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# Chairman's statement

## Introduction

On behalf of the Board of Directors ("the Board"), I have pleasure in presenting the Annual Report and Financial Statements of Watford Leisure PLC for the year ended 30 June 2010.

The period of time from 1 July 2009 to 30 June 2010 has seen a vast amount happen at our principal operating subsidiary, The Watford Association Football Club Limited ("the Club"), both on the pitch and, perhaps more pertinently, off it.

The Company and Club came very close to being placed into administration in December 2009, and we remain grateful not only to our major shareholder, Fordwat Limited – and Lord Ashcroft in particular – but also to David Fransen and Graham Simpson, for the part they played in ensuring that we are now able to look to the future with some months of genuine stability behind us.

I have reaffirmed my commitment to the Company by stating that I would continue as Chairman on a permanent basis.

## Background

The Company continues to operate with a four-man Board, independent of its major shareholders. It consists of myself as Non-Executive Chairman, David Fransen and Professor Stuart Timperley as Non-executive Directors and Julian Winter as Director and Chief Executive Officer.

Having accepted the Chairmanship on an interim basis in December 2009, evidence of the subsequent actions of the CEO and fellow Board members, and other key staff members leads me to believe that the group can continue to progress, aligned to three key pillars which support our five-year rolling business plan called 'The Watford Way':

- 1) 'To develop and maintain a high-performing player talent base'
- 2) 'To develop and maintain a profitable and sustainable business'
- 3) 'To be a true community partner'

These aims fall under our mission statement which is:  
'To be a profitable top 30 club in English football'.

Unquestionably, it has been a very challenging year, with the resignations of Chairman and Vice Chairman, Jimmy and Vince Russo, and Robin Williams, from the Board at the Company's AGM held on 15 December 2009, and the subsequent refinancing via the Bond placement completed in July 2010. Having fought hard for the stability we have achieved in recent months, we are well aware that maintaining financial stability will continue to be of paramount importance to the Board as we move forward.

The Bond placement has provided a platform to work from and could be described as a watershed point in terms of addressing the relative turmoil of the past two years.

Despite this, 'The Watford Way' has remained a key focus for the Board, the CEO and his staff. Set against a tough macro economic climate, this plan is exactly what the group needs to continue to deliver against and stand behind.

# Chairman's statement continued

## Financial Overview

The 12-month period under review has been a difficult one financially; the loss of £11 million of broadcast revenue representing an obvious challenge.

Whilst the beneficial impact of the business restructuring is evident, we still had a number of contracted players whose costs did not fall within the shape of our current business model. Therefore, player salary costs are higher than we would expect to incur in future years.

We are committed to reducing the wages-to-revenue ratio in order 'To develop and maintain a profitable and sustainable business'. It was also a difficult year commercially with the adverse economic climate resulting in revenues reducing across the business.

The astute trading of players is critical to the business and the summer 2009 transfer window was very positive in this regard, with the group generating a significant surplus on player trading. The inflow of cash achieved from these sales has been of vital importance to the business in the period since that transfer window.

We continue to be very fortunate that directors and shareholders have supported the group during these difficult times. As these financial results show, loans from G Russo and Valley Grown Salads were received during the first six months of the financial year. These were repaid via a loan from Fordwat Limited, and further amounts were drawn down against this loan facility, culminating in a total loan amount from Fordwat Limited of £6,478,168 as at 30 June 2010. An amount of £500,000 was also loaned by a director, David Fransen. These loans and the subsequent refinancing by way of the Bond placement, coupled with player trading and cost reductions, have enabled the business to move to a more secure foundation.

During the year ahead we will continue to face financial challenges, but slowly things are moving towards stability and sustainability.

The Board understands clearly the difficult task which lies ahead of them, as regards the scheduled maturity date of the secured Bonds.

The key financial and performance indicators are as follows:

	<b>2010</b>	2009
	<b>£'000</b>	£'000
Revenue	<b>11,258</b>	23,079
Cost of sales	<b>(15,049)</b>	(19,792)
Administrative expenses	<b>(4,181)</b>	(5,348)
Other operating income	<b>551</b>	1,115
Operating loss before interest, player trading, amortisation and exceptional items	<b>(7,421)</b>	(946)
Loss before taxation	<b>(4,063)</b>	(1,987)
Cash absorbed by operations	<b>(6,655)</b>	(1,994)
Wages to revenue ratio	<b>99%</b>	68%
League position	<b>16th</b>	13th

## Financial Review

The financial year saw a reduction in revenue of £11,821,000. Media revenue in total fell by £10,414,000 reflecting a reduction in the amounts received from the FA Premier League of £11,305,000. The amount received in 2009 totalled £12,298,000 in parachute payments whereas in 2010 an amount of only £993,000 was received relating to the Premier League Solidarity payments and reconciling parachute payments. The League Basic Award increased from £1,178,000 in 2009 to £2,527,000 in 2010. Televised match income also increased from £70,000 in 2009 to £200,000 in 2010 due to two home league matches being televised in the year as against one home and one away match in the previous year; home matches attract a higher fee. Cup Match related media income fell from £566,000 in 2009 to £8,000 in 2010 - matches versus Tottenham in the Carling Cup and Chelsea in the FA Cup were televised in the previous year with associated income of £375,000 and progression through to the 5th round of the FA Cup with wins against Scunthorpe and Crystal Palace achieved prize money of £175,000.

Commercial revenues decreased by £282,000 mainly relating to a reduction in sponsorship income. Matchday revenues reduced by £556,000 mainly relating to Season Ticket income. Season Ticket prices were reduced by an average of 16% - 20% and the total number issued fell by circa 600 resulting in a significant reduction in income. Catering revenue reduced by £372,000 due to a combination of fewer fixtures at Vicarage Road (46 matches were played in the 08/09 season compared to 39 matches in the 09/10 season), and the impact of lower attendances across both Watford and Saracens' fixtures - the average actual attendance across all fixtures was over 2,000 lower in the 09/10 season.

Revenue generated by the Elton John Concert totalled £1,353,000. In the previous year £1,550,000 of revenue was generated by player loan income, so the movement in other revenue shows a reduction of £197,000.

Cost of sales and administrative expenses show a total reduction of £5,910,000 of which £4,121,000 has been generated by reduced salary costs. Evidence of the business and football restructuring is reflected in total salaries reducing from £14,997,000 in 2009 to £10,876,000 in 2010, with player salaries having been reduced by £2,744,000 from £10,500,000 in 2009 to £7,756,000 in 2010. Football Management, Commercial, Stadium and Administrative salaries have been reduced by £1,377,000. Further, following the comprehensive business review and cost reduction programme, cost savings have been achieved across the business, most notably within football where savings of £1,065,000 have been implemented and within stadium and administrative areas, where cost savings of £582,000 have been achieved. Retail and catering costs have fallen by £553,000 in line with reduced income in the year. Additional costs of £721,000 were incurred in relation to the Elton John Concert, with this event generating a profit of £632,000.

Other operating income includes the rent receivables from the stadium leases to Saracens Rugby Club and Kier London who leased the office space at the Vicarage Road Stadium. Kier London were the construction company involved in the key worker housing development at the Stadium. Other operating income in the prior year included amounts payable as compensation from Reading FC for their employment of Brendan Rodgers.

The profit on disposal of players' registrations comprises total profits of £4,111,000 from the sales of T Smith, M Williamson and T Priskin and several smaller profits generated by appearances, promotion and sell-on clauses from players sold, mainly in previous years, totalling £1,018,000.

Amortisation and impairment costs have been reduced from £4,293,000 to £1,371,000. The prior year included £1,500,000 of amortisation relating to N Ellington; the player's book value had been previously impaired to a level relative to the known loan income which has been generated. This book value was then fully amortised over the year long loan in last year's financial statements. The remaining reduction is relative to the significantly lower net book value of our player registrations.

# Chairman's statement continued

## Football Team

Manager Malky Mackay and his coaching staff must rightly receive praise for continuing to show flexibility and adaptability in dealing with all the challenges the Club has faced.

The squad of playing staff has experienced another year of transition, as a result of the Club's need to move towards sustainability and we thank all the players for their on and off the field contributions.

Competitive is a word often used in terms of a game-by-game target for his team by Malky Mackay – and I like that description, because it accurately reflects our aim under the pillar 'To develop and maintain a high-performing player talent base'.

