

Newport Association Football Club Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2015

Registration number: 02395863



HSJ Audit Limited
Chartered Accountants and Statutory Auditor
Severn House
Hazell Drive
Newport
South Wales
NP10 8FY

Newport Association Football Club Limited
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Newport Association Football Club Limited
Company Information

Directors	Mr J W Bowkett Mr G J Foxall Mr S E Johnson Mr A N Pring Mr S J Sadler
Registered office	Rodney Parade Newport Gwent NP19 0UU
Auditors	HSJ Audit Limited Chartered Accountants and Statutory Auditor Severn House Hazell Drive Newport South Wales NP10 8FY

Newport Association Football Club Limited

Directors' Report for the Year Ended 30 June 2015

The directors present their report and the financial statements for the year ended 30 June 2015.

Directors of the company

The directors who held office during the year were as follows:

Mr H A Greenhaf (Resigned 11 August 2015)

Mr L Scadding (Resigned 17 June 2015)

The following directors were appointed after the year end:

Mr J W Bowkett (appointed 10 August 2015)

Mr G J Foxall (appointed 10 August 2015)

Mr S E Johnson (appointed 10 August 2015)

Mr A N Pring (appointed 10 August 2015)

Mr S J Sadler (appointed 26 November 2015)

Principal activity

The principal activity of the company is the running of a professional football club.

Significant shareholdings

As at the date of approval of these financial statements, the following persons held in excess of 5% of the issued ordinary share capital of the company:

Newport County AFC Supporters' Society Limited	62%
Mr Howard Greenhaf	14%
Mr Matthew Southall	5%

Business review

These financial statements are the first produced by the Club following the acquisition of a controlling interest by Newport County AFC Supporters' Society Limited ("the Society") on 29 September 2015.

The profit and loss account on page 8 discloses a loss of £677,000 on turnover of £1,971,000. This compares with a re-stated loss in the previous year of £569,000 (before the exceptional item explained more fully in note 14) on turnover of £2,051,000. This level of trading losses could only be sustained with the support of the club's former chairman and major shareholder Les Scadding who invested £526,000 by way of equity and loan in the year (2013/14 - £445,000).

In the 2014/15 season, the club achieved a 9th place finish in League Two, its highest league placing since the club was reformed and following on from our return to the Football League via our memorable win in the play-off final at Wembley in May 2013.

Newport Association Football Club Limited
Directors' Report for the Year Ended 30 June 2015

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In early summer 2015 Les Scadding indicated a desire to step aside from his role at the Club and offered to gift his shares (representing 54% of the Club at that time) to the supporters. He opened a dialogue with the Society and, following a due diligence process, the Society embarked on a fundraising exercise in late August which culminated in it raising the remarkable sum of £236,000 from supporters in a five week period. The formal agreement to acquire control was executed on 29 September with Les transferring his shares to the Society on that day. As disclosed in note 16, since the balance sheet date the Society has invested the full amount of £236,000 into the Club, with professional fees of £22,000 in connection with the acquisition being discharged out of existing Society funds.

In the three years to June 2015, Les Scadding invested a total of £1,659,000 in Newport County by way of equity and loan. Under the terms of our agreement, he has gifted his shares, at an original cost of £1,327,000, to the Society and written off a loan of £32,000 but requested that the balance of his loan of £300,000, which will be interest free, be repaid at a rate of £3,000 per month until January 2024. Undoubtedly Les's support played a major part in the club regaining and then consolidating its Football League status since summer 2013 and the Club board would like to place on record its thanks for his contribution towards the Club's recent success.

However, the level of trading losses incurred over the last three seasons could only be sustained with the continued backing of a wealthy benefactor, something on which no club can rely, and the Club board must now adopt a very different business model with the emphasis on financial sustainability. Since the Society acquired control, the Club board has implemented a number of disciplines which will help achieve this. However, it initially faced a number of severe financial challenges and these were only mitigated by the investment of the funds raised by the Society, the player trading income referred to in note 16 and our successful FA Cup run.

