Registered number: 04440684

ARENA COVENTRY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

ARENA COVENTRY LIMITED

COMPANY INFORMATION

Directors	N J Eastwood J M Isaac
Company secretary	N J Eastwood
Registered number	04440684
Registered office	Ricoh Arena Judds Lane Coventry CV6 6AQ
Independent auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD

ARENA COVENTRY LIMITED

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ARENA COVENTRY LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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.

Business Review

Turnover decreased to £9.2m (2017 as restated: £9.9m) and costs of sales and administration expenditure increased to £10.9m (2017 as restated: £9.9m) resulting in an operating loss before exceptional items of £1.6m (2017 as restated: £10k operating profit).

Following on from a busy 2017 schedule, key highlights, excluding Wasps Rugby and Coventry City Football, for the year included performances from The Rolling Stones and Stepback concerts and the Six Nations Women's and U20's double header rugby union games against Ireland. Concerts and sport will continue to form a significant part of future growth plans, with the emphasis on stadium hire events. The combination of Wasps and the Ricoh Arena creates unique sponsorship and partnership synergies and continues to result in a number of new partnerships.

ACL has a long-term lease (235 years remaining) with Coventry City Council over the Ricoh Arena. Leases over other operational space include new rentals, multi-year renewals and new opportunities; this will combine for a better than anticipated rental yield. The property was valued in March 2017 at £60m by professional RICS valuers Gerald Eve LLP. The directors have reviewed this valuation and consider it to still be reasonable. The next external valuation is due in 2019.

Highlights

- Rolling Stones concert held;
- Casino trading improvement with additional attendances;
- England Women's and U20's Rugby Union double-header event;
- Arthur J Gallagher signed as a commercial partner;
- Heineken and Coca Cola signed as new sponsors for pouring rights.

Going concern

The Company is a subsidiary of Wasps Holdings Ltd and part of the Wasps Holdings Group.

The Group and Company are financed by a retail bond issued by Wasps Finance plc which contains financial covenants based on the financial performance of the Group. The Wasps Holdings Group (the "Group") has net liabilities of £0.2m (2017 as restated: net assets of £8.9m), made a loss of £9.7m (2017 as restated: £6.0m) in the current year before other comprehensive income items and has net current liabilities of £12.9m (2017 as restated: £10.4m).

In order to assess the adequacy of the financial facilities available to the Group, the directors have prepared medium term financial forecasts which show that the Group is dependent upon the financial support of its ultimate shareholder to remain within its committed lending facilities, and to meet the financial covenants (as amended in January 2018) associated with the Retail Bond. The board of directors and ultimate shareholders are committed to making the group financially viable through a series of initiatives to increase both matchday and non-matchday revenues and manage costs accordingly. The directors are satisfied that existing ultimate shareholder support will continue to be forthcoming. The directors of the company have obtained a letter of support from the ultimate shareholder outlining a continued commitment to the Group.

The directors therefore have a reasonable expectation that the Company has access to 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.

In the event that shareholder support is not forthcoming there would be a material uncertainty which may cast significant doubt about the Group's, and the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

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 every 2 years. Long term contracts and income growth to support valuation.

Directors' indemnities

The Group has maintained Directors' and officers' liability insurance throughout the year for the benefit of the Group, the Directors and its officers.

Post balance sheet events

On the 14th July 2018, a long-term strategic partnership with global hospitality giants, Delaware North Companies (UK) Hospitality Services Limited was agreed. This arrangement ended the supply agreement with Compass Group UK Limited which was in place for the year ended 30 June 2018, and as part of this termination Arena Coventry Limited purchased the 23 B shares held by the Compass Group.

During July 2017 the High Court dismissed a claim that Coventry City Council's extension of ACL's lease on the Ricoh Arena in 2013 represented state aid. In November 2017 the Court of Appeal upheld a challenge on one aspect of this ruling, and a court hearing was held in June 2018.The directors have taken advice and are satisfied that this claim has no merit. The court decision was released on 12 October 2018 and dismissed the challenge. On 19 October 2018, the Court of Appeal refused permission to appeal to the Supreme Court.