We will continue to exercise control over football costs, and we do that in the knowledge that we are lucky to have a manager who fully understands and appreciates the wider picture at the Club and how what he does is playing such a key role in our aim 'To develop and maintain a profitable and sustainable business'.

## Academy

Intrinsically linked to the success of our senior football operation is the truly outstanding partnership we continue to enjoy with The Harefield Academy.

We are this season beginning to see the emergence of some of the first crop of players to have been nurtured through this unparalleled mix of academic study and coaching contact time which far exceeds that of any other club in the UK.

Our aim 'To develop and maintain a high-performing player talent base' finds its natural starting point at The Harefield Academy, where the staff we work with – as part of what is a burgeoning partnership – are a credit to a vibrant place of learning.

## Community

I referred above to our aim 'To be a true community partner' and while it is clearly for the community around us to tell us whether we are truly living that value, to be chosen as 'Community Club of the Year' for two out of the past three seasons at the Football League awards is certainly testament to the depth and reach of the work of Watford FC's Community Sports & Education Trust.

The Club is rightly proud of the Trust and the never-ending hours invested into local communities. The Trust's mission statement, which is worthy of mention here, reads 'Making a positive difference for all through sport and learning'.

I feel that statement resonates as strongly today as it did at the Trust's inception.

## Stadium

With a lack of access to ready capital, Vicarage Road Stadium continues to endure with a poorer profile than the Club would wish.

The Board continues to look at alternative means of funding works, which are prioritised by both the south-west corner and the east side of the ground.

It may be that partnership agreements offer the best way forward to realise the necessary working/development capital. However, all such ideas and proposals will be considered with Watford football fans firmly at the forefront of the Club's thinking.

### **To the future**

I mentioned in my interim report the need for the Club to feel that it can pursue its key business and community objectives with confidence – and that is never truer than now.

However to do this requires a staffing infrastructure that is as together a unit as that which exists within the football team management and playing squad.

We currently have that tight unit of staff, leaner than in recent years, but fully focused under the leadership of our Chief Executive Officer, Julian Winter and everyone is now located back at the Vicarage Road Stadium.

It is right and proper of me that I should offer my sincerest thanks to this group of staff, who have emerged from a period of considerable uncertainty with a vigour to continue to serve the Club and its community with unswerving dedication.

Supporters may have recently taken advantage of opportunities to hear from Malky Mackay, Julian Winter and some of the playing staff at planned informal evenings. It is this willingness to make the Club feel ever more accessible that is integral to any future success we may enjoy together.

The Board would like formally to express its thanks to all shareholders and supporters for placing trust in its members to continue to develop and deliver to the best of our abilities.

I would like to close by re-iterating our three key pillars supporting 'The Watford Way':

- 1) 'To develop and maintain a high-performing player talent base'
- 2) 'To develop and maintain a profitable and sustainable business'
- 3) 'To be a true community partner'

We hope that we will continue to enjoy the warmth of your support.

**Graham Taylor**  
**Chairman**

31 October 2010

# Profile of Directors

## **Graham Taylor : Chairman (Non-Executive)**

Graham Taylor joined the board as a non-executive director on 22 January 2009 and was formerly the manager of the Club during the period from 1977 to 1987 and February 1996 to June 2001, as well as having had significant involvement in international football. He accepted the position of Interim Chairman on 15 December 2009 and has subsequently taken up the role on a permanent basis.

## **Julian Winter : Chief Executive Officer (Executive)**

Julian Winter was appointed on 12 December 2008 as a director and Chief Executive Officer of the Company and the Club, and leads the Club's senior management team. He is a former professional football player and has been involved with the Club since April 2006 as Community Director and later Deputy CEO of the Company and the Club.

## **David Fransen (Non-Executive)**

David Fransen joined the board as a non-executive director on 13 March 2009. He was brought up in the Northwood area, and is a long time Watford fan, having first watched a game in the late 60's from the old Shrodell's stand. He is a senior executive of a global energy trading firm.

## **Stuart Timperley (Non-Executive)**

Professor Stuart Timperley joined the board as a non-executive director on 22 January 2009. He is a founder and director of Stuart Timperley Associates, a company which advises organisations on strategy and capability issues and conducts board and leadership assessments. He is a former director and chairman of the Club and a number of other companies, and more recently chairman of Arts Council England in the East, a major funder of Watford Palace Theatre.

# Corporate governance report

for the year ended 30 June 2010

## General principles

The Board recognises the importance of good corporate practice and is committed to conducting the group's operations in accordance with the best principles of corporate governance. This report sets out how the principles of good governance and code of best practice identified in the Combined Code issued by the London Stock Exchange are applied by the Company.

## The Board

The Board consists of one executive and three non-executive directors.

The Board meets regularly and is responsible for group strategy, acquisition, divestment policy and overall financing of the group. It is ultimately responsible for the direction and management of the group, although the Chief Executive Officer is charged with the responsibility of running the group within a defined framework established by the Board.

## Accountability and audit

### Finance and Audit committee

The Finance and Audit Committee, as established by the Board, currently consists of the three non-executive directors: D B Fransen (who is the Committee's Chairman), G Taylor and S R Timperley. Written terms of reference for the Finance and Audit Committee have been drawn up which require it to consider and report to the Board on such issues as the group's annual reports and interim reports, ensuring compliance with accounting policies and satisfying itself as to the adequacy of the group's external audit and internal control procedures. The Committee meets at least once a year with the group's auditors in attendance.

### Internal financial control

The Board of Directors has overall responsibility for the group's systems of internal control which are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The key features of the group's system of internal financial controls are as follows:

- a) detailed budgets and plans which are approved by the Board;
- b) regular consideration by the Board of actual results compared with budgets and forecasts;
- c) compliance by the subsidiaries with the group operating procedures and policies;
- d) annual review of the group's insurance cover;
- e) defined procedures for the appraisal and authorisation of player transfers and capital expenditure; and
- f) regular reporting of borrowing and facilities to the Board.

The Board has reviewed the operation and effectiveness of the group's system of internal financial control for the financial year and the period up to the date of approval of the financial statements.

# Corporate governance report continued

for the year ended 30 June 2010

## **Risk management**

A risk management review has been previously undertaken by the group to identify, evaluate and manage key risks. Projections are made on a realistic basis in order to identify financial pressures in advance. The Company maintains a rolling five year plan in respect of all key components of the group's operations.

## **Compliance with the Combined Code**

The group is not required to comply with the Combined Code as an AIM listed company, but seeks to comply with those provisions most appropriate to the group. We continue to review our corporate governance procedures to ensure they match the needs of the group.

## **Remuneration report**

The Remuneration Committee is responsible for determining the emoluments of the executive director, and consists of three non-executive directors: S R Timperley (who is the Committee's Chairman), D B Fransen and G Taylor. The Committee makes recommendations to the Board on the Company's framework for executive remuneration and cost.

**GRAHAM TAYLOR**  
Chairman

31 October 2010

# Report of the Directors

## for the year ended 30 June 2010

The directors present their report on the affairs of the group, together with the audited financial statements for the year ended 30 June 2010.

### Principal activities and business review

The principal activity of Watford Leisure PLC ("the Company") is to hold, as investments, the majority of the issued share capital of The Watford Association Football Club Limited and, previously, the whole of the issued share capital of Watford Catering Limited which is now in the process of being struck off. The principal activity of The Watford Association Football Club Limited ("the Club") is to operate as a professional football league

The group reported a loss before taxation for the year of £4,063,000 (2009 - loss £1,987,000). The development of the business during the year and the group's position at the year end is considered in the Chairman's statement on pages 3 to 7.

The Board has considered the risks and uncertainties that face the business which are principally related to the costs and revenues involved in maintaining a playing squad and trading in players, and of maintaining the Club's league position. It has also considered the financing requirements of the business that may result and these are discussed in note 1b). Information about the financial risks and use of financial instruments by the Company and its principal subsidiary is provided in note 17 to the financial statements.

The directors do not recommend the payment of a dividend. Accordingly, the group's loss for the year has been added to the accumulated deficit brought forward as shown in note 19 to the financial statements.