All of these events have placed the Club on a sounder financial footing than it has enjoyed for many years. The Club's board is committed to protecting this position while building on the legacy it has inherited to ensure that the Club's future is both secure and a rewarding experience for supporters. The board is also committed to a policy of transparency towards supporters, hence the enhanced disclosure of information in these financial statements. It proposes to continue this policy at the forthcoming Annual General Meeting at which all supporters who are shareholders in the Club or members of the Society will be welcome.

Important post balance sheet events

Subsequent to the period end, the Newport County AFC Supporters' Society Limited acquired a controlling interest in the company from Mr L Scadding on 29 September 2015. Following this acquisition, the Society has invested a further £236,000 in the company, and expects to subscribe for ordinary shares in this amount in the near future.

Also subsequent to the period end, transfers of player registrations have given rise to transfer fees receivable by the Club amounting to £661,000. The players comprise: Conor Washington, Regan Poole, and Aaron Collins.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and which they know the auditor is unaware of.

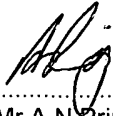
Newport Association Football Club Limited
Directors' Report for the Year Ended 30 June 2015

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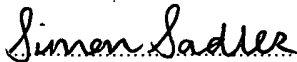
Small company provisions

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 22 March 2016 and signed on its behalf by:



.....
Mr A N Pring
Director



.....
Mr S J Sadler
Director

Newport Association Football Club Limited

Statement of Directors' Responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Newport Association Football Club Limited

We have audited the financial statements of Newport Association Football Club Limited for the year ended 30 June 2015, set out on pages 8 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities (set out on page 5), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2015 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.

Opinion on other matter prescribed by the Companies Act 2006

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

**Independent Auditor's Report to the Members of
Newport Association Football Club Limited**

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Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.


.....
Mr Robyn Hughes (Senior Statutory Auditor)
For and on behalf of HSJ Audit Limited, Statutory Auditor

Severn House
Hazell Drive
Newport
South Wales
NP10 8FY

23 March 2016

Newport Association Football Club Limited
Profit and Loss Account for the Year Ended 30 June 2015

	Note	2015 £	2014 £
Turnover		1,970,806	2,051,338
Administrative expenses		(2,757,988)	(2,756,601)
Other operating income		26,695	2,318
Operating loss	2	(760,487)	(702,945)
Profit/(loss) on disposal of player acquisition costs		85,000	170,525
Amortisation of player acquisition costs		(32,179)	(35,400)
Exceptional items	3	32,232	-
Loss on ordinary activities before investment income and interest		(675,434)	(567,820)
Other interest receivable and similar income	4	3	1
Interest payable and similar charges	5	(1,478)	(852)
Loss on ordinary activities before taxation		(676,909)	(568,671)
Loss for the financial year	12	(676,909)	(568,671)

Turnover and operating profit derive wholly from continuing operations.

The notes on pages 11 to 18 form an integral part of these financial statements.

Newport Association Football Club Limited
Statement of Total Recognised Gains and Losses for the Year Ended 30 June
2015

	Note	2015 £	2014 £
Loss for the financial year		(676,909)	(568,671)
Prior year adjustments (see Note 14)		-	(343,980)
Total recognised gains and losses since last annual report		<u>(676,909)</u>	<u>(912,651)</u>

The notes on pages 11 to 18 form an integral part of these financial statements.

