015	-	8,502,897	1,259,098	9,761,995
Charge for the period	194,000	1,010,394	38,715	1,243,109
At 30 June 2016	<u>194,000</u>	<u>9,513,291</u>	<u>1,297,813</u>	<u>11,005,104</u>
<b>Net book value</b>				
At 30 June 2016	<u>51,508,006</u>	<u>5,112,117</u>	<u>228,885</u>	<u>56,849,008</u>
At 30 June 2015	<u>48,500,000</u>	<u>4,663,865</u>	<u>84,711</u>	<u>53,248,576</u>

**13. Fixed asset investments**

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 July 2015	79
At 30 June 2016	<u>79</u>
<b>Net book value</b>	
At 30 June 2016	<u>79</u>
At 30 June 2015	<u>79</u>

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**13. Fixed asset investments (continued)**

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

<b>Name</b>	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Holding</b>	<b>Principal activity</b>
Arena Coventry (2006) Limited	England and Wales	'A' ordinary	100 %	Managing the Ricoh Arena lease
IEC Experience Limited	England and Wales	'A' ordinary	77 %	Provision of hospitality, catering and facilities management services

**14. Stocks**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<b>23,542</b>	-
	<b>23,542</b>	-

**15. Debtors**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade debtors	<b>807,747</b>	<b>480,567</b>
Amounts owed by group undertakings	<b>14,445,994</b>	<b>11,593,722</b>
Other debtors	<b>529,001</b>	<b>98,939</b>
Prepayments and accrued income	<b>729,216</b>	<b>490,179</b>
	<b>16,511,958</b>	<b>12,663,407</b>

Trade debtors are stated after provision for impairment of £nil (2015: £nil).

Amounts due from group undertakings are unsecured, interest-free and are repayable on demand.



**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**16. Cash and cash equivalents**

	2016 £	2015 £
Cash at bank and in hand	255	8,580,022
Less: bank overdrafts	<b>(255,384)</b>	-
	<b><u>(255,129)</u></b>	<b><u>8,580,022</u></b>

**17. Creditors: Amounts falling due within one year**

	2016 £	2015 £
Bank overdrafts	<b>255,384</b>	-
Trade creditors	<b>2,668,918</b>	176,495
Taxation and social security	<b>56,191</b>	1,648,830
Obligations under finance lease and hire purchase contracts	<b>68,765</b>	68,765
Other creditors	<b>1,078,589</b>	1,967,168
Accruals and deferred income	<b>9,695,158</b>	10,357,904
	<b><u>13,823,005</u></b>	<b><u>14,219,162</u></b>

**18. Creditors: Amounts falling due after more than one year**

	2016 £	2015 £
Bank loans	<b>727,432</b>	-
Other loans	<b>14,652,443</b>	13,463,361
HP liabilities and finance leases	<b>21,551,791</b>	21,627,738
	<b><u>36,931,666</u></b>	<b><u>35,091,099</u></b>

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**19. Loans**

Analysis of the maturity of loans is given below:

	2016 £	2015 £
<b>Amounts falling due 2-5 years</b>		
Bank loans	727,432	-
	727,432	-
<b>Amounts falling due after more than 5 years</b>		
Finance leases > 5 yr	21,551,791	21,627,738
Other loans	14,652,443	13,463,361
	36,204,234	35,091,099
	36,931,666	35,091,099

The loans and borrowings classified as financial instruments are disclosed in note 20 "Financial Statements"

The company has a loan of £14,449,194 (2015: £13,463,361) with Wasps Finance plc which bears interest at 6.5%. The loan is repayable in May 2022.

In the year the Group has borrowed £750,000 from HSBC Plc and bears interest at 4.75%. The balance at 30 June 2016 was £727,432 (2015 - £Nil). The Loan is repayable over a 36 month period and is unsecured.

The company received a non-interest bearing loan of £358,465 from D A Richardson during the period and at the period end owed £203,249.

**20. Financial instruments**

	2016 £	2015 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	334	8,580,099
Financial assets that are debt instruments measured at amortised cost	15,782,742	12,166,914
	15,783,076	20,747,013
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(19,382,766)	(15,607,016)
	(19,382,766)	(15,607,016)

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**21. Deferred taxation**

	2016	2015
	£	£
At 1 July 2015	(5,860,285)	-
Charged to the profit or loss	5,274,256	-
Charged to other comprehensive income	586,029	(5,860,285)
	<u>2016</u>	<u>2015</u>
	£	£
Revaluation of property	-	(5,860,285)
	<u>-</u>	<u>(5,860,285)</u>

**22. Share capital**

	2016	2015
	£	£
<b>Called up and fully paid</b>		
1,758,056 A Ordinary of £1 each shares of £1 each	1,758,056	1,758,056
1,758,056 B Ordinary of £1 each shares of £1 each	1,758,056	1,758,056
	<u>3,516,112</u>	<u>3,516,112</u>

**23. Related party transactions**

Wasps Finance Plc (a company under common control)

The company had the benefit of a loan of £14,449,194 (2015: £13,463,361). Interest of £985,937 has been charged in the year. (2015: £754,339)

Letheby & Christopher Ltd (a company in which a director of IEC Experience Limited sits on the Board)

The Company received income of £500,000 (2015: £8,000) and at the period end was owed £Nil (2015: £Nil)

Kennedys Law LLP (an LLP in which R Dawbarn has an interest)

The Company incurred costs of £46,161 (2015 - £2,775), and at the period end was owed £Nil (2015: £2,700)

The company received a loan of £358,465 from D A Richardson during the period and at the period end owed £203,249.

**ARENA COVENTRY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2016**

**24. Controlling party**

The company's immediate parent is Wasps Holdings Limited.

The ultimate parent is Moonstone Holdings Limited, a company incorporated in Malta.

The parent of the largest and smallest group in which these financial statements are consolidated is Wasps Holdings Limited, incorporated in England and Wales.

The address of Wasps Holdings Limited is:  
Ricoh Arena, Judds Lane, Longford, Coventry, CV6 6AQ

The consolidated financial statements of Wasps Holdings Limited are available upon request from the registered office.