### Directors and their interests

The directors at 30 June 2010 together with their beneficial interests in the shares of the Company were as follows:

	Ordinary shares of 1p each	
	30 June 2010	30 June 2009
G Taylor : Chairman (Non-Executive)	-	-
J Winter : Chief Executive Officer (Executive)	-	-
D B Fransen (Non-Executive)	-	-
S R Timperley (Non-Executive)	-	-

G Taylor holds 123 ordinary shares of £1 each in The Watford Association Football Club Limited.

None of the other directors has any interest in the share capital of any other group companies.

During the year ended 30 June 2010, the following resigned as directors:

G Russo - resigned 15 December 2009

V Russo - resigned 15 December 2009

R R Williams - resigned 15 December 2009

C J Norton, as alternate director for G Russo, V Russo and R R Williams - resigned 15 December 2009

There has been no change in directors since the year end.

# Report of the Directors continued

for the year ended 30 June 2010

In accordance with the Company's Articles of Association, G Taylor is due to retire at the Company's forthcoming Annual General Meeting, and, being eligible, will offer himself for reappointment.

The Group has in place Directors' and Officers' Liability insurance with a third party.

## Substantial interests

Apart from the shareholdings listed below, the directors are not aware of any party interested in 3% or more of the issued ordinary share capital at 31 October 2010.

Name	Number of shares	Percentage
Fordwat Limited	16,306,437	37.16%
Valley Grown Salads	13,156,953	29.98%
G M Simpson and family	7,368,796	16.79%

## 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 group and parent company financial statements for each financial year. Under that law the directors are required to prepare the group's financial statements in accordance with International Financial Reporting Standards (IFRS's) as adopted by the EU and have elected to prepare the parent company financial statements on the same basis.

The group and parent company financial statements are required by law and IFRS's as adopted by the EU to present fairly the financial position of the group and the parent company and the performance of the group each financial year. Under company law in the United Kingdom 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 group and the Company and of the profit and loss of the group for that period. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation. In preparing each of the group and parent company financial statements the directors are required to:

- select suitable accounting policies in accordance with "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS's is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance; and
- state that the group has complied with the IFRS's, subject to any material departures disclosed and explained in the financial statements.

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

Insofar as the directors are aware:

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Corporate governance**

The Board's report on the group's corporate governance procedures is set out on pages 9 and 10.

### **Payment of suppliers**

The group seeks the best possible terms from suppliers appropriate to its business and, in placing orders, gives consideration to quality, price and terms of payment which will be agreed with each supplier when details of each transaction are settled. The group will continue to honour its contractual and legal obligations and to pay contractors and suppliers on the dates agreed in contracts and purchase orders.

Being mindful that the group transacts with many small suppliers the group endeavours to meet the Government's best practice guidelines and pay suppliers within thirty days from receipt of invoice whenever the invoice can be matched to an order and can be duly authorised with no queries arising thereon.

Overall, the ratio expressed in days between the amounts invoiced to the group by its suppliers (excluding transfer fees payable) and the amount owed to its creditors at 30 June 2010 was 69 days. The Watford Association Football Club Limited creditor days calculation for the same period is 42 days.

### **Employees**

The group places considerable value on the involvement of its employees and has set up processes and procedures to achieve good communication within the workplace. There are also written processes for training, development, appraisal and induction.

It is the group's policy to give full and fair consideration to all applications from the disabled and it has a written Equal Opportunities Policy and recruitment process in place to achieve this end.

### **Charitable and political donations**

During the year the group made charitable donations amounting to £3,477. No political donations were made during the year.

### **Going concern**

As disclosed in note 1b) to the financial statements the directors are exploring options to raise funds in order to meet the group's working capital requirements for the period to 30 June 2011 and beyond this they are actively seeking equity investment in order to satisfy the repayment terms of the Bond entered into on 13 July 2010. The directors are satisfied that the group will be able to raise adequate resources to continue in operation for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **Post balance sheet events**

Details of post balance sheet events are set out in note 24 to the financial statements.

### **Auditors**

A resolution concerning the reappointment of Chantrey Vellacott DFK LLP as auditors of the company will be proposed at the forthcoming Annual General Meeting.

### **Signed on behalf of the Board**

**P J WASTALL**  
**Secretary**

Approved by the Board on 31 October 2010

# Independent auditor's report

to the shareholders of Watford Leisure PLC

We have audited the financial statements of Watford Leisure PLC for the year ended 30 June 2010 which comprise the Group and Parent Company Balance Sheets, the Group Income Statement, the Group and Parent Company Statements of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement on page 12, 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 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 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 group's and the parent 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.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS's as adopted by the European Union and as applied in accordance with provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1b) to the financial statements concerning the group's ability to continue as a going concern. At 30 June 2010 the group's current liabilities exceeded its current assets by £12,554,000, following a loss for the year of £4,063,000.

The validity of the going concern basis is dependent on the assumptions underlying the financial projections being accurate, the financial projections being substantially realised and the group's ability to raise sufficient new capital to the extent that may be required.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

### **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.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

**DAVID JAMES (Senior Statutory Auditor)**  
**for and on behalf of CHANTREY VELLACOTT DFK LLP**  
**Chartered Accountants and Statutory Auditor**  
**London**  
**1 November 2010**

# Consolidated income statement

for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
<b>Continuing Operations</b>			
<b>Revenue</b>	2	11,258	23,079
Cost of sales		(15,049)	(19,792)
<b>Gross (loss) / profit</b>		<b>(3,791)</b>	3,287
Administrative expenses		(4,181)	(5,348)
Other operating income	3	551	1,115
		(7,421)	(946)
Amortisation and impairment of costs of players' registrations		(1,371)	(4,293)
Profit on disposal of players' registrations		5,129	3,774
<b>Operating loss</b>		<b>(3,663)</b>	(1,465)
Financing income	4	7	44
Financing costs	4	(407)	(566)
<b>Loss before taxation</b>	5	<b>(4,063)</b>	(1,987)
Taxation	7	-	-
<b>Loss for the year</b>	19	<b>£(4,063)</b>	£(1,987)
<b>Attributable to:</b>			
Equity holders of the parent		(3,908)	(1,987)
Minority interests		(155)	-
<b>Loss for the year</b>	19	<b>£(4,063)</b>	£(1,987)
<b>Loss per 1p share (basic and diluted)</b>	8	<b>(8.9p)</b>	(4.5p)

The notes on pages 23 to 45 form part of these financial statements.

# Consolidated statement of changes in equity

for the year ended 30 June 2010

	Attributable to equity holders of the parent			Total £'000	Minority interest £'000	Total £'000
	Share capital £'000	Special reserve £'000	Retained earnings £'000			
Equity shareholders funds at 1 July 2008	439	10,651	(5,050)	6,040	-	6,040
Loss for the year	-	-	(1,987)	(1,987)	-	(1,987)
Losses extinguished	-	(242)	242	-	-	-
Equity shareholders funds at 30 June 2009	439	10,409	(6,795)	4,053	-	4,053
Loss for the year	-	-	(3,908)	(3,908)	(155)	(4,063)
Losses extinguished	-	(8,215)	8,215	-	-	-
<b>Equity shareholders funds at 30 June 2010</b>	<b>439</b>	<b>2,194</b>	<b>(2,488)</b>	<b>145</b>	<b>(155)</b>	<b>£(10)</b>

# Consolidated balance sheet

at 30 June 2010

	Notes	2010 £'000	2009 £'000
<b>Non-current assets</b>			
Property, plant and equipment	1 h) & 9	13,074	12,880
Intangible assets	1 g) & 10	819	2,218
		<u>13,893</u>	<u>15,098</u>
<b>Current assets</b>			
Inventories	1 i) & 12	113	120
Trade and other receivables	13	3,828	2,480
Cash and cash equivalents		686	59
		<u>4,627</u>	<u>2,659</u>
<b>Total assets</b>		<u><u>18,520</u></u>	<u><u>17,757</u></u>
<b>Current liabilities</b>			
Interest bearing loans and other borrowings	14	10,590	3,587
Trade and other payables	15	4,319	4,880
Deferred revenue	16	2,272	2,234
		<u>17,181</u>	<u>10,701</u>
<b>Non-current liabilities</b>			
Interest bearing loans and other borrowings	14	836	2,385
Trade and other payables	15	488	589
Deferred revenue	16	25	29
		<u>1,349</u>	<u>3,003</u>
<b>Total liabilities</b>		<u><u>18,530</u></u>	<u><u>13,704</u></u>
<b>Net assets</b>		<u><u>£(10)</u></u>	<u><u>£4,053</u></u>
<b>Equity</b>			
<b>Capital and reserves</b>			
Called up share capital	18	439	439
Special reserve	19	2,194	10,409
Profit and loss account	19	(2,488)	(6,795)
<b>Equity attributable to equity holders of the parent</b>		<u>145</u>	<u>4,053</u>
<b>Minority interests</b>		<u>(155)</u>	<u>-</u>
<b>Total equity</b>		<u><u>£(10)</u></u>	<u><u>£4,053</u></u>

Approved by the Board of Directors and authorised for issue on 31 October 2010 and signed on its behalf.