Exceptional costs

During this year, the Company incurred costs that due to their size and nature were deemed 'exceptional'. The Company's definition of exceptional is based on the classification of non-recurring items as such to enable the normal financial performance of the Company to be better understood. During the year costs in relation to judicial review work have been deemed exceptional.

ARENA COVENTRY LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Financial key performance indicators

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

	2018	2017
Gross Profit (£'000)	7,991	8,271

This report was approved by the board on 21 December 2018 and signed on its behalf.

N J Eastwood
Director

ARENA COVENTRY LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

The directors present their report and the financial statements for the year ended 30 June 2018.

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.

Going concern

The Group and Company are financed by a retail bond issued by Wasps Finance plc which contains financial covenants based on the financial performance of the Wasps Holdings Group. The strategic report on pages 1 to 3 has outlined the position in relation to the Group and the Company.

Prior year restatements

In the financial statements of the prior year £151k had been incorrectly recognised too early as revenue and additional expenditure of £120k had not been accrued for and has been reversed resulting in a reduction in turnover, increase in administrative expenses and an increase accruals and deferred income. A detailed review of the balance sheet assets and liabilities also highlighted a number of historical transactions from 2015/16, that should have been written off in that year which have been identified following a change of accounting systems. These relate to MTV and concert costs of £413k, purchasing income of £162k, prepayments of £300k, rent collection of £34k and ledger take on balance differences of £70k. These have resulted in a reduction in opening reserves and changes to debtors (£160k), trade creditors (£90k), prepayments and accrued income (£669k) and accruals and deferred income (£443k). £391k of software related costs had been included within tangible fixed assets and these have now been reclassified as intangible fixed assets in the financial statements of the prior year.

Also, in the financial statements of the prior year end, a deferred income liability relating to a hospitality rights agreement with IEC Experience Limited had been understated as it had been amortised over the initial 15-year period rather than a more recently negotiated period of 18 years. To correct this error, the deferred income liability has been increased from £2,630k to £2,739k and prior year turnover decreased by £109k.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

In the financial statements of the prior year an option available to Compass plc to require Arena Coventry Ltd to acquire its B shares in IEC Experience Ltd for £4.0m had been highlighted in note 19 as a future contingent liability. It has been identified that this option crystalises in 2030 and should have been recognized as an actual liability discounted at an appropriate discount rate. A deferred creditor has therefore been created as at March 2016 of £1.656m and an annual charge included in finance costs in the prior year of £107k using a discount rate of 6.5%.

Results and dividends

The loss for the year, after taxation, amounted to £3.0m (2017 as restated: loss £2.0m). The directors do not propose a dividend (2017: £nil).

Directors

The directors who served during the year were:

N J Eastwood
J M Isaac
J C M Parker (resigned 28 February 2018)

Company secretaries

The company secretaries who served during the year were:

N J Eastwood (appointed 1 March 2018)
J C M Parker (resigned 28 February 2018)

Future developments

During the 2018/19 season the Arena will hold home competitive matches for Wasps' Rugby and Netball teams. In addition, Coventry City Football Club will stage their home league matches at the Ricoh Arena. The management team continue to look for additional matches and concert events which will further the Arena's reputation and income streams.

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.

ARENA COVENTRY LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018

Post balance sheet events

On the 14th July 2018, the Company agreed a long-term strategic partnership with global hospitality giants, Delaware North Companies (UK) Hospitality Services Limited. This arrangement ended the supply agreement with Compass Group UK Limited which was in place for the year ended 30 June 2018, and as part of this termination Arena Coventry Limited purchased the 23 B shares held by the Compass Group.

During July 2017 the High Court dismissed a claim that Coventry City Council's extension of ACL's lease on the Ricoh Arena in 2013 represented state aid. In November 2017 the Court of Appeal upheld a challenge on one aspect of this ruling, and a court hearing was held in June 2018.The directors have taken advice and are satisfied that this claim has no merit. The court decision was released on 12 October 2018 and dismissed the challenge. On 19 October 2018, the Court of Appeal refused permission to appeal to the Supreme Court.

