

Exeter Rugby Club Limited

Annual Report and Financial Statements
for the Year Ended 30 June 2023

Thompson Jenner LLP
Statutory Auditors
1 Colleton Crescent
Exeter
Devon
EX2 4DG

Exeter Rugby Club Limited
(Registration number: 03320422)

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Exeter Rugby Club Limited
(Registration number: 03320422)

Company Information

Directors A G E Rowe CBE Hon LLD
 M A Isaacs
 L J Duncan
 N J Teague
 T H Percival
 N M Pavis
 C J Over

Registered office Sandy Park Stadium
 Sandy Park Way
 Exeter
 Devon
 EX2 7NN

Auditors Thompson Jenner LLP
 Statutory Auditors
 1 Colleton Crescent
 Exeter
 Devon
 EX2 4DG

Exeter Rugby Club Limited
(Registration number: 03320422)

Strategic Report for the Year Ended 30 June 2023

The directors present their strategic report for the year ended 30 June 2023.

Principal activity

The principal activities of the company are the playing and promotion of rugby together with providing conferencing and banqueting facilities at Sandy Park Stadium.

Fair review of the business

Following the financial difficulties created by the COVID pandemic in the last few years, the directors were encouraged that the imposed COVID operating restrictions that had impacted previous seasons had been completely removed and therefore had the prospect that the 2022/23 season would return to a full operational success as experienced in the years immediately prior to the pandemic.

Due to the impact of the current economic climate, Exeter Rugby Club has not been immune to the national trend of falling rugby attendance that has had a direct impact on revenue generation. Due to the decrease in rugby attendance along with the impact of high inflation and rising energy costs has made for a challenging financial year as demonstrated by the losses generated in the year ended 30 June 2023. The challenging financial environment has had a continued impact on the cash flow pressures in relation to the servicing of the borrowings that were required to support the Club during the pandemic period.

The directors have taken proactive measures to manage the cash flow pressures by realising disposable assets owned by the parent company Exeter Rugby Group PLC, however due to the impact caused by the reduction in rugby attendance and the pressures of the economic climate, this continues to be a challenge.

On the pitch, the Exeter Chiefs men's team finished in 7th position in the Gallagher Premiership and at the end of the 2022/23 season, Exeter Chiefs said farewell to several longstanding players that have been influential in helping Exeter Chiefs reach the success experienced in previous years. This has created the opportunity to develop and introduce new and emerging players to the first team and the directors look forward to the success of this new team.

The Exeter Chiefs women's team continued their rugby success, only narrowly losing out to Gloucester-Hartpury Women's in the Allianz Premier 15's final played in June 2023.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2023	2022
Turnover	£	21,468,760	20,220,379
Gross profit margin	%	2	6
Profit/(loss) before tax	£	(2,982,503)	(1,870,362)
Net assets/(liabilities)	£	(9,334,029)	(6,950,798)

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Strategic Report for the Year Ended 30 June 2023

Principal risks and uncertainties

The board of directors undertake a regular review of the company and they have identified that the principal risks faced by Exeter Rugby Club Limited for both the rugby and conferencing and banqueting aspects of the business relate to competition and cash flow management.

Approved and authorised by the Board on 9 November 2023 and signed on its behalf by:

.....
A G E Rowe CBE Hon LLD
Director

Exeter Rugby Club Limited
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Directors' Report for the Year Ended 30 June 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

Directors of the company

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

A G E Rowe CBE Hon LLD

M A Isaacs

L J Duncan

N J Teague

T H Percival

A Quantick FCA (ceased 11 July 2022)

N M Pavis

C J Over

Financial instruments

Objectives and policies

The company's principal financial instruments comprise the bank balance, trade creditors, trade debtors, hire purchase and finance lease agreements and intercompany loans. The main purpose of these instruments is to raise funds for the company's operations.

Price risk, credit risk, liquidity risk and cash flow risk

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

In respect of the bank balance, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at variable rates of interest. All of the business' cash balances are held in such a way that achieves a competitive rate of interest.

The hire purchase and finance lease agreements are provided by financial institutions at fixed and variable rates of interest. The company ensures that there are sufficient funds to meet these requirements.

Trade debtors are managed in respect of credit and cash flow by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

Trade creditor's liquidity risk is managed by ensuring that sufficient funds are available to meet amounts due.

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Directors' Report for the Year Ended 30 June 2023

Employment of disabled persons

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation. Exeter Rugby Club Limited operates a policy of providing employees with information about the company as well as encouraging its employees to present their suggestions and views on the company's performance. Regular meetings are held between department managers and employees to allow a free flow of information and ideas.