**G TAYLOR** - Chairman

**J WINTER** - Director

The notes on pages 23 to 45 form part of these financial statements.

# Consolidated statement of cash flows

for the year ended 30 June 2010

	2010 £'000	2009 £'000
<b>Operating activities</b>		
Loss before taxation	(4,063)	(1,987)
Amortisation of intangible fixed assets	1,371	4,293
Depreciation of property, plant and equipment	655	1,340
Net profit on disposal of sundry fixed assets	-	1
Profit on disposal of players' registrations	(5,129)	(3,774)
Financing income	(7)	(44)
Financing costs	407	566
Decrease in inventories	7	17
Decrease in receivables	761	68
Decrease in payables and deferred income	(657)	(2,474)
<b>Net cash used in operations</b>	<b>(6,655)</b>	<b>(1,994)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(1,950)	(3,424)
Purchase of property, plant and equipment	(158)	(424)
Proceeds from sale of intangible fixed assets	4,056	8,538
Proceeds from sale of tangible fixed assets	111	1
<b>Net cash generated by investing activities</b>	<b>2,059</b>	<b>4,691</b>
	<b>(4,596)</b>	<b>2,697</b>
<b>Financing activities</b>		
Advances of debt	5,978	4,373
Repayments of debt	(636)	(9,133)
Interest received	7	53
Interest paid	(238)	(585)
<b>Net cash generated by / (used in) financing activities</b>	<b>5,111</b>	<b>(5,292)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>515</b>	<b>(2,595)</b>
<b>Cash and cash equivalents at start of year</b>	<b>(556)</b>	<b>2,039</b>
<b>Cash and cash equivalents at end of year</b>	<b>£(41)</b>	<b>£(556)</b>
<b>Cash and cash equivalents consist of:</b>		
Cash and cash equivalents	686	59
Bank overdraft	(727)	(615)
<b>Total</b>	<b>£(41)</b>	<b>£(556)</b>

The notes on pages 23 to 45 form part of these financial statements.

# Company balance sheet

for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
<b>Non-current assets</b>			
Investments	11	5,692	13,667
<b>Current assets</b>			
Trade and other receivables	13	450	5
<b>Total assets</b>		<b>6,142</b>	<b>13,672</b>
<b>Current liabilities</b>			
Interest bearing loans and other borrowings	14	2,642	592
Trade and other payables	15	867	182
		<b>3,509</b>	<b>774</b>
<b>Non-current liabilities</b>			
Interest bearing loans and other borrowings	14	-	2,050
		-	2,050
<b>Total liabilities</b>		<b>3,509</b>	<b>2,824</b>
<b>Net assets</b>		<b>£2,633</b>	<b>£10,848</b>
<b>Equity</b>			
<b>Capital and reserves</b>			
Called up share capital	18	439	439
Special reserve	19	2,194	10,409
Profit and loss account	19	-	-
<b>Total equity</b>		<b>£2,633</b>	<b>£10,848</b>

Approved by the Board of Directors on 31 October 2010 and signed on its behalf.

**G TAYLOR** - Chairman

**J WINTER** - Director

Company registration number - 3335610

The notes on pages 23 to 45 form part of these financial statements.

# Company statement of changes in equity

for the year ended 30 June 2010

	Attributable to equity holders of the parent			Total £'000
	Share capital £'000	Special reserve £'000	Retained earnings £'000	
Equity shareholders funds at 1 July 2008	439	10,651	80	11,170
Loss for the year	-	-	(322)	(322)
Losses extinguished	-	(242)	242	-
Equity shareholders funds at 30 June 2009	439	10,409	-	10,848
Loss for the year	-	-	(8,215)	(8,215)
Losses extinguished	-	(8,215)	8,215	-
<b>Equity shareholders funds at 30 June 2010</b>	<b>439</b>	<b>2,194</b>	<b>-</b>	<b>£2,633</b>

# Company statement of cash flows

for the year ended 30 June 2010

	2010 £'000	2009 £'000
<b>Operating activities</b>		
Loss before taxation	(8,215)	(322)
Provision against loan to subsidiary	8,486	-
Financing income	(165)	(214)
Dividend satisfied by intercompany debt	(664)	-
Financing costs	100	97
Increase in receivables	(359)	(5)
Increase in payables and deferred income	599	173
	<hr/>	<hr/>
<b>Net cash used in operations</b>	<b>(218)</b>	<b>(271)</b>
<b>Cash flows from investing activities</b>		
Repayments from / (advances to) subsidiary	153	(1,896)
Interest received	79	223
	<hr/>	<hr/>
<b>Net cash generated by / (used in) investing activities</b>	<b>232</b>	<b>(1,673)</b>
<b>Financing activities</b>		
Advances of debt	-	2,050
Interest paid	(14)	(106)
	<hr/>	<hr/>
<b>Net cash (used in) / generated by financing activities</b>	<b>(14)</b>	<b>1,944</b>
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at start of year</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	<b>£Nil</b>	<b>£Nil</b>
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 23 to 45 form part of these financial statements.

# Notes to the financial statements

for the year ended 30 June 2010

## 1 Accounting policies

Watford Leisure PLC is a company incorporated in the United Kingdom.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as 'the group'). The parent company financial statements present information about the Company as a separate entity and not about its group.

Both the parent company and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union (Adopted IFRS's). On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in section S408(1b) of the Companies Act 2006 not to present its individual income statement and related notes that form part of these approved financial statements. The Company's loss for the year was £8,215,000 (2009 loss - £322,000).

The accounting policies set out below have, unless otherwise stated, been applied consistently for both the group and the Company to all periods presented in these consolidated and Company financial statements. The financial statements have been prepared under the historical cost convention.

Judgements made by the Directors, in the application of these accounting policies, that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 25.

### a) Basis of Consolidation

Subsidiaries are entities controlled by the group. Control exists where the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the group financial statements from the date that control commences until the date that control ceases. Transactions between group companies are eliminated on consolidation.

### b) Going Concern

The financial statements have been prepared on a going concern basis which the directors of the Company believe to be appropriate for the reasons outlined below.

The directors acknowledge that the Club, similar to many other Championship clubs, will be likely to continue making operating losses. Therefore the group and Company remain reliant upon their ability to raise finance through other means.

The support of the group's directors and shareholders has been evident in the past and continues to be of significant importance. During the year to 30 June 2010 loans totalling £6,978,168 were made available by certain directors and a shareholder of the Company. £6,478,168 of these loans, in addition to £2,642,000 of existing loans, were converted into secured bonds after the year end (see note 24). The directors will be working to ensure that the group is able to satisfy the repayment terms of the Bond upon expiry, or otherwise seek to ensure the continued support of the Bond holders.

The group's bankers have indicated that, so long as the group continues to operate within its financial plan, regular renewal of the £1m overdraft facility will be available and extensions to this will be considered to bridge gaps in cashflow.

# Notes to the financial statements continued

for the year ended 30 June 2010

The group has prepared detailed cash flow forecasts for the period to 30 June 2015. Those forecasts show that the group and Company do not currently have facilities in place to fund all of the projected cash requirements over the next twelve month period. The directors acknowledge that as a football club which invests significantly in its youth and recruitment policies, the trading of players is critical to the business model of the Company. The directors are confident that through a combination of player sales and directors and/or shareholder support the requirement to 30 June 2011 will be satisfied.

The directors consider that new investment into the business is absolutely vital in order to allow the group to move forward from what has been a difficult time financially. The directors will continue to manage the group's resources and seek to increase income and control costs at all times. These financial statements show the dramatic cost reductions that have already been made to ensure that the impact of the loss of £12 million of revenue has been minimised and the current period will show further reductions as many players' contracts expired and new contracts were signed with costs fitting within the business structure necessary to enable sustainability.

