

Newport Association Football Club Limited

Annual Report and Financial Statements

for the Year Ended 30 June 2016

Registration number: 02395863

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

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

Chairman	Mr M S Temple
Directors	Mr G J Foxall Mr S E Johnson Mr S J Sadler Mr C V Hopkins Mr N S Collier Mr M L Everett
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 2016

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

Directors of the company

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

Mr H A Greenhaf (resigned 11 August 2015)

Mr J W Bowkett (appointed 10 August 2015 and resigned 27 July 2016)

Mr G J Foxall (appointed 10 August 2015)

Mr S E Johnson (appointed 10 August 2015)

Mr A N Pring (appointed 10 August 2015 and resigned 19 August 2016)

Mr S J Sadler (appointed 26 November 2015)

The following directors were appointed after the year end:

Mr M S Temple - Chairman (appointed 18 July 2016)

Mr C V Hopkins (appointed 1 July 2016)

Mr N S Collier (appointed 18 July 2016)

Mr M L Everett (appointed 18 July 2016)

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

The profit and loss account on page 8 discloses a profit for the year of £340,000 (2014/15: loss - £677,000) on turnover of £2,036,000 (2014/15 - £1,971,000). The major factor giving rise to the £1 million turnaround in performance was exceptional transfer income of £723,000, arising from the sale of Regan Poole to Manchester United and Aaron Collins to Wolverhampton Wanderers and sell on fees in respect of Conor Washington's move from Peterborough United to Queens Park Rangers.

Newport Association Football Club Limited
Directors' Report for the Year Ended 30 June 2016

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In both seasons the club incurred operating losses (before accounting for the purchase and sale of players and any exceptional items): £360,000 in the year under review and £760,000 in the previous year. The reduced scale of operating loss is a consequence partly of better cost control, although the major element of the club's cost base (player contracts) was largely in place before the supporters' trust acquired control of the club in September 2015, and partly of the proceeds of the club's FA Cup run. The transfer fee income in January 2016 also allowed the board to strengthen the playing squad in the second half of the season to ensure retention of our EFL status.

The club has one of the smaller supporter bases in League 2 and so is always going to struggle to compete financially with many of its rivals. For this reason, if the club can generate transfer fee income from the occasional sale of players developed through our academy, it will allow the club to compete more effectively. The board therefore attaches great importance to our academy system.

The windfall income, together with the £236,000 raised by the trust to acquire control of the club, has also allowed the board to address what was a perilous debt situation at the point of acquisition. As explained in our update to trust members on 16 July 2016, the club was carrying almost £300,000 of unsustainable debt at 30 June 2015, comprising bank overdraft (£80,000), arrears of tax (£30,000), arrears to major creditors (£80,000) and advance commercial income for 2015/16 banked before the year end (£100,000). All of these arrears have now been paid off and, at 30 June 2016, the club held a surplus of £270,000 in its bank account.

The club therefore enters the current year in a much sounder financial position. Distributions from the Premier League have increased by £200,000 this season, although obviously all League 2 clubs have benefitted equally from this. The club will continue to face the challenge of being one of the smaller clubs in League 2 and so the board must ensure that our limited resources are invested wisely.

As stated in last year's accounts, the board remains committed to a policy of transparency towards supporters, hence the enhanced disclosure of information in these financial statements. Further information will be available at the forthcoming Annual General Meeting at which all supporters who are shareholders in the club or members of the supporters' trust will be welcome.

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.

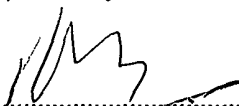
Newport Association Football Club Limited
Directors' Report for the Year Ended 30 June 2016

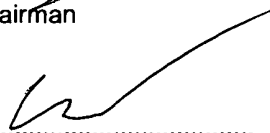
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Small company provisions

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

Approved by the Board on 07/02/17 and signed on its behalf by:


.....
Mr M S Temple
Chairman


.....
Mr G J Foxall
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 2016, set out on pages 8 to 17. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective January 2015) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.



.....
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

Date: 15/2/17.....