Future developments

The directors do not envisage the principal activity of the company changing within the foreseeable future however will continue to look for further growth and advancement opportunities.

Going concern

We draw your attention to Note 2 to the Financial Statements which details the material uncertainty related to going concern.

Disclosure of information to the auditors

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 auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved and authorised by the Board on 9 November 2023 and signed on its behalf by:

.....
A G E Rowe CBE Hon LLD
Director

Exeter Rugby Club Limited
(Registration number: 03320422)

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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;
- state whether applicable United Kingdom 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 and in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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.

Exeter Rugby Club Limited
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Independent Auditor's Report to the Members of Exeter Rugby Club Limited

Opinion

We have audited the financial statements of Exeter Rugby Club Limited (the 'company') for the year ended 30 June 2023, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 2023 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 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 related to going concern

We draw attention to Note 2 in the financial statements, which indicates the steps the Directors have taken to provide the necessary cash flow to support the Club and going concern basis. The Club is dependent on the continued cash flow support of its parent, Exeter Rugby Group PLC.

As detailed in Note 2, in order to ensure that the Group is able to meet its debt servicing requirements a resolution was passed by the Members of Exeter Rugby Group PLC on the 30 November 2022 to allow a third party to subscribe for an additional shareholding in the subsidiary company, Sandy Park Hotel Limited. This generated a cash inflow during the year, with additional amounts to be received following the year end, to assist with the servicing of the Group's borrowings. The transaction reduced the Group's shareholding in Sandy Park Hotel Limited to 49%.

A further transaction is planned following the year end, to allow the same third party to acquire a further shareholding in Sandy Park Hotel Limited, which will generate an additional cash inflow to the Group and will reduce the Group's shareholding in Sandy Park Hotel Limited by a further 25%.

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Independent Auditor's Report to the Members of Exeter Rugby Club Limited

At the time of signing the financial statements, the legal documentation regarding the transaction to reduce the shareholding in Sandy Park Hotel Limited by a further 25% following the year end has not been signed. Heads of Terms have been prepared and all parties are in agreement regarding the transaction; there are no indications this will not be completed.

Furthermore, at the time of signing the financial statements the Department of Culture, Media and Sport have not provided consent for the share transaction to go ahead: however, the Directors are confident that all conditions relating to the provision of consent will be satisfied, therefore there would be no reason why the consent would not be provided.

Forecasts have been prepared for the period to 30 June 2025 based on reasonable assumptions that have been stress tested based on comparison to actual performance and taking into consideration the key judgements incorporated into the forecasted projections. Based on current attendance figures, which are down on expectation, forecasts indicate that a further cash inflow to the Group will be needed in order to meet liabilities as and when they fall due. The Directors believe that, if necessary, this could be achieved by a further share transaction in Sandy Park Hotel Limited, which could reduce the Group shareholding to nil. Although the same third party has indicated a willingness to undertake further share transactions, the proceeds in respect of the share transactions would need to be recognised in an appropriate timeframe, in order to support the going concern basis.

The Group, along with other Premiership clubs, are currently in negotiation with the Department of Culture, Media and Sport in relation to the repayment profile of the loan received from Sport England, for which instalment payments are now due. The aim is to ensure affordability for all clubs going forward. At the time of signing the financial statements, negotiations are ongoing, hence there are no guarantees that any adjustment to the repayment profile will be granted. The forecasts prepared do include the current repayment profile, however any increase to affordability would ease cashflow pressure.

As stated in Note 2, the above issues indicate that material uncertainties exist that may cast significant doubt on the Group's and therefore Club's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

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Independent Auditor's Report to the Members of Exeter Rugby Club Limited

Going concern assessment

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Detailed discussion with the Directors regarding their strategy to ensure the Club continues as a going concern.
- Review of all correspondence between the Club and its funders to ensure any indications that the going concern basis may not be appropriate are identified.
- Detailed review of forecasts prepared for the period to 30 June 2025. Audit work has been carried out on the assumptions underlying the forecasts and these have been reviewed in comparison to actual performance taking into consideration the key judgements incorporated into the forecasted projections.

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.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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Independent Auditor's Report to the Members of Exeter Rugby Club Limited

- 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 Statement of Directors' Responsibilities [set out on page 6], 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The extent to which the audit was considered capable of detecting irregularities including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, anti-bribery, employment, environmental, fire safety, Licensing Act 2003 and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management, reviewing licenses, certificates and relevant correspondence including the inspection of legal correspondence; and

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Independent Auditor's Report to the Members of Exeter Rugby Club Limited

- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

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Independent Auditor's Report to the Members of Exeter Rugby Club Limited

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.