The directors are confident that the going concern basis is appropriate, and believe that new investment will be forthcoming in the period required and that otherwise bond holder support will enable the group more time to secure such investment.

## c) Revenue

Revenue represents income arising from sales to third parties and excludes transfer fees receivable (which are dealt with in the profit on disposal of players' registrations) and value added tax.

- i) Season ticket and corporate hospitality revenue is recognised over the period of the football season as home matches are played.
- ii) Fixed elements of FA Premier League and Football League central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played and Football League appearance fees are accounted for as earned.
- iii) Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate based on the terms of the contract. Catering revenues are recognised on an earned basis. Revenue from the sale of branded products is recognised at the point of dispatch when significant risks and rewards of ownership are deemed to have been transferred to the buyer.

## d) Financial expenses

### Operating lease expenses

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

### Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method.

**e) Rent receivable**

Rental receipts are recognised in the income statement on a straight-line basis over the term of the lease.

**f) Taxation**

Tax on the result for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax in respect of the previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

**g) Intangible assets**

**i) Acquired players' registrations**

The costs associated with the acquisition of players' registrations are initially recorded at their fair value at the date of acquisition as intangible fixed assets. These costs are fully amortised over the period of the relevant player's contract.

Intangible assets are tested for impairment at each balance sheet date. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The directors' valuation of a player's registration is arrived at by reference to market conditions and comparative data of recent transactions. Impairment losses are recognised in the income statement.

Acquired players' registrations are classified as 'Assets held for sale' on the balance sheet if, at any time, it is considered that the carrying amount of a registration will be recovered principally through a sale. The measurement of the registration is the lower of (a) fair value (less costs to sell) and (b) carrying value. Amortisation of the asset is suspended at the time of reclassification, although impairment charges still need to be made if applicable.

**ii) Amortisation**

Amortisation is charged to the income statement on a straight-line basis over the length of each player's contract.

# Notes to the financial statements continued

for the year ended 30 June 2010

## **h) Property, plant and equipment**

### **i) Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Assets under the course of construction are not depreciated until they are brought into use.

### **ii) Depreciation**

Depreciation is charged to the income statement, to write off the cost of property, plant and equipment less estimated residual value, on a reducing balance basis, over their estimated useful lives as follows:

Freehold buildings	- over 25 years and 10 years
Plant & equipment	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Leasehold improvements	- over the shorter of the unexpired term of the lease and 20 years

## **i) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on the estimated selling price in the ordinary course of business. Provision is made for obsolete, slow-moving or defective items where appropriate.

## **j) Signing on fees**

Signing on fees are charged to the income statement on a straight line basis over the period of the player's contract. Prepayments/accruals arising at each period end are included within prepayments and accrued income or accruals within current assets and liabilities, as appropriate. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against the profit/(loss) on disposal of players' registrations in the period in which the disposal is recognised.

## **k) Deferred income**

Deferred income comprises amounts received from capital grants, sponsorship and season ticket income. Capital grants are released to the income statement on a straight-line basis over the estimated useful lives of the assets to which they relate. Other deferred income is released to the income statement on a straight-line basis over the period to which it relates.

## **l) Classification of financial instruments issued by the group**

Financial instruments issued by the group are treated as equity (i.e. forming part of the shareholders' funds) only to the extent that they meet the following two conditions:

- i) they include no contractual obligations upon the Company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or group), and
- ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called-up share capital and share premium account excludes amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists, these components are separated and accounted for individually under the above policy.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

#### **m) Financial assets**

##### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

##### Trade and other receivables

Trade and other receivables are initially recorded at fair value and thereafter carried at fair value amount less any required allowances for uncollectible amounts.

#### **n) Financial liabilities**

##### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

##### Trade and other payables

Trade payables are recognised initially at fair value and thereafter they are measured at amortised cost using the effective interest method.

#### **o) Segment reporting**

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

#### **p) Provisions**

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

# Notes to the financial statements continued

for the year ended 30 June 2010

## q) Investments

The investment in subsidiary undertakings is valued at cost less impairment in the Company's balance sheet.

## r) Pensions

The group contributes to the Football League Limited Pension and Life Assurance Scheme for certain employees and also contributes to players' own pension plans, the assets of which are held separately from those of the group in independently administered funds. Both schemes are accounted for as defined contribution schemes. The pension cost charges represent contributions payable by the group during the year (see also note 22).

## s) Minority interests

The company has adopted the amended provisions of IAS 27, effective for accounting periods beginning on or after 1 July 2009, and the Club's loss for the current year has, accordingly, been attributed to both the Company and the non-controlling interest, the minority shareholders. In accordance with the transitional provisions of IAS 27 this amended treatment has not been applied to losses incurred in prior periods.

## t) Standards in issue but not yet effective

Standards that have been issued in the period which are not yet effective for the financial year ended 30 June 2010 include:

### Effective for the year ending 30 June 2011

IAS 1 - "Presentation of Financial Statements (Revised 2007)" (amendment)

IAS 7 - "Statement of Cash Flows" (amendment)

IAS 17 - "Leases" (amendment)

IAS 27 - "Consolidated and Separate Financial Statements (revised 2008)" (amendment)

IAS 32 - "Financial Instruments: Presentation" (amendment)

IAS 36 - "Impairment of Assets" (amendment)

IAS 39 - "Financial Instruments: Recognition and Measurement"

IFRS 2 - "Share-based Payment" (amendment)

IFRS 3 - "Business Combinations (revised 2008)" (amendment)

### Effective for the year ending 30 June 2012

IAS 1 - "Presentation of Financial Statements (revised 2007)" (amendment)

IFRS 7 - "Financial Instruments: Disclosures" (amendment)

IFRIC Interpretation 13 - "Customer Loyalty Programmes" (amendment)

The changes are not expected to have any significant impact on the recognition or measurement of items included in the financial statements.

## 2 Revenue

The group has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. It operates in one geographical segment, the United Kingdom, and accordingly no additional geographical information is required to be provided.

Notwithstanding this, a voluntary analysis of the revenue streams is given below to assist with an understanding of the business.

	2010 £'000	2009 £'000
Matchday	4,351	4,986
Media	4,090	14,504
Commercial	1,464	2,039
Other	1,353	1,550
	<b>£11,258</b>	<b>£23,079</b>

Revenue streams comprise:

**Matchday** - season and matchday tickets, corporate hospitality income and matchday catering

**Media** - television and broadcasting income, including distributions from the FA Premier League broadcasting agreements, Football League funding, cup competitions and local radio

**Commercial** - sponsorship income, merchandising, conference and banqueting and other sundry revenue

**Other** - Elton John Concert revenue (2009 player loan fees receivable)

## 3 Other operating income

	2010 £'000	2009 £'000
Rent receivable (note 20)	519	529
Release of capital grants	4	4
Compensation receivable	-	550
Other	28	32
	<b>£551</b>	<b>£1,115</b>

# Notes to the financial statements continued

for the year ended 30 June 2010

## 4 Financing

	2010 £'000	2009 £'000
Financing income:		
Bank deposit interest	£7	£44
Financing costs:		
Bank loan and overdraft	12	71
Other interest	395	495
	<b>£407</b>	<b>£566</b>

## 5 Loss before taxation

	2010 £'000	2009 £'000
This is stated after charging:		
Amortisation of intangible assets	1,141	4,260
Impairment of intangible assets	230	33
Depreciation of property, plant and equipment	655	905
Impairment of property, plant and equipment	-	435
Profit on disposal of property, plant and equipment	-	1
Inventories consumed	626	891
Auditor's remuneration		
audit of parent company and consolidated financial statements	7	9
audit of subsidiary companies	16	27
other services supplied pursuant to legislation	-	9
taxation	3	3
other non-audit fees	15	7
Operating leases - vehicles and equipment	42	51
Operating leases - property	529	538

The impairment of intangible assets made in the year ended 30 June 2010 of £230,000 related to a player's registration. The impairment was made to reduce the carrying value of the player's registration to fair value less cost of sale. The fair value was determined by the directors on the basis of known income.

The impairment of property, plant and equipment made to 30 June 2009 relates to the Red Lion public house. The impairment was made to reduce the carrying value of the asset to fair value. The fair value was determined by the directors by reference to market data available in 2009.