Auditors

Mazars LLP was appointed auditor during the period and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 December 2018 and signed on its behalf.

N J Eastwood
Director

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ARENA COVENTRY LIMITED

Opinion

We have audited the financial statements of Arena Coventry Limited (the 'company') for the year ended 30 June 2018 which comprise of the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

In forming our opinion on the financial statements we draw attention to note 2.2 in the financial statements concerning the company's ability to continue as a going concern and the uncertainty regarding the ongoing support of the company's ultimate shareholder. As stated in note 2.2 this condition indicates the existence of a material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern. Our opinion is not modified in respect of this matter.

Note 2.2 to the financial statements details the Directors' disclosures of the material uncertainty relating to going concern. The directors of the immediate parent company, Wasps Holdings Limited, have prepared medium term forecasts which covers more than 12 months from the date of signing these financial statements. These medium-term forecasts show that the immediate parent company, Wasps Holdings Limited, continues to be dependent on the financial support of its ultimate shareholder, Derek Richardson, with financial contributions needed to fund ongoing cash flow requirements and to meet bond covenants.

The directors are satisfied that ultimate shareholder support will continue to be forthcoming for the foreseeable future. The directors of the immediate parent company, Wasps Holding Limited, have obtained a letter of support from the ultimate shareholder. However, as this letter of support is not legally binding the directors have drawn attention to the risk that ultimate shareholder support is not forthcoming in disclosing a material uncertainty relating to going concern in the basis of preparation to the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

ARENA COVENTRY LIMITED

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ARENA COVENTRY LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- 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; 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.

Responsibilities of 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

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.

Richard Metcalfe (Senior Statutory Auditor) for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katherine's Way
London, E1W 1DD
Date: 21/12/2018

ARENA COVENTRY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
AS AT 30 JUNE 2018

	Note	2018 £'000	2017 (as restated note 2.1) £'000
Turnover	4	**9,234**	9,946
Cost of Sales		**(1,243)**	(1,675)
Gross Profit		**7,991**	8,271
Administrative expenses		**(9,612)**	(8,261)
Operating Loss before exceptional items		**(1,621)**	10
Exceptional items	5	**(373)**	-
Operating Loss after exceptional items	5	**(1,994)**	10
Interest receivable and similar income	9	**279**	279
Interest payable and expenses	10	**(1,280)**	(1,129)
Loss before tax		**(2,995)**	(840)
Tax on loss	11	-	(1,169)
Loss after tax		**(2,995)**	(2,009)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Unrealised surplus on revaluation of tangible fixed assets		-	11,839
Capital contribution		84	-
Tax rate change movement on deferred tax relating to revaluation of tangible assets		-	(1,662)
Total comprehensive income for the year		**(2,911)**	8,168

All activities relate to continuing operations.

The accompanying notes form part of these financial statements.

ARENA COVENTRY LIMITED

BALANCE SHEET
AS AT 30 JUNE 2018
REGISTERED NUMBER: 04440684

	Note	2018 £'000	2017 (as restated note 2.1) £'000
Tangible fixed assets	12	**66,880**	67,907
Intangible fixed assets	13	**496**	391
Investments in subsidiary companies	14	**1,879**	1,764
Current assets			
Stocks	15	**84**	171
Debtors: due within one year	16	**17,241**	20,178
Current liabilities			
Creditors: bank overdraft	17	**(5,582)**	(3,002)
Creditors: amounts falling due within one year	18	**(4,121)**	(4,752)
Net current assets		**7,622**	12,595
Total assets less current liabilities		**76,877**	82,657
Creditors: amounts falling due after more than one year	19	**(47,188)**	(50,057)
Deferred Tax	22	**(6,936)**	(6,936)
Net assets		**22,753**	25,664
Share capital	23	**3,516**	3,516
Capital contribution reserve		**84**	-
Revaluation reserve		**33,802**	33,802
Retained Earnings		**(14,649)**	(11,654)
Capital and reserves		**22,753**	25,664

The accompanying notes form part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 December 2018.