.....
Mr David Tucker (Senior Statutory Auditor)
For and on behalf of Thompson Jenner LLP, Statutory Auditor
1 Colleton Crescent
Exeter
Devon
EX2 4DG

13 November 2023

Exeter Rugby Club Limited
(Registration number: 03320422)

Profit and Loss Account for the Year Ended 30 June 2023

	Note	2023 £	2022 £
Turnover	<u>3</u>	21,468,760	20,220,379
Cost of sales		<u>(21,076,115)</u>	<u>(19,092,970)</u>
Gross profit		392,645	1,127,409
Administrative expenses		(3,370,101)	(2,941,170)
Other operating income	<u>4</u>	<u>-</u>	<u>(14,188)</u>
Operating loss	<u>5</u>	(2,977,456)	(1,827,949)
Interest payable and similar expenses	<u>6</u>	<u>(5,047)</u>	<u>(42,413)</u>
Loss before tax		(2,982,503)	(1,870,362)
Taxation	<u>10</u>	<u>599,272</u>	<u>622,105</u>
Loss for the financial year		<u><u>(2,383,231)</u></u>	<u><u>(1,248,257)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

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Statement of Comprehensive Income for the Year Ended 30 June 2023

	2023 £	2022 £
Loss for the year	<u>(2,383,231)</u>	<u>(1,248,257)</u>
Total comprehensive income for the year	<u><u>(2,383,231)</u></u>	<u><u>(1,248,257)</u></u>

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Balance Sheet as at 30 June 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	<u>11</u>	1,110,539	1,304,145
Current assets			
Stocks	<u>12</u>	231,686	91,526
Debtors	<u>13</u>	4,896,131	4,771,907
Cash at bank and in hand		17,646	338,643
		5,145,463	5,202,076
Creditors: Amounts falling due within one year	<u>14</u>	(15,451,367)	(13,253,943)
Net current liabilities		(10,305,904)	(8,051,867)
Total assets less current liabilities		(9,195,365)	(6,747,722)
Creditors: Amounts falling due after more than one year	<u>14</u>	(138,664)	(203,076)
Net liabilities		(9,334,029)	(6,950,798)
Capital and reserves			
Called up share capital	<u>16</u>	2	2
Profit and loss account		(9,334,031)	(6,950,800)
Total equity		(9,334,029)	(6,950,798)

Approved and authorised by the Board on 9 November 2023 and signed on its behalf by:

.....
A G E Rowe CBE Hon LLD
Director

Exeter Rugby Club Limited
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Statement of Changes in Equity for the Year Ended 30 June 2023

	Share capital £	Retained earnings £	Total £
At 1 July 2022	2	(6,950,800)	(6,950,798)
Loss for the year	-	(2,383,231)	(2,383,231)
At 30 June 2023	2	(9,334,031)	(9,334,029)

	Share capital £	Retained earnings £	Total £
At 1 July 2021	2	(5,702,543)	(5,702,541)
Loss for the year	-	(1,248,257)	(1,248,257)
At 30 June 2022	2	(6,950,800)	(6,950,798)

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Notes to the Financial Statements for the Year Ended 30 June 2023

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Sandy Park Stadium

Sandy Park Way

Exeter

Devon

EX2 7NN

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

The Company has taken advantage of the following exemptions on the basis that the information is contained within the consolidated financial statements:

- i. from preparing a statement of cash flows;
- ii. from the financial instrument disclosures, required under FRS 102;
- iii. from disclosing the company key management personnel compensation, as required by FRS 102 paragraph 33.7.

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Notes to the Financial Statements for the Year Ended 30 June 2023

Going concern

The impact of the coronavirus pandemic caused unprecedented restrictions in previous seasons on the ability to trade and as a result significantly impacted the Club's finances. During the year ended 30 June 2023, even though the COVID restrictions had been eased, the impact of the current economic environment, which has seen high inflation, rising utility costs and interest rates, has had an impact on sponsorship and gate attendance, which has had a knock on impact to revenue generation. To mitigate this, the Directors put in place a strategic plan to control costs where possible without damaging the long-term viability of the business operational model. In addition, the Directors, in the previous year, negotiated additional Group funding from Barclays Bank Plc and secured a loan from Sport England to provide working capital to support the business. The Club continues to be dependent on the cash flow support provided by its parent company, Exeter Rugby Group PLC.