## 6 Employee information

	2010 £'000	2009 £'000
Staff costs:		
Wages and salaries	9,947	13,835
Social security costs	1,192	1,565
Other pension costs	60	191
	<u>£11,199</u>	<u>£15,591</u>

The average monthly number of persons employed by the group was as follows:

	2010 Number	2009 Number
Players	49	48
Coaching staff	31	32
Part-time coaching staff	13	9
Commercial staff	20	33
Part-time commercial staff	17	14
Part-time catering staff	61	54
Administration	10	16
Ground staff	9	10
	<u>210</u>	<u>216</u>

In addition to the above the group employed an average of 211 (2009 - 203) part-time match day staff during the year.

Staffing levels across the commercial and administrative areas have reduced as a result of the business restructuring which was undertaken late in the previous financial year.

### Directors' remuneration

	2010 £'000	2009 £'000
Directors' remuneration	558	348
Pension costs	9	-
	<u>£567</u>	<u>£348</u>

# Notes to the financial statements continued

for the year ended 30 June 2010

The amounts detailed below relate to the charges in the year and prior year relating to directors' remuneration.

Name	Basic	Fees	Pension	2010	2009
	£'000	£'000	£'000	Total £'000	Total £'000
J Winter	133	-	9	142	49
G Taylor	-	35	-	35	-
D B Fransen	-	32	-	32	-
S R Timperley	-	35	-	35	-
G Russo	112	71	-	183	-
V Russo	53	41	-	94	-
R R Williams	-	46	-	46	-
G Simpson	-	-	-	-	54
M Ashton	-	-	-	-	233
A Wilson	-	-	-	-	12
	<u>298</u>	<u>260</u>	<u>9</u>	<u>567</u>	<u>348</u>

In the current year one director participated in a money purchase pension scheme.

The amounts stated for G Russo, V Russo and R R Williams are payable to Valley Grown Salads, a company jointly controlled by G Russo and V Russo.

## 7 Taxation

No provision has been made for deferred taxation. The group has approximately £32.9 million (2009 - £29.2 million) of trading losses carried forward. The total amount of deferred tax asset that is unprovided for is approximately £9.2 million (2009 - £8.2 million). At present it is not envisaged that future taxable profits will be sufficient for these timing differences to reverse.

The tax position is reconciled as follows:

	2010 £'000	2009 £'000
Loss before taxation	<u>(4,063)</u>	<u>(1,987)</u>
Loss before taxation multiplied by the effective standard UK corporation tax rate of 28.0% (2009 - 28.0%)	<u>(1,138)</u>	<u>(556)</u>
Expenses not deducted for tax purposes	5	50
Depreciation in excess of capital allowances	124	237
Other temporary differences	-	(34)
Unused tax losses carried forward	<u>1,009</u>	<u>303</u>
	<u>£Nil</u>	<u>£Nil</u>

## 8 Loss per share

Loss per ordinary share has been calculated as follows:

	2010 £'000	2009 £'000
Loss for the financial year	<u>£(3,908)</u>	<u>£(1,987)</u>
Weighted average number of shares in issue	<u>43,885,693</u>	<u>43,885,693</u>
Loss per ordinary share	<u>(8.9p)</u>	<u>(4.5p)</u>

## 9 Property, plant and equipment - group

	Assets under construction £'000	Freehold ground, premises and improvements £'000	Leasehold property and improvements £'000	Motor vehicles, equipment, fixtures and fittings £'000	Total £'000
At 1 July 2008	-	12,686	1,013	2,400	16,099
Additions	-	215	(25)	51	241
Transfer	-	(242)	(46)	288	-
Disposals	-	-	(63)	(39)	(102)
<b>At 30 June 2009</b>	<b>-</b>	<b>12,659</b>	<b>879</b>	<b>2,700</b>	<b>16,238</b>
Additions	868	11	1	80	960
Disposals	-	-	(662)	(603)	(1,265)
<b>At 30 June 2010</b>	<b>868</b>	<b>12,670</b>	<b>218</b>	<b>2,177</b>	<b>15,933</b>
<b>Depreciation :</b>					
At 1 July 2008	-	541	234	1,343	2,118
Charge for the year	-	197	402	306	905
Impairment	-	435	-	-	435
Transfer	-	(68)	(46)	114	-
Disposals	-	-	(63)	(37)	(100)
<b>At 30 June 2009</b>	<b>-</b>	<b>1,105</b>	<b>527</b>	<b>1,726</b>	<b>3,358</b>
Charge for the year	-	233	237	185	655
Disposals	-	-	(636)	(518)	(1,154)
<b>At 30 June 2010</b>	<b>-</b>	<b>1,338</b>	<b>128</b>	<b>1,393</b>	<b>2,859</b>
<b>Net book value :</b>					
<b>At 30 June 2010</b>	<b>£868</b>	<b>£11,332</b>	<b>£90</b>	<b>£784</b>	<b>£13,074</b>
At 30 June 2009	£Nil	£11,554	£352	£974	£12,880
At 30 June 2008	£Nil	£12,145	£779	£1,057	£13,981

# Notes to the financial statements continued

for the year ended 30 June 2010

## 10 Intangible assets - group

	Pouring rights £'000	Players' registrations £'000	Total £'000
At 1 July 2008	752	16,792	17,544
Additions	-	633	633
Disposals	-	(7,669)	(7,669)
	<hr/>	<hr/>	<hr/>
At 30 June 2009	<b>752</b>	<b>9,756</b>	<b>10,508</b>
Additions	-	1,008	1,008
Disposals	-	(4,591)	(4,591)
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2010</b>	<b>752</b>	<b>6,173</b>	<b>6,925</b>
<b>Amortisation :</b>			
At 1 July 2008	752	8,644	9,396
Charge for the year	-	4,260	4,260
Impairment	-	33	33
Disposals	-	(5,399)	(5,399)
	<hr/>	<hr/>	<hr/>
At 30 June 2009	<b>752</b>	<b>7,538</b>	<b>8,290</b>
Charge for the year	-	1,141	1,141
Impairment	-	230	230
Disposals	-	(3,555)	(3,555)
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2010</b>	<b>752</b>	<b>5,354</b>	<b>6,106</b>
<b>Net book value :</b>			
<b>At 30 June 2010</b>	<b>£Nil</b>	<b>£819</b>	<b>£819</b>
	<hr/>	<hr/>	<hr/>
At 30 June 2009	£Nil	£2,218	£2,218
	<hr/>	<hr/>	<hr/>
At 30 June 2008	£Nil	£8,148	£8,148
	<hr/>	<hr/>	<hr/>

## 11 Investments - Company

	Shares in subsidiary undertakings £'000	Loan to subsidiary undertaking £'000	Total £'000
<b>Cost :</b>			
At 1 July 2009	11	13,656	13,667
Movement	-	511	511
Provision	-	(8,486)	(8,486)
	£11	£5,681	£5,692
<b>Subsidiaries</b>			
	<b>Nature of business</b>	<b>Ordinary shares</b>	
The Watford Association Football Club Limited	Football club	96%	
Watford Catering Limited	Catering company	100%	
Watford FC Regeneration Limited	Property investment company	100%	

All companies are incorporated in England and Wales. Watford Catering Limited is now in the process of being struck off.

## 12 Inventories - group

	2010 £'000	2009 £'000
Goods for resale	£113	£120

The estimated replacement cost of stocks does not materially differ from their balance sheet value.

## 13 Trade and other receivables

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade receivables	952	1,325	-	-
Less: Provision for impairment	(160)	(70)	-	-
	792	1,255	-	-
Trade receivables - net	792	1,255	-	-
Transfer fees receivable	2,265	156	-	-
Other receivables	10	204	110	-
Prepayments and accrued income	761	865	340	5
	£3,828	£2,480	£450	£5

Other receivables includes £10,000 (2009 - £10,000) which falls due after more than one year.

Prepayments and accrued income includes £130,329 (2009 - £185,934) which falls due after more than one year.