Newport Association Football Club Limited
Profit and Loss Account for the Year Ended 30 June 2016

	Note	2016 £	2015 £
Turnover		2,036,465	1,970,806
Administrative expenses		(2,404,803)	(2,757,988)
Other operating income		<u>7,823</u>	<u>26,695</u>
Operating loss	2	(360,515)	(760,487)
Profit/(loss) on disposal of player acquisition costs		723,000	85,000
Amortisation of player acquisition costs		(21,807)	(32,179)
Exceptional items	3	<u>-</u>	<u>32,232</u>
Profit/(loss) on ordinary activities before investment income and interest		340,678	(675,434)
Other interest receivable and similar income		-	3
Interest payable and similar charges		<u>(1,156)</u>	<u>(1,478)</u>
Profit/(loss) on ordinary activities before taxation		<u>339,522</u>	<u>(676,909)</u>
Profit/(loss) for the financial year	10	<u><u>339,522</u></u>	<u><u>(676,909)</u></u>

The notes on pages 10 to 17 form an integral part of these financial statements.

Newport Association Football Club Limited

(Registration number: 02395863)

Balance Sheet at 30 June 2016

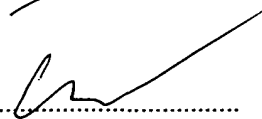
	Note	2016 £	2015 £
Fixed assets			
Intangible fixed assets	4	22,613	42,000
Tangible fixed assets	5	87,603	126,889
		<u>110,216</u>	<u>168,889</u>
Current assets			
Stocks		16,822	36,000
Debtors	6	105,180	133,386
Cash at bank and in hand		274,628	6,095
		<u>396,630</u>	<u>175,481</u>
Creditors: Amounts falling due within one year	7	(427,197)	(799,731)
Net current liabilities		<u>(30,567)</u>	<u>(624,250)</u>
Total assets less current liabilities		79,649	(455,361)
Creditors: Amounts falling due after more than one year	8	(510,485)	(314,997)
Net liabilities		<u>(430,836)</u>	<u>(770,358)</u>
Capital and reserves			
Called up share capital	9	2,452,020	2,452,020
Profit and loss account	10	(2,882,856)	(3,222,378)
Shareholders' deficit		<u>(430,836)</u>	<u>(770,358)</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the Financial Reporting Standard for Smaller Entities (effective 2015).

Approved and authorised for issue by the Board on 07/02/17 and signed on its behalf by:



 Mr M S Temple
 Chairman



 Mr G J Foxall
 Director

The notes on pages 10 to 17 form an integral part of these financial statements.

Newport Association Football Club Limited
Notes to the Financial Statements for the Year Ended 30 June 2016

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2015).

Going concern

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

Early during the period under review, 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 2016

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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	Amortisation method and rate
Player acquisition costs	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	Depreciation method and rate
Improvements to leasehold premises	on a straight-line basis over ten years
Plant and equipment	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 aged or slow moving stock. Net realisable value is based on selling price less any further direct costs to realisation.

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 2016

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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:

	2016 £	2015 £
Auditor's remuneration - The audit of the company's annual accounts	4,800	3,000
Loss on sale of tangible fixed assets	19,032	-
Depreciation of tangible fixed assets	<u>26,365</u>	<u>24,716</u>

3 Exceptional items

	2016 £	2015 £
Loan waiver	<u>-</u>	<u>(32,232)</u>

The circumstances of the loan waiver are disclosed within Note 12 - Mr L Scadding.

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2016

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4 Intangible fixed assets

	Player acquisition costs £	Total £
Cost		
At 1 July 2015	52,500	52,500
Additions	<u>2,420</u>	<u>2,420</u>
At 30 June 2016	<u>54,920</u>	<u>54,920</u>
Amortisation		
At 1 July 2015	10,500	10,500
Charge for the year	<u>21,807</u>	<u>21,807</u>
At 30 June 2016	<u>32,307</u>	<u>32,307</u>
Net book value		
At 30 June 2016	<u><u>22,613</u></u>	<u><u>22,613</u></u>
At 30 June 2015	<u><u>42,000</u></u>	<u><u>42,000</u></u>