The additional borrowings noted have increased the Group's debt and the Directors have taken the following steps to ensure that the Group is able to meet its debt servicing requirements;

- A resolution was passed by the Members of Exeter Rugby Group PLC on the 30 November 2022 to allow a third party to subscribe for an additional shareholding in the subsidiary company, Sandy Park Hotel Limited. This generated a cash inflow during the year, with additional amounts to be received following the year end to assist with the servicing of the Group's borrowings. This reduced the Group's shareholding in Sandy Park Hotel Limited to 49%.
- A further transaction is planned following the year end, to allow the same third party to acquire a further shareholding in Sandy Park Hotel Limited, which will generate an additional cash inflow to the Group and will reduce the Group's shareholding by a further 25%.
- Forecasts have been prepared for the period to 30 June 2025 based on reasonable assumptions that have been stress tested based on comparison to actual performance and taking into consideration the key judgements incorporated into the forecasted projections. Based on current attendance figures, which are down on expectation, forecasts indicate that a further cash inflow to the Group will be needed in order to meet liabilities as and when they fall due. The Directors believe that, if necessary, this could be achieved by a further share transaction in Sandy Park Hotel Limited, which could reduce the Group shareholding to nil.
- Careful monitoring of the actual financial performance will be undertaken against budgets and both reactive and proactive measures taken to maximise income and manage costs.
- The Club, along with other Premiership clubs, are currently in negotiation with the Department of Culture, Media and Sport in relation to the repayment profile of the loan received from Sport England, for which instalment payments are now due. The aim is to ensure affordability for all clubs going forward.

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Notes to the Financial Statements for the Year Ended 30 June 2023

Although the Directors have a clear plan in place to ensure the going concern basis remains appropriate, several material uncertainties exist that may cast significant doubt upon the Group's and hence Club's ability to continue as a going concern:

At present, the legal documentation regarding the transaction to reduce the shareholding in Sandy Park Hotel Limited by a further 25% following the year end has not been signed. Heads of Terms have been prepared and all parties are in agreement regarding the transaction; there are no indications this will not be completed, however at the audit report date, signed legal documentation will be not be available.

Furthermore, the share transaction is subject to consent by the Department of Culture, Media and Sport. The Directors are confident that the conditions attached to the consent will be satisfied and therefore there will be no reason why consent will not be provided.

The sensitivity analysis which has been carried out on the forecasts to 30 June 2025 indicates that, should gate receipts remain down on expectation, a further cash inflow to the Group will be needed: as noted, the Directors believe this can be achieved by way of a further reduction of the Group shareholding in Sandy Park Hotel Limited to nil. Although the same third party has indicated a willingness to undertake further share transactions, the proceeds in respect of the share transaction would need to be recognised in an appropriate timeframe, in order for this to support the going concern basis.

As negotiations with the Department of Culture, Media and Sport in relation to the repayment profile of the loan received from Sport England are still ongoing, there is uncertainty as to whether any revision to the current repayment profile will be granted. The forecasts prepared do include the current repayment profile, however an adjustment to the profile to increase affordability would ease cashflow pressure.

Although it is not certain that the efforts outlined above will be successful and although the future will continue to be challenging, the Directors have determined that the actions that they have taken are sufficient to mitigate the uncertainties and have therefore prepared the financial reporting on a going concern basis.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and the accounting policies for the useful economic lives for each class of assets.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

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Notes to the Financial Statements for the Year Ended 30 June 2023

Revenue recognition

Turnover 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. Turnover 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's activities as described below.

- i) Match day tickets - Income is deferred and recognised once the game has taken place.
- ii) Season tickets, Corporate Boxes, VIP Memberships – Income is deferred and recognised over the season to which it relates. The income is released on a game by game basis.
- iii) Sponsorship – Season long sponsorship is deferred and recognised over the season to which it relates. The income is released on a game by game basis. Match day sponsorship is deferred and recognised once the game has taken place.
- iv) Conferences and Events – Income is recognised once the event has occurred.
- v) Premier Rugby Limited Central Income – Income is recognised upon receipt, unless contingent upon specific criteria or a future event.
- vi) Donation income – Income from donations is recognised in the period in which the donation is confirmed by the donor.