N J Eastwood
Director

ARENA COVENTRY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Called up share capital £'000	Capital Contribution Reserve £'000	Revaluation Reserve £'000	Retained Earnings £'000	Total Equity £'000
As at 30 June 2016 (as previously reported - note 2.1)	3,516	-	23,833	(8,818)	18,531
Impact of prior year restatement (note 2.1)	-	-	-	(1,035)	(1,035)
As at 30 June 2016 (as restated - note 2.1)	**3,516**	**-**	**23,833**	**(9,853)**	**17,496**
Comprehensive income for the year					
Loss for the year (as previously reported - note 2.1)	-	-	-	(509)	(509)
Impact of prior year restatement (note 2.1)	-	-	-	(1,500)	(1,500)
Loss for the year (as restated - note 2.1)	-	-	-	**(2,009)**	**(2,009)**
Surplus on revaluation of leasehold property	-	-	11,839	-	11,839
Income tax effect	-	-	(1,662)	-	(1,662)
Total comprehensive income for the year	-	-	**10,177**	**(2,009)**	**8,168**
Transfer to/from profit and loss account	-	-	(208)	208	-
As at 30 June 2017	**3,516**	**-**	**33,802**	**(11,654)**	**25,664**
Comprehensive income for the year					
Loss for the year	-	-	-	(2,995)	(2,995)
Capital contribution	-	84	-	-	84
Total comprehensive income for the year	**-**	**84**	**-**	**(2,995)**	**(2,911)**
					-
As at 30 June 2018	**3,516**	**84**	**33,802**	**(14,649)**	**22,753**

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

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 requirements of IFRS 7 Financial Instruments: Disclosures;
(b) The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
(c) The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  (i) paragraph 79(a)(iv) of IAS 1;
  (ii) paragraph 73(e) of IAS 16 *Property, Plant and Equipment*; and
  (iii) paragraph 118(e) of IAS 38 *Intangible Assets*;
(d) The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
(e) The requirements of IAS 7 Statement of Cash Flows;
(f) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
(g) The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures;
(h) 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 which is a party to the transaction is wholly owned by such a member.

Prior Year restatements

In the financial statements of the prior year £151k had been incorrectly recognised too early as revenue and additional expenditure of £120k had not been accrued for and has been reversed resulting in a reduction in turnover, increase in administrative expenses and an increase accruals and deferred income. A detailed review of the balance sheet assets and liabilities also highlighted a number of historical transactions from 2015/16, that should have been written off in that year which have been identified following a change of accounting systems. These relate to MTV and concert costs of £413k, purchasing income of £162k, prepayments of £300k, rent collection of £34k and ledger take on balance differences of £70k. These have resulted in a reduction in opening reserves and changes to debtors (£160k), trade creditors (£90k), prepayments and accrued income (£669k) and accruals and deferred income (£443k). £391k of software related costs had been included within tangible fixed assets and these have now been reclassified as intangible fixed assets in the financial statements of the prior year.

Also, in the financial statements of the prior year end, a deferred income liability relating to a hospitality rights agreement with IEC Experience Limited had been understated as it had been amortised over the initial 15-year period rather than a more recently negotiated period of 18 years. To correct this error, the deferred income liability has been increased from £2,630k to £2,739k and prior year turnover decreased by £109k.

In the financial statements of the prior year an option available to Compass plc to require Arena Coventry Ltd to acquire its B shares in IEC Experience Ltd for £4.0m had been highlighted in note 19 as a future contingent liability. It has been identified that this option crystalises in 2030 and should have been recognized as an actual liability discounted at an appropriate discount rate. A deferred creditor has therefore been created as at March 2016 of £1.656m and an annual charge included in finance costs in the prior year of £107k using a discount rate of 6.5%.

2.2 Going concern

The Financial Reporting Council's 'Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks' (April 2016) provides guidance to directors on disclosures regarding the adoption of the going concern basis of accounting.

The company is a subsidiary of Wasps Holdings Ltd and a member of the Wasps Holdings Group.