# Notes to the financial statements continued

for the year ended 30 June 2010

Certain of the unimpaired receivables are past due as at the reporting date. The age of trade receivables past due but not impaired is as follows:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Not more than one month	188	294	-	-
More than one month but not more than two months	19	29	-	-
More than two months	97	37	-	-
	<b>£304</b>	<b>£360</b>	<b>£Nil</b>	<b>£Nil</b>

## 14 Interest bearing loans and other borrowings

Current liabilities	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Convertible Loan Notes 2009	592	592	592	592
Bank overdraft	727	615	-	-
Directors' loans	2,550	1,468	2,050	-
Other loans	6,721	912	-	-
	<b>£10,590</b>	<b>£3,587</b>	<b>£2,642</b>	<b>£592</b>

Non-current liabilities	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Director's loan	-	2,050	-	2,050
Other loans	836	335	-	-
	<b>£836</b>	<b>£2,385</b>	<b>£Nil</b>	<b>£2,050</b>

The maturity of total debt may be analysed as follows:

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
In one year or less	10,590	3,587	2,642	592
Between one and two years	167	2,217	-	2,050
Between two and five years	669	168	-	-
	<b>£11,426</b>	<b>£5,972</b>	<b>£2,642</b>	<b>£2,642</b>

The Convertible Loan Notes 2009 which were issued to a previous Chairman, G Simpson, were unsecured and were convertible into Ordinary 1p shares at a price of 66.5p per share. The repayment date of March 2010 was further deferred until completion of the 364 day Bond placement on 13 July 2010, at which point these loan notes were converted into Bonds (note 24). Interest of £17,760 (2009 - £28,521) was payable during the year.

The bank overdraft of £727,000 (2009 - £615,000) is due in its entirety within one year and is secured by a charge over the Vicarage Road Stadium.

Directors' loans in current liabilities include two loans from David Fransen. The loan for £2,050,000 was due for repayment in October 2010, and has been moved from non-current to current liabilities, but has since been converted into bonds further to the 364 day Bond placement completed on 13 July 2010 (note 24). Interest of £81,997 (2009 - £68,618) was payable during the year. A second loan of £500,000 was made available during the year and is due for repayment on 31 January 2011. The loan is unsecured and is accruing interest at 3.5% above the Barclays Bank base rate. Interest of £8,066 was payable during the year.

Prior year current directors' loans of £1,468,000 were amounts owing to Valley Grown Salads, a company controlled by G and V Russo, formerly directors of Watford Leisure PLC. These loans were repaid during the year.

Other loans payable within one year of £6,721,000 (2009 - £912,000) includes a loan to the group by Fordwat Limited of £6,478,168 which was secured by a legal charge over the Vicarage Road Stadium. In July 2010 this loan was increased to £7,500,000 and consolidated into a 364 day Bond with the Company, attracting interest at 4.5% above base rate (note 24). In addition, £167,796 of a £503,000 unsecured interest free loan from The Football League is included. The total amount of the loan outstanding is £335,200 with monthly instalments of £13,983 being deducted from the Football League Award. The loan from Watford FC's Community Sports and Education Trust of £668,961 which was repayable in less than one year in 2009 is now repayable in June 2013 following the Trustees agreeing to a formal extension of repayment. Both this and the remaining balance payable on the Football League loan are included in other non-current loans.

## 15 Trade and other payables

Current liabilities	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade payables	1,754	886	764	-
Players' registration costs	531	1,473	-	-
Other taxes and social security	236	1,018	-	-
Accruals	1,798	1,503	103	182
	<b>£4,319</b>	<b>£4,880</b>	<b>£867</b>	<b>£182</b>
Non-current liabilities	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Accruals	488	589	-	-
	<b>£488</b>	<b>£589</b>	<b>£Nil</b>	<b>£Nil</b>

# Notes to the financial statements continued

for the year ended 30 June 2010

## 16 Deferred revenue

Current liabilities	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Deferred revenue	2,272	2,234	-	-
<b>Non-current liabilities</b>				
	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Capital grants	22	26	-	-
Contributions to capital expenditure	3	3	-	-
	<b>£25</b>	<b>£29</b>	<b>£Nil</b>	<b>£Nil</b>

Deferred revenue includes income, mainly from season ticket sales, received in advance in respect of the 2010/11 season.

Capital grants comprise grants received (principally from the Football Stadia Improvement Fund), towards the costs of stadium re-development.

	Capital grants £'000	Contributions to capital expenditure £'000	Total £'000
At 1 July 2009	26	3	29
Credited to the profit and loss account	(4)	-	(4)
At 30 June 2010	<b>£22</b>	<b>£3</b>	<b>£25</b>

## 17 Financial instruments

The group's financial instruments comprise borrowings, cash and various items such as trade debtors and trade creditors that arise directly from the group's operations. The main purpose of these financial instruments is to raise finance for the group's operations.

### Credit Risk

Trade and other receivables comprise amounts due from player trading and other commercial activities. At 30 June 2010 £2,265,000 or 63% of total trade and other receivables (2009: £156,000 or 6%) was due from other football clubs in respect of player trading. The Football League and the Premier League monitor all player transfers and ensure prompt payment of debts. The directors therefore consider these receivables to be of very low credit risk. The Board considers that the principal credit risk arises from the group's commercial activities. This credit risk is managed through strong credit control, a good quality customer base and the review and approval by the Board of significant contracts.

The group deposits surplus funds in approved high quality UK banks in order to restrict the credit risk on financial assets in the form of monetary deposits.

### Interest rate risk

Surplus cash is placed on deposit for periods from overnight to monthly depending on the forecast cash flow requirements and earns interest at rates prevailing in the money market.

The interest rate risk profile of financial assets was as follows:

	2010 £'000	2009 £'000
Fixed rate	-	93
Floating rate	696	170
No interest	3,410	1,604
	<u>£4,106</u>	<u>£1,867</u>

The group's interest rate risk arises from short-term and medium-term borrowings. The group's borrowings are primarily at a variable rate of interest based on a margin above the Bank of England base rate.

An increase of 1% in market interest rates applied to the debt outstanding at 30 June 2010 would increase financing charges by approximately £114,000.

The interest rate profile of interest bearing loans and other borrowings was as follows:

	2010 £'000	2009 £'000
No interest	410	578
Fixed rate	-	1,468
Floating rate	11,016	5,823
	<u>£11,426</u>	<u>£7,869</u>
Fixed rate weighted average interest rate at 30 June	<u>n/a</u>	<u>9.23%</u>

# Notes to the financial statements continued

for the year ended 30 June 2010

## Liquidity risk

The group's liquidity risk relates primarily to the management of its availability of funding and ability to repay borrowings and trade and other payables.

The group's policy is to maintain a balance of continuity of funding and flexibility through the use of overdrafts and loans.

In common with many other football clubs, and because the Premier League parachute payments came to an end in the Summer of 2009, the group is likely to continue to make operating losses and therefore remains reliant upon its ability to secure financing.

Loans from Fordwat Ltd and a director, D Fransen, along with G Simpson's loan notes have been converted into a 364 day Bond in early July (note 26). The directors are confident that through a combination of new investment and player trading the group will have sufficient funds to meet the ongoing cash flow needs of the group and the requirements of the 364 day Bond.

The maturity profile of financial liabilities was as follows:

	2010 £'000	2009 £'000
In one year or less	14,907	8,466
Between one and two years	521	608
Between two and five years	732	2,281
Over five years	71	86
	<u>£16,231</u>	<u>£11,441</u>

## Fair values

The group is not exposed to foreign currency risks and therefore financial instruments are valued at cost as this is not deemed to be materially different from fair value.

## 18 Share capital

	2010 £'000	2009 £'000
Authorised :		
60,000,000 Ordinary shares of 1p each	<u>£600</u>	<u>£600</u>
Allotted, called up and fully paid :		
43,885,693 Ordinary shares of 1p each	<u>£439</u>	<u>£439</u>

## 19 Reserves

Group	Special reserve £'000	Profit and loss account £'000
At 1 July 2009	10,409	(6,795)
Minority interest	-	155
Losses extinguished	(8,215)	8,215
Loss for the year	-	(4,063)
<b>At 30 June 2010</b>	<b>£2,194</b>	<b>£(2,488)</b>
<b>Company</b>		
At 1 July 2009	10,409	-
Losses extinguished	(8,215)	8,215
Loss for the year	-	(8,215)
<b>At 30 June 2010</b>	<b>£2,194</b>	<b>£Nil</b>

The Special Reserve arose in a previous year in respect of a share consolidation and reorganisation. Future losses of the Company may be extinguished against the Special Reserve in accordance with the provisions of High Court orders obtained on 5 May 2004 and 14 June 2006.