Newport Association Football Club Limited

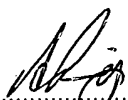
(Registration number: 02395863)

Balance Sheet at 30 June 2015


	Note	2015 £	as restated 2014 £
Fixed assets			
Intangible fixed assets	6	42,000	21,679
Tangible fixed assets	7	126,889	130,366
		<u>168,889</u>	<u>152,045</u>
Current assets			
Stocks		36,000	30,372
Debtors	8	133,386	192,461
Cash at bank and in hand		6,095	2,095
		<u>175,481</u>	<u>224,928</u>
Creditors: Amounts falling due within one year	9	(799,731)	(662,798)
Net current liabilities		<u>(624,250)</u>	<u>(437,870)</u>
Total assets less current liabilities		(455,361)	(285,825)
Creditors: Amounts falling due after more than one year	10	(314,997)	(540,324)
Net liabilities		<u>(770,358)</u>	<u>(826,149)</u>
Capital and reserves			
Called up share capital	11	2,452,020	1,719,320
Profit and loss account	12	(3,222,378)	(2,545,469)
Shareholders' deficit	13	<u>(770,358)</u>	<u>(826,149)</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

Approved and authorised for issue by the Board on 22 March 2016 and signed on its behalf by:



 Mr A N Pring
 Director



 Mr S J Sadler
 Director

The notes on pages 11 to 18 form an integral part of these financial statements.

Newport Association Football Club Limited
Notes to the Financial Statements for the Year Ended 30 June 2015

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Going concern

The financial statements have been prepared on a going concern basis.

Subsequent to the period end, Newport County AFC Supporters Society Limited has secured control of the Club. The new Board of Directors, appointed by the Society, have introduced a range of financial management initiatives. These have included the preparation of detailed forecasts for the current and forthcoming season, and monthly management accounts which monitor actual performance against forecast.

Consequently, the Board is able to assess the financial risks facing the Club and to take mitigating action where appropriate. In common with most football clubs, a significant proportion of income streams are guaranteed, or indeed collected, at a very early stage in the season, including central distributions from the Football League, season ticket sales, and sponsorship revenue. By aligning outgoings with predicted income streams, in particular expenditure on the playing squad, the Board can ensure that the Club is run sustainably.

The Board has prepared financial forecasts to 30 June 2017, and these indicate that the Club is able to operate within its banking facilities throughout that period. The Board also recognises the risk of the Club's relegation to the Vanarama National League but considers that, in that eventuality, appropriate measures are available to ensure the Club's financial viability.

Consequently, the Board consider that the Going Concern basis remains appropriate in preparing these financial statements.

Turnover

Turnover represents amounts derived from ordinary activities, and is stated net of Value Added Tax.

Income is recognised as follows:-

- gate receipts, retail sales - at point of sale
- central funding, commercial income, grant income - over the time period to which it relates
- transfer fees - at point of entitlement in accordance with the transfer agreement
- donations - at point of receipt unless stipulated by the donor

Government grants

Any government grants received in respect of tangible fixed assets acquired are recognised as deferred income, and released to the profit and loss account on a straight-line basis over the useful economic lives of the fixed assets concerned.

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2015

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Player acquisition costs

Player acquisition costs are capitalised as intangible fixed assets and comprise the transfer fees, transfer levies, and agents' fees arising on registration.

These capitalised costs are amortised on a straight-line basis over the duration of each of the players' contracts. Where a player's contract is extended, amortisation is recomputed over the longer contract period, from the date on which the extended contract is signed.

Where the carrying value of a player's acquisition costs are regarded as impaired, (for instance, by injury), these costs are written down to the value regarded as recoverable through usage or sale.

Any gain or loss arising on the sale of a player registration is calculated in the same way as for any other fixed asset.

Where a portion of an agreed transfer fee is conditional on future performance criteria, (for instance, a given number of first team performances), that portion of the transfer fee is recognised only when its realisation becomes certain.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Asset class

Website costs

Player acquisition costs

Amortisation method and rate

on a straight-line basis over two years

on a straight-line basis over the duration of the players' contracts

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic life as follows:

Asset class

Improvements to leasehold premises

Plant and equipment

Depreciation method and rate

on a straight-line basis over ten years

on a straight-line basis over five or ten years

Stock

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Hire purchase and leasing

Rentals arising under operating leases are charged directly to the profit and loss account on a straight-line basis over the period of the lease.