The Group and Company are financed by a retail bond issued by Wasps Finance plc which contains financial covenants based on the financial performance of the Group. The Group and Company are financed by a retail bond issued by Wasps Finance plc which contains financial covenants based on the financial performance of the Group. The Wasps Holdings Group (the "Group") has net liabilities of £0.2m (2017 as restated: net assets of £8.9m), made a loss of £9.7m (2017 as restated: £6.0m) in the current year before other comprehensive income items and has net current liabilities of £12.9m (2017 as restated: £10.4m).

In order to assess the adequacy of the financial facilities available to the Group, the directors have prepared medium term financial forecasts which show that the Group is dependent upon the financial support of its ultimate shareholder to remain within its committed lending facilities, and to meet the financial covenants (as amended in January 2018) associated with the Retail Bond. The board of directors and ultimate shareholder are committed to making the group financially viable through a series of initiatives to increase both matchday and non-matchday revenues and manage costs accordingly.

The directors are satisfied that existing ultimate shareholder support will continue to be forthcoming. The directors of the company have obtained a letter of support from the ultimate shareholder outlining a continued commitment to the Group.

The directors therefore have a reasonable expectation that the Company has access to 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.

In the event that shareholder support is not forthcoming there would be a material uncertainty which may cast significant doubt about the Group's, and the Company's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

2.3 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when:

- The amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity;
- and specific criteria have been met for each of the company activities.

Sponsorship, rental and service charge income are recognised over the period that services are offered. Facilities management services income is recognised at the point that the services are provided.

Income received relating to concerts and events in future periods is included as deferred income until the revenue recognition criteria are met.

Revenue received in relation to license fees is included in deferred income and released to income over the life of the license.

2.4 Tangible fixed assets

Tangible fixed assets other than long-term leasehold properties 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.

Depreciation is charged 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
Other land and buildings – leasehold	- Over the life of the lease
Fixtures and fittings and equipment	- Between 2% and 50% per annum on a straight-line basis
Computer equipment	- Over three years

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 Income Statement.

2.5 Revaluation of tangible fixed assets

Long-term 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. Revaluation of the Arena is performed every 2 years by independent valuers and by management in the intervening years, 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 Income Statement 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.

2.6 Intangible assets – software costs

Intangible assets – software costs are initially measured at cost less any accumulated amortisation and impairment losses.

These assets are amortised (and charged to administrative expenses) over its estimated useful life when the assets are completed and ready for use, as assessed by management. The estimated useful life of capitalised software costs is 3 to 5 years.

2.6 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.

The investment option is valued at Fair Value through Profit and Loss on a level 3 basis, valued using information derived from the option agreement.

2.7 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 Rental income

Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Contingent rents are recognised as revenue in the period in which they are earned.

2.15 Interest income

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

2.16 Borrowing costs

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

2.17 Taxation

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.

2.18 Exceptional costs

In order to improve the understanding of the financial statements, the Directors have identified separately, on the face of the income statement, those items of income and charge which by their size, nature and/or incidence are exceptional to the financial statements for the year.

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 Arena on an annual basis in accordance with the accounting policy stated in note 2.5. 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 as at 31st March 2017 by an independent valuer, Gerald Eve LLP. This valuation was at a point in time and does not reflect changes in the business since that date. Management have prepared forecasts for future years which support the carrying value of the Arena. The projections show a continued improvement in the underlying trade which if not achieved could result in a downward revaluation. The next formal valuation is due in 2019.

Compass Group investment in IEC

In 2012, ACL entered into an agreement whereby Compass Group purchased a 23% shareholding in IEC for £4m, which allowed for further infrastructure investment in the Arena. Compass had been granted the irrevocable right to exercise a put option at a stated price at the occurrence of an option event. If no option event occurs before 30 June 2030, the contract requires ACL to purchase Compass Group's 23% share for £4m. This future liability has been recognised on the balance sheet and discounted at 6.5%.