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 2016

..... *continued*

5 Tangible fixed assets

	Improvements to leasehold premises £	Plant and equipment £	Total £
Cost or valuation			
At 1 July 2015	92,992	96,358	189,350
Additions	-	6,110	6,110
Disposals	-	(75,117)	(75,117)
At 30 June 2016	<u>92,992</u>	<u>27,351</u>	<u>120,343</u>
Depreciation			
At 1 July 2015	18,389	44,072	62,461
Charge for the year	9,299	17,066	26,365
Eliminated on disposals	-	(56,086)	(56,086)
At 30 June 2016	<u>27,688</u>	<u>5,052</u>	<u>32,740</u>
Net book value			
At 30 June 2016	<u>65,304</u>	<u>22,299</u>	<u>87,603</u>
At 30 June 2015	<u>74,603</u>	<u>52,286</u>	<u>126,889</u>

6 Debtors

	2016 £	2015 £
Trade debtors	49,065	64,459
Other debtors	<u>56,115</u>	<u>68,927</u>
	<u>105,180</u>	<u>133,386</u>

Newport Association Football Club Limited
Notes to the Financial Statements for the Year Ended 30 June 2016

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7 Creditors: Amounts falling due within one year

	2016 £	2015 £
Trade creditors	75,224	175,013
Bank loans and overdrafts	-	80,091
Other loans	93,000	115,000
Deferred government grants	5,503	8,347
Other taxes and social security	76,210	129,434
Other creditors	4,905	40,655
Accruals and deferred income	172,355	251,191
	<u>427,197</u>	<u>799,731</u>

The other loans include amounts due to the former Directors, Mr L Scadding and Mr H Greenhaf, (see Note 12 below).

8 Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Deferred government grants	33,018	37,997
Other loans	477,467	277,000
	<u>510,485</u>	<u>314,997</u>

The other loans include amounts due to Newport County AFC Supporters Society Limited, (see Note 12 below).

The other loans also include amounts due to the former Directors, Mr L Scadding and Mr H Greenhaf, (see Note 12 below).

9 Share capital

Allotted, called up and fully paid shares

	2016		2015	
	No.	£	No.	£
Ordinary shares of £10.00 each	<u>245,202</u>	<u>2,452,020</u>	<u>245,202</u>	<u>2,452,020</u>

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2016

..... *continued*

10 Reserves

	Profit and loss account £	Total £
At 1 July 2015	(3,222,378)	(3,222,378)
Profit for the year	339,522	339,522
At 30 June 2016	<u>(2,882,856)</u>	<u>(2,882,856)</u>

11 Commitments

Operating lease commitments

As at 30 June 2016 the company had annual commitments under non-cancellable operating leases as follows:

Operating leases which expire:

	2016 £	2015 £
Over five years	<u>75,000</u>	<u>75,000</u>

12 Post balance sheet events

Subsequent to the year end, donations from Newport County AFC Supporters Society Ltd totalling £236,460 were returned to the Society in the form of 23,646 ordinary shares of £10 each.

13 Related party transactions

During the year the company made the following material transactions with related parties and formerly related parties:

Newport County AFC Supporters Society Limited

Relationship: Controlling Shareholder

During the year, the company received donations amounting to £236,467 from Newport County AFC Supporters Society Limited. Subsequent to the year end, these were returned to the Society in the form of issued share capital. At the balance sheet date the amount due to Newport County AFC Supporters Society Limited was £236,467 (2015 - £1,000).

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 £13,097 (2015 - £19,272).

Newport Association Football Club Limited

Notes to the Financial Statements for the Year Ended 30 June 2016

..... continued

Mr HA Greenhaf

Relationship: Former Director (resigned 11 August 2015)

During the period, the company enjoyed interest-free advances without fixed terms of repayment provided by Mr HA Greenhaf. At the balance sheet date the amount due to Mr HA Greenhaf was £58,000 (2015 - £60,000).

Mr L Scadding

Relationship: Former Director (resigned 17 June 2015)

During the period, the company enjoyed interest-free advances provided by Mr L Scadding. Also during the period, it was agreed that these advances should be repayable by the company to Mr L Scadding at the rate of £3,000 per calendar month between October 2015 and January 2024. Prior to 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 £273,000 (2015 - £300,000).

14 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.

At the beginning of the period under review, 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, became the ultimate controlling party with immediate effect.