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2015

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Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the profit and loss account.

2 Operating loss

Operating loss is stated after charging:

	2015 £	2014 £
Operating leases - other assets	75,000	75,000
Auditor's remuneration - The audit of the company's annual accounts	3,000	-
Loss on sale of tangible fixed assets	-	9,394
Depreciation of owned assets	24,716	60,122

3 Exceptional items

	2015 £	2014 £
Loan waiver	(32,232)	-

The circumstances of the loan waiver are disclosed within Note 17 - Mr L Scadding.

4 Other interest receivable and similar income

	2015 £	2014 £
Bank interest receivable	3	1

5 Interest payable and similar charges

	2015 £	2014 £
Interest on bank borrowings	1,407	822
Other interest payable	71	30
	1,478	852

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2015

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6 Intangible fixed assets

	Website costs £	Player acquisition costs £	Total £
Cost			
At 1 July 2014	7,441	53,500	60,941
Additions	-	52,500	52,500
Disposals	(7,441)	(53,500)	(60,941)
At 30 June 2015	-	52,500	52,500
Amortisation			
At 1 July 2014	3,720	35,542	39,262
Charge for the year	3,721	28,458	32,179
Eliminated on disposals	(7,441)	(53,500)	(60,941)
At 30 June 2015	-	10,500	10,500
Net book value			
At 30 June 2015	-	42,000	42,000
At 30 June 2014	3,721	17,958	21,679

Player acquisition costs comprise the transfer fees, transfer levies, and agents' fees arising on registration.

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2015

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7 Tangible fixed assets

	Improvements to leasehold premises £	Plant and equipment £	Total £
Cost or valuation			
At 1 July 2014	92,992	75,119	168,111
Additions	-	21,239	21,239
At 30 June 2015	92,992	96,358	189,350
Depreciation			
At 1 July 2014	9,090	28,655	37,745
Charge for the year	9,299	15,417	24,716
At 30 June 2015	18,389	44,072	62,461
Net book value			
At 30 June 2015	74,603	52,286	126,889
At 30 June 2014	83,902	46,464	130,366

8 Debtors

	2015 £	2014 £
Trade debtors	64,459	180,762
Other debtors	68,927	11,699
	<u>133,386</u>	<u>192,461</u>

9 Creditors: Amounts falling due within one year

	2015 £	2014 £
Trade creditors	175,013	205,329
Bank loans and overdrafts	80,091	43,068
Directors' loans	87,000	36,000
Other loans	28,000	-
Deferred government grants	8,347	7,823
Other taxes and social security	129,434	109,345
Other creditors	40,655	860
Accruals and deferred income	251,191	260,373
	<u>799,731</u>	<u>662,798</u>

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2015

..... continued

The Directors' loans comprise amounts due to the former Directors, Mr L Scadding and Mr H Greenhaf, (see Note 17 below).

10 Creditors: Amounts falling due after more than one year

	2015	2014
	£	£
Deferred government grants	37,997	41,624
Directors' loans	273,000	498,700
Other loans	4,000	-
	<u>314,997</u>	<u>540,324</u>

The Directors' loans comprise amounts due to the former Directors, Mr L Scadding and Mr H Greenhaf, (see Note 17 below).

11 Share capital

Allotted, called up and fully paid shares

	2015		2014	
	No.	£	No.	£
Ordinary shares of £10.00 each	<u>245,202</u>	<u>2,452,020</u>	<u>171,932</u>	<u>1,719,320</u>

New shares allotted

During the year 73,270 ordinary shares having an aggregate nominal value of £732,700 were allotted for an aggregate consideration of £732,700.