7. **Employees**

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

	2018	2017
	£'000	£'000
Wages and salaries	1,686	1,730
Social security costs	170	137
Defined contribution pension contibutions	49	33
	1,905	1,900

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

	2018	2017
	No.	No.
Administration and support	57	55

8. **Directors' remuneration**

	2018	2017
	£'000	£'000
Remuneration	118	129
Company contributions to money purchase schemes	7	7
	125	136

9. **Interest receivable**

	2018	2017
	£'000	£'000
Other loan interest receivable from Group companies	279	279
	279	279

10. **Interest payable and similar charges**

	2018	2017 (as restated note 2.1)
	£'000	£'000
Loan interest payable	1,081	1,021
Other interest charges	199	108
	1,280	1,129

Other interest charges primarily represent ACL's obligation to repurchase Compass Group's 23% shareholding in IEC in June 2030.

11. Taxation

	2018	2017 (as restated note 2.1)
	£'000	£'000
Corporation Tax		
Current tax on profits for the year	-	(6)
Adjustments in respect of prior periods	-	1,175
Total current tax	-	1,169
Deferred Tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower (2017: - lower than) than the standard rate of corporation tax in the UK of 19.00% (2017: 19.75%). The differences are explained below:

	2018	2017 (as restated note 2.1)
	£'000	£'000
Loss on ordinary activities before tax	(2,995)	(840)
Loss on ordinary activities multiplied by the standard rate of UK corporation tax at 19.00% (2017: 19.75%)	(569)	(166)
Effects of:		
Capitalised revenue expenditure	(2)	-
Capital allowances for the year in excess of depreciation	299	218
Group relief	150	-
Increase / (decrease) from tax losses for which no deferred tax was recognised	144	(14)
Derecognition of losses brought forward for which deferred tax was previosuly recognised	-	(1,175)
Total tax charge in the year	-	(1,137)

There were £1.3m of unused tax losses (2017: £1.3m) for which no deferred tax asset is recognised in balance sheet.

12. Tangible fixed assets

	Long-term leasehold property £'000	Other land and buildings - leasehold £'000	Fixture, fittings and equipment £'000	Computer Equipment £'000	Assets in the course of construction £'000	Total £'000
Cost or valuation						
At 1 July 2016	48,500	3,202	14,626	1,527	-	67,855
Transfers to intangible fixed assets (note 13)		(68)	(133)	-	(190)	(391)
Additions	-	72	580	92	242	986
Revaluation surplus	11,500	-	-	-	-	11,500
At 30 June 2017	60,000	3,206	15,073	1,619	52	79,950
Disposals	-	-	-	-	(151)	(151)
Additions	-	52	285	240	99	676
At 30 June 2018	60,000	3,258	15,358	1,859	-	80,475
Accumulated Depreciation						
At 1 July 2016	194	329	9,184	1,298	-	11,005
Revaluation	(339)	-	-	-	-	(339)
Charge for the year	208	328	688	153	-	1,377
At 30 June 2017	63	657	9,872	1,451	-	12,043
At 1 July 2017	63	657	9,872	1,451	-	12,043
Charge for the year	251	342	874	85	-	1,552
At 30 June 2018	314	999	10,746	1,536	-	13,595
Carrying Value						
At 30 June 2018	59,686	2,259	4,612	323	-	66,880
At 30 June 2017	59,937	2,549	5,201	168	52	67,907
At 1 July 2016	48,306	2,873	5,442	229	-	56,850

The net book value of assets held under finance leases as at 30 June 2018 was £138k (2017: £38k).

The Company revalued the Arena during the prior year, this was performed by professional valuers, Gerald Eve LLP as at 31 March 2017, and which valued the Arena leasehold interest at £60m. The valuation was carried out in accordance with RICS Appraisal and Valuation Standards. Management have prepared forecasts for future years which support the carrying value of the Arena in the current year and have no reason for the valuation amount to be changed. The next valuation is due in 2019.

The Company is a guarantor of the Retail Bond held within Wasps Finance PLC. The bond raised is secured against the long-term leasehold property.

13. Intangible Fixed Assets

	Software costs £'000	Total (as restated note 2.1) £'000
Cost		
At 1 July 2016	-	-
Transfers from tangible fixed assets (note 12)	391	391
At 1 July 2017	391	391
Additions	218	218
At 30 June 2018	609	609
Amortisation		
At 1 July 2017	-	-
Charge for the year	113	113
At 30 June 2018	113	113
Net Book Value		
At 30 June 2018	496	496
At 30 June 2017	391	391
At 30 June 2016	-	-

The net book value of assets held under finance leases as at 30 June 2018 was £387k (2017: £304k).