Government grants

Government grant funding in relation to revenue expenditure is recognised as other operating income in the period in which the amounts are receivable and conditions attached to the grant have been met.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

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Notes to the Financial Statements for the Year Ended 30 June 2023

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Fixtures and fittings	10%/15% straight line basis
Motor vehicles	10% straight line basis

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

At each reporting date, stocks are assessed for impairment. If stocks are 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.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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Notes to the Financial Statements for the Year Ended 30 June 2023

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the profit and loss account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

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Notes to the Financial Statements for the Year Ended 30 June 2023

3 Turnover

The analysis of the company's Turnover for the year from continuing operations is as follows:

	2023	2022
	£	£
Rugby income	18,922,802	18,767,910
Sandy Park income	2,545,958	1,452,469
	<u>21,468,760</u>	<u>20,220,379</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2023	2022
	£	£
Government grants	-	3,445
Miscellaneous other operating income	-	(17,633)
	<u>-</u>	<u>(14,188)</u>

5 Operating loss

Arrived at after charging/(crediting)

	2023	2022
	£	£
Depreciation expense	230,415	232,659
Operating lease expense - property	1,475,000	1,474,999
Operating lease expense - other	117,826	108,098
Loss on disposal of property, plant and equipment	<u>10,571</u>	<u>46,306</u>

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Notes to the Financial Statements for the Year Ended 30 June 2023

6 Interest payable and similar expenses

	2023	2022
	£	£
Interest on obligations under finance leases and hire purchase contracts	5,080	5,080
Interest expense on other finance liabilities	(33)	37,333
	<u>5,047</u>	<u>42,413</u>

7 Staff costs

The aggregate payroll costs were as follows:

	2023	2022
	£	£
Wages and salaries	12,667,274	12,131,834
Social security costs	1,763,468	1,497,580
Pension costs, defined contribution scheme	151,228	153,972
	<u>14,581,970</u>	<u>13,783,386</u>

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2023	2022
	No.	No.
Players and team management	156	148
Administration and support	38	36
Operational	144	123
	<u>338</u>	<u>307</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2023	2022
	£	£
Remuneration	<u>25,000</u>	<u>23,750</u>

9 Auditors' remuneration

	2023	2022
	£	£
Audit of the financial statements	<u>10,000</u>	<u>10,000</u>

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Notes to the Financial Statements for the Year Ended 30 June 2023

10 Taxation

Tax charged/(credited) in the profit and loss account

	2023 £	2022 £
Current taxation		
UK corporation tax	(462,913)	-
UK corporation tax adjustment to prior periods	(149,008)	(150,837)
	<u>(611,921)</u>	<u>(150,837)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	12,649	(358,164)
Arising from changes in tax rates and laws	-	(113,104)
	<u>12,649</u>	<u>(471,268)</u>
Total deferred taxation	<u>12,649</u>	<u>(471,268)</u>
Tax receipt in the income statement	<u>(599,272)</u>	<u>(622,105)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £	2022 £
Loss before tax	<u>(2,982,503)</u>	<u>(1,870,362)</u>
Corporation tax at standard rate	(566,675)	(355,369)
UK deferred tax credit relating to changes in tax rates or laws	(178,664)	(113,104)
Increase from tax losses for which no deferred tax asset was recognised	757,083	-
Decrease from effect of tax incentives	(1,435)	(5,135)
Decrease in UK and foreign current tax from adjustment for prior periods	(149,008)	(150,837)
Tax increase from effect of capital allowances and depreciation	2,340	2,340
Tax decrease from effect of adjustment in research and development tax credit	<u>(462,913)</u>	<u>-</u>
Total tax credit	<u>(599,272)</u>	<u>(622,105)</u>

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Notes to the Financial Statements for the Year Ended 30 June 2023

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2023		
Difference between accumulated depreciation and capital allowances	(231,396)	-
Other timing differences	300,702	-
Tax losses	1,793,858	-
	<u>1,863,164</u>	<u>-</u>
2022		
Difference between accumulated depreciation and capital allowances	(268,322)	-
Other timing differences	350,277	-
Tax losses	1,793,858	-
	<u>1,875,813</u>	<u>-</u>

The directors have considered the deferred tax assets and liabilities and concluded that due to the level of reversal being dependant on events which are not yet known, it is not possible to accurately state the estimated amounts which will reverse within the next 12 months. However it is considered that the vast majority of the balance will reverse over a period greater than 12 months after the yearend.