12 Reserves

	Profit and loss account £	Total £
At 1 July 2014	(2,545,469)	(2,545,469)
Loss for the year	<u>(676,909)</u>	<u>(676,909)</u>
At 30 June 2015	<u>(3,222,378)</u>	<u>(3,222,378)</u>

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2015

..... **continued**

13 Reconciliation of movement in shareholders' funds

	2015	2014
	£	£
Loss attributable to the members of the company	(676,909)	(568,671)
Other recognised gains and losses relating to the year	-	(343,980)
New share capital subscribed	<u>732,700</u>	<u>736,920</u>
Net addition/(reduction) to shareholders' funds	55,791	(175,731)
Shareholders' deficit at 1 July	<u>(826,149)</u>	<u>(650,418)</u>
Shareholders' deficit at 30 June	<u>(770,358)</u>	<u>(826,149)</u>

14 Prior year adjustments

Within the financial statements for the period to 30 June 2014, expenditure of £405,594 was capitalised, either as Leasehold Improvements or as Plant and Machinery. Assistance of £18,359 was received in respect of this expenditure, and depreciation of £43,255 provided, resulting in a Net Book Value for the Fixed Assets thus capitalised of £343,980.

The expenditure related to works undertaken at Spytt Park and at Rodney Parade over the preceding five years. However, because Newport AFC Limited has no title to either property, and because the works undertaken are incapable of separate identification, the Board considers that the expenditure was inappropriately capitalised. Accordingly, the Board has determined to write off its cost, net of depreciation charged and assistance received, as a prior year adjustment.

Also adjusted within the prior period is £25,000 subscribed in respect of ordinary shares in the period to 30 June 2013, which had been treated incorrectly as a donation within the financial statements for that period.

15 Commitments

Operating lease commitments

As at 30 June 2015 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2015	2014
	£	£
Land and buildings		
Over five years	<u>75,000</u>	<u>75,000</u>

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2015

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16 Post balance sheet events

Subsequent to the period end, the Newport County AFC Supporters' Society Limited acquired a controlling interest in the company from Mr L Scadding on 29 September 2015. Following this acquisition, the Society has invested a further £236,000 in the company, and expects to subscribe for ordinary shares in this amount in the near future.

Also subsequent to the period end, transfers of player registrations have given rise to transfer fees receivable by the Club amounting to £661,000. The players comprise: Conor Washington, Regan Poole, and Aaron Collins.

17 Related party transactions

During the year the company made the following material related party transactions:

County In The Community

Relationship: connected entity

During the period, the company gave financial support to 'County In The Community', which runs day Soccer Camps for children locally. At the balance sheet date the amount due from County In The Community was £19,272 (2014 - £11,699).

Mr HA Greenhaf

Relationship: Director (resigned 11 August 2015)

During the period, the company enjoyed interest-free advances without fixed terms of repayment provided by Mr HA Greenhaf. Since the balance sheet date, the amount due to Mr HA Greenhaf has been reduced to £58,000. Repayments have been suspended awaiting clarification of transactions being disputed by the board. At the balance sheet date the amount due to Mr HA Greenhaf was £60,000 (2014 - £20,000).

Mr L Scadding

Relationship: Director (resigned 17 June 2015)

During the period, the company enjoyed interest-free advances provided by Mr L Scadding. Subsequent to the period end, it was agreed that these advances shall be repayable by the company to Mr L Scadding at the rate of £3,000 per calendar month between October 2015 and January 2024. Also during the period, Mr L Scadding waived an amount of £32,232 in respect of these advances. At the balance sheet date the amount due to Mr L Scadding was £300,000 (2014 - £514,700).

18 Control

The company is controlled by Newport County AFC Supporters' Society Limited (Registration Number: IP 29353R) ("the Society") of which it is a subsidiary company.

As at the balance sheet date, Mr L Scadding held 54.1% of the issued ordinary share capital of the Club and, accordingly, was the ultimate controlling party at that date. On 29 September 2015, Mr L Scadding transferred his entire shareholding to the Society, which entity already held 8.2% of the issued ordinary share capital of the company. Immediately following this transaction, the Society held 62.3% of the issued ordinary share capital of the company and, accordingly, is the ultimate controlling party at the date of approval of these financial statements.