14. Investment in subsidiary companies

	Investment in subsidiary £	Investment option £	Total £
Cost			
At 1 July 2017	79	1,764,000	1,764,079
Fair value adjustment	-	115,000	115,000
At 30 June 2018	79	1,879,000	1,879,079
Net Book Value			
At 30 June 2017	79	1,764,000	1,764,079
At 30 June 2018	79	1,879,000	1,879,079

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of Incorporation	Class of shares	Holding	Principal activity
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

The registered address of the subsidiary undertakings above is Ricoh Arena, Judds Lane, Longford, Coventry, CV6 6AQ.

On the 14th July 2018, the shareholding in IEC Experience Limited increased to 100%. See Note 25 (Post balance sheet events) for further information.

15. Stocks

	2018	2017
	£'000	£'000
Finished goods and goods for resale	84	171
	84	171

Stock is stated after provision for impairment of £nil (2017: £nil).

16. Debtors

	2018	2017 (as restated note 2.1)
	£'000	£'000
Trade Debtors	1,275	1,003
Other Debtors	-	83
Prepayments and accrued income	477	328
Amounts owed by group undertakings	15,489	18,764
	17,241	20,178

Trade debtors are stated after provision for impairment of £nil (2017: £nil). Amounts due from group undertakings are unsecured, interest-free and are repayable on demand.

17. Cash and cash equivalents and bank overdrafts

	2018	2017
	£'000	£'000
Cash at bank and in hand	-	-
Less: bank overdrafts	(5,582)	(3,002)
	(5,582)	(3,002)

18. Creditors: Amounts falling due within one year

	2018	2017 (as restated note 2.1)
	£'000	£'000
Trade creditors	1,005	1,783
Other creditors	120	260
Taxation and social security	288	415
Obligations under finance lease and hire purchase contracts	182	134
Bank loans	239	-
Accruals and deferred income	2,287	2,160
	4,121	4,752

19. Creditors: Amounts falling due after more than one year

	2018	2017 (as restated note 2.1)
	£'000	£'000
Accruals and deferred income	7,395	7,969
Bank loans	-	221
Other loans	16,482	16,594
Other creditors	1,879	1,764
Amounts owed to group undertakings	21,432	23,509
	47,188	50,057

Revenue received in relation to license fees is included in deferred income and released to income over the life of the license.

Other creditors falling due after one year includes ACL's obligation to repurchase Compass Group's 23% shareholding in IEC in June 2030. This liability has been discounted at 6.5%. As at 14 July 2018, Arena Coventry Ltd terminated its contract with Compass resulting in the unamortised balance on the license fee deferred income becoming payable to Compass and acquired its B shares in IEC Experience Limited.

20. Loans maturity and leases

	2018	2017
	£'000	£'000
Amounts falling due in less than 1 year		
Bank loans	239	-
Finance leases	182	134
	421	134
Amounts falling due 2-5 years		
Bank loans	-	221
Other loans	9,208	11,344
	9,208	11,344
Amounts falling due after 5 years		
Other loans	30,585	30,523
	40,214	42,001

Operating leases	2018	2017
	£'000	£'000
The total future value of minimum lease payments is as follows:		
Within one year	33	33
In two to five years	79	112
	112	145

The amount of non-cancellable operating lease payments recognised as an expense during the year was £33k (2017: £33k).

Rental income

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2018 are as follows:		
Within one year	553	573
After one year but not more than five years	700	1,057
More than five years	276	472
	1,529	2,102

Analysis of the maturity of loans is given below:

The Company has £21.4m (2017: £23.4m) due to Arena Coventry (2006) Limited (a subsidiary). This amount is unsecured, interest free and repayable on demand.

The Company has borrowed £14.6m (2017: £14.6m) from Wasps Finance PLC. The loan is repayable in a lump sum repayment in 2022 and is subject to an interest rate of 6.5%.

The Company has a loan of £0.2m (2017: £0.5m) from HSBC Plc which bears interest at 4.75%. The loan is repayable over a 36-month period ending 13 April 2019 and is unsecured.