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Notes to the Financial Statements for the Year Ended 30 June 2023

11 Tangible assets

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation			
At 1 July 2022	1,756,909	530,418	2,287,327
Additions	47,379	-	47,379
Disposals	(12,448)	(8,460)	(20,908)
At 30 June 2023	1,791,840	521,958	2,313,798
Depreciation			
At 1 July 2022	830,315	152,867	983,182
Charge for the year	177,374	53,042	230,416
Eliminated on disposal	(7,291)	(3,048)	(10,339)
At 30 June 2023	1,000,398	202,861	1,203,259
Carrying amount			
At 30 June 2023	791,442	319,097	1,110,539
At 30 June 2022	926,594	377,551	1,304,145

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2023 £	2022 £
Motor vehicles	319,097	377,551

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Notes to the Financial Statements for the Year Ended 30 June 2023

12 Stocks

	2023	2022
	£	£
Finished goods and goods for resale	231,686	91,526

13 Debtors

	2023	2022
Note	£	£
Trade debtors	1,355,255	1,524,190
Amounts owed by related parties	249,364	-
Other debtors	633,562	968,360
Prepayments and accrued income	331,873	224,420
Deferred tax assets	1,863,164	1,875,813
Corporation tax asset	462,913	179,124
	4,896,131	4,771,907
Less non-current portion	(1,863,164)	(1,875,813)
Total current trade and other debtors	3,032,967	2,896,094

Details of non-current trade and other debtors

£1,863,164 (2022 -£1,875,813) of Deferred tax assets is classified as non current.

14 Creditors

	2023	2022
Note	£	£
Due within one year		
Loans and borrowings	996,387	66,708
Trade creditors	1,988,307	1,040,175
Amounts due to related parties	4,861,440	3,001,461
Social security and other taxes	1,396,068	2,042,136
Outstanding defined contribution pension costs	31,205	27,974
Other creditors	491,981	556,855
Accruals and deferred income	5,685,979	6,518,634
	15,451,367	13,253,943
Due after one year		
Loans and borrowings	138,664	203,076

Notes to the Financial Statements for the Year Ended 30 June 2023

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Notes to the Financial Statements for the Year Ended 30 June 2023

18 Obligations under leases and hire purchase contracts

Hire purchase and finance leases

The obligations due under finance leases and hire purchase contracts are secured on the individual assets to which they relate.

The total of future minimum lease payments is as follows:

	2023	2022
	£	£
Not later than one year	69,492	69,492
Later than one year and not later than five years	161,845	219,755
	<u>231,337</u>	<u>289,247</u>
Less: finance charges allocated to future periods	<u>(17,524)</u>	<u>(21,759)</u>
	<u><u>213,813</u></u>	<u><u>267,488</u></u>

Operating leases

The total of future minimum lease payments is as follows:

	2023	2022
	£	£
Not later than one year	-	108,098

The amount of non-cancellable operating lease payments recognised as an expense during the year was £108,098 (2022 - £108,098).

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Notes to the Financial Statements for the Year Ended 30 June 2023

19 Related party transactions

Income and receivables from related parties

	Other group entities £	Other related parties £
2023		
Sale of goods	-	102,732
Amounts receivable from related party	1,993	35,220
	Other group entities £	Other related parties £
2022		
Sale of goods	9,837	187,340
Amounts receivable from related party	1,993	600

Expenditure with and payables to related parties

	Other group entities £	Other related parties £
2023		
Purchase of goods	-	-
Amounts payable to related party	-	-
	Other group entities £	Other related parties £
2022		
Purchase of goods	-	9,262
Amounts payable to related party	-	563

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Notes to the Financial Statements for the Year Ended 30 June 2023

Loans to related parties

	Other group entities £	Other related parties £	Total £
2023			
At start of period	-	-	-
Advanced	249,364	-	249,364
At end of period	249,364	-	249,364

Loans from related parties

	Other group entities £	Other related parties £	Total £
2023			
At start of period	195,075	-	195,075
Repaid	(195,075)	-	(195,075)
At end of period	-	-	-
2022			
At start of period	1,149,679	-	1,149,679
Repaid	(954,604)	-	(954,604)
At end of period	195,075	-	195,075

20 Parent and ultimate parent undertaking

The company's immediate parent is Exeter Rugby Group PLC, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is Exeter Rugby Group PLC. These financial statements are available upon request from Sandy Park Stadium, Sandy Park Way, Exeter, Devon, EX2 7NN

The ultimate controlling party is the trustees of the parent company Exeter Rugby Group PLC.

21 Contingent liabilities

There is an unlimited cross guarantee in place between Exeter Rugby Club Limited and Exeter Rugby Group PLC in favour of Barclays Bank PLC.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.