The Company has also been provided with a loan of £1.9m (2017: £1.9m) from D A Richardson. The loan interest has been waived for the year and repayable after giving 12 months and one day's notice.

21. Financial instruments

	Carrying value 2018	Carrying value 2017 (as restated note 2.1)	Fair value 2018	Fair value 2017 (as restated note 2.1)
	£'000	£'000	£'000	£'000
Financial Assets				
Trade and other receivables	16,764	19,850	16,764	19,850
	16,764	19,850	16,764	19,850

	Carrying value 2018	Carrying value 2017 (as restated note 2.1)	Fair value 2018	Fair value 2017 (as restated note 2.1)
	£'000	£'000	£'000	£'000
Financial liabilities				
Loans and other liabilities	22,486	19,951	22,486	19,951
Financial liabilities measured at amortised cost	24,435	27,316	24,435	27,316
	46,921	47,267	46,921	47,267

Valuation methods and assumptions

There is no difference between the total carrying amount and the fair value of trade and other receivables and cash and cash equivalents. Further detail of trade and other receivables and cash and cash equivalents can be found in notes 16 and 17.

There is no difference between the total carrying amount and the fair value of trade and other payables. Further detail of company borrowings can be found in note 20.

22. Deferred taxation

Deferred tax movement during the prior year (as restated - note 2.1):

	At 1 July 2016	Recognised in other comprehensive income	Charge to the income statement	At 30 June 2017
	£'000	£'000	£'000	£'000
Revaluation of property	(5,274)	(1,662)	-	(6,936)
Trading losses	1,175	-	(1,175)	-
Net deferred tax liabilities	(4,099)	(1,662)	(1,175)	(6,936)

Deferred tax movement during the year:

	At 1 July 2017	Recognised in other comprehensive income	Charge to the income statement	At 30 June 2018
	£'000	£'000	£'000	£'000
Revaluation of property	(6,936)	-	-	(6,936)
Trading losses	-	-	-	-
Net deferred tax liabilities	(6,936)	-	-	(6,936)

23. Share capital

	2018	2017
	£'000	£'000
Called up and fully paid		
1,758,056 A Ordinary of £1 each shares of £1 each	1,758	1,758
1,758,056 B Ordinary of £1 each shares of £1 each	1,758	1,758
	3,516	3,516

24. Related party transactions

Wasps Finance Plc (a company under common control);
The company has borrowed £14.6m (2017: £14.6m) from Wasps Finance PLC. The loan is repayable in a lump sum repayment in 2022 and is subject to an interest rate of 6.5%. The company incurred, and paid, finance charges of £0.1m (2017: £0.1m) in the year. Usual commercial terms of business apply.

Kennedys Law LLP (an LLP in which R Dawbarn has an interest);
The Company incurred costs of £390k (2017: £3k), and at the period end owed £139k (2017: £3k). Normal commercial terms of business apply.

The company has a loan balance with D A Richardson (the ultimate shareholder) and at the period end owed £1.9m (2017: £1.9m), is repayable by agreement and due within more than one year.

25. Post balance sheet events

On the 14th July 2018, a long-term strategic partnership with global hospitality giants, Delaware North Companies (UK) Hospitality Services Limited was agreed. This arrangement ended the supply agreement with Compass Group UK Limited which was in place for the year ended 30 June 2018, and as part of this termination Arena Coventry Limited purchased the 23 B shares held by the Compass Group.

During July 2017 the High Court dismissed a claim that Coventry City Council's extension of ACL's lease on the Ricoh Arena in 2013 represented state aid. In November 2017 the Court of Appeal upheld a challenge on one aspect of this ruling, and a court hearing was held in June 2018.The directors have taken advice and are satisfied that this claim has no merit. The court decision was released on 12 October 2018 and dismissed the challenge. On 19 October 2018, the Court of Appeal refused permission to appeal to the Supreme Court.

26. Controlling party

The company's immediate parent is Wasps Holdings Limited, which is ultimately controlled by D A Richardson (the ultimate shareholder).

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

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