The current year losses of the parent company have been extinguished against the Special Reserve.

# Notes to the financial statements continued

for the year ended 30 June 2010

## 20 Operating lease arrangements

### a) Expenses

The minimum lease payments under non-cancellable operating leases fall due as follows:

	2010 £'000	2009 £'000
Within one year	447	638
Within two to five years	724	1,089
Over five years	5	-
	<u>£1,176</u>	<u>£1,727</u>

Operating lease payments include the rentals payable by the group for its training ground (including gymnasium) and retail warehouse. The training ground and gym lease expires in June 2013, with the training ground element subject to RPI related increases each year, and the retail warehouse lease is for a period of ten years with a break clause at the end of the fifth year.

### b) Income

The group enjoys rental income from leasing Vicarage Road Stadium to Saracens Rugby Club for a designated number of matches per season. The contract expires in 2017 and includes a break clause in 2011 which has been served and therefore unless a new contract is agreed, Saracens' lease will expire on 1 June 2011. The rent is reviewed every three years with the last review being carried out on 1 July 2010. The annual rent prior to the review was £489,000 per annum and subsequent to the review the rent has increased to £581,000 per annum.

The minimum non-cancellable future lease payments under this agreement fall due as follows:

	2010 £'000	2009 £'000
Within one year	533	522
Within two to five years	-	448
	<u>£533</u>	<u>£970</u>

## 21 Contingent liabilities and assets

### a) Players' transfer costs payable

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum that would be payable in respect of transfers to 30 June 2010 is £1,850,000 (2009 - £937,400). Since the year end and to the date of approval of these financial statements £324,375 of this has become payable. Of the contingent amount, £972,500 (2009 - £367,500) relates to clauses linked to promotion to the Premiership or international appearances.

### b) Player transfer fees receivable from Portsmouth FC

Of the amount outlined at note 13 relating to transfer fees receivable, £1,450,000 is due from Portsmouth FC. These payments are expected to be made direct to the Club by the Premier League in accordance with Premier League rules C51 and C53 (since 30 June 2010, £950,000 has been received). However, the payments have been received conditional upon the Premier League being able to recoup them should any third parties be able successfully to challenge the so called Football Creditor rule. The directors are confident that whilst a contingent liability does exist, it appears unlikely that these monies will need to be repaid.

### c) Signing-on-fees

The maximum possible commitments in respect of signing-on-fees due to players under contracts at the year end, which are payable on future dates specified in their contracts and not provided for in the accounts, amounted to £285,000 (2009 - £253,000).

### d) Player transfer costs receivable

At 30 June 2010 the Club has sums receivable from other clubs in respect of players under contract, dependent upon the number of first team appearances. Due to the uncertainty of receipt of these contingent assets, it is not practical to disclose the amount likely to be received.

## 22 Pension costs

Certain of the group's ex-employees are members of the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. The group is one of a number of participating employers in FLLPLAS. The assets of the scheme are held separately from those of the group, being invested with insurance companies. Under the provisions of IAS 19 the scheme is accounted for as a defined contribution scheme. Following an actuarial valuation of the scheme as at 31 August 2008, updated to 30 June 2010, the group has been advised by the trustees that its share of the actuarial deficit is £182,952 (of which £25,029 is payable in less than one year), included in accruals, and that it is required to pay £2,510 per month for the next ten years.

A replacement money purchase scheme was set up from 1 August 1999 and all current employer contributions are paid into that scheme.

## 23 Capital commitments

The group has contracted for, but not provided for in the financial statements, capital expenditure totalling £285,000 which relates to the construction and fit-out of the Club's offices at the Vicarage Road Stadium.

# Notes to the financial statements continued

for the year ended 30 June 2010

## 24 Post balance sheet events

On 13 July 2010, a 364 day Secured Bond was issued for a total of £10,142,000. At that date, the loans from a major shareholder, Fordwat Limited, of £6,478,168 and a director, D Fransen, of £2,050,000 plus the Convertible Loan Notes 2009 of £592,000 were all converted into bonds. Unpaid interest on the Fordwat Limited loan was also converted. A balance of £935,294 was generated for working capital purposes. The bonds are secured by a second charge over the Vicarage Road Stadium and are due for repayment on 12 July 2011. Each £1 of the bond has 20 detachable warrants (each to subscribe for one new Ordinary Share at a subscription price of 4 pence). In order to satisfy the terms of the Bond £13,000,000 of the intercompany debt between the Club and Watford Leisure PLC was waived, leaving the Club with positive net assets.

Player registrations have been acquired at a net cost of £475,000. These costs will be reflected in the financial statements for the current financial year.

## 25 Accounting estimates and judgements

### Acquired players' registrations

The costs associated with the acquisition of players' registrations are initially recognised at their fair value at the date of acquisition. Part of the acquisition cost may be dependent upon the number of appearances and the directors exercise their judgement on the probability of the deferred consideration becoming payable and capitalising that cost as an intangible asset.

In addition, in assessing whether the registration of any individual player requires reclassification to "Assets held for sale" and, if so, whether any impairment charge is required, the directors will apply the accounting policy as detailed in note 1 g) i).

### Investments

The interest in subsidiary undertakings in the Company balance sheet is valued at cost less impairment. In assessing whether or not an impairment charge is required, the directors consider whether the carrying value of the investment is permanently impaired. If, in their opinion, the reduction is of a temporary nature, then no impairment charge is recognised.

## 26 Related party and directors' transactions

A director, J Winter is a director of Watford FC's Community Sports & Education Trust, a charitable company. At 30 June 2010, in addition to the loan shown in note 14, £8,779 was owed to the Trust (2009 - £79,943). The movement in the year includes additional interest of £13,948, a further amount of sponsorship of £34,500 and miscellaneous amounts totalling £10,197 offset by invoices paid on behalf of the Trust by the Club totalling £129,809. Since the year end further amounts have been loaned or paid on behalf of the Trust.

A number of loans were made to the Group by G Russo and Valley Grown Salads ("VGS"), a company controlled by former directors G and V Russo. As at 30 June 2009 loans from VGS totalled £1,467,849 and were repayable in less than one year. This amount included a loan of £162,821 which attracted interest of 6.72% per annum and the remainder, an amount of £1,305,028, attracted interest of 9.54% per annum. This latter loan was increased by £514,972 on 17 July 2009. In addition, two loans were made available by G Russo, one of £650,000 on 21 July 2009 and a second of £1,250,000 on 27 August 2009, both attracting interest at 7% per annum.

The total of the VGS loan of £1,982,821 plus the £650,000 loan from G Russo were repaid on 29 September 2009 and replaced by a single loan from VGS of £2,632,821. This loan was due for repayment upon demand and accrued interest at an interest rate of Barclays Bank base rate plus 3.5% per annum. This loan was secured against the stadium, by way of debenture ranking behind existing secured creditors. This loan was extended with further amounts of £1,000,000 on 26 November 2009 and £1,250,000 on 30 November 2009. The G Russo loan of £1,250,000 was repaid on 1 December 2009. The interest rate on the VGS loan changed to 4.5% above Barclays Bank base rate from 26 November 2009.

Following the resignation of G Russo, V Russo and R R Williams from the Board on 15 December 2009, VGS demanded immediate repayment of its total loan of £4,882,821 plus any unpaid interest and fees. The total amount of interest related to all loans from G Russo and VGS in the period from 1 July 2009 to the date of repayment was £112,682 (2009 - £74,046). The £4,882,821 loan plus unpaid interest and fees was repaid and a major shareholder, Fordwat Limited, loaned the group the amount of £4,933,563 on 21 December 2009. Unpaid interest of £44,605 was added to this loan on 24 February 2010 and further loans of £1,000,000 and £500,000 were made on 24 March 2010 and 24 June 2010 respectively. The Fordwat Limited loan was repayable upon demand and accrued interest at an interest rate of the Barclays Bank base rate plus 4.5% and was secured against the Vicarage Road Stadium by way of debenture ranking behind existing secured creditors. The total loan amount as at 30 June 2010 was £6,478,168 and the total amount of interest related to this loan to 30 June 2010 was £144,570.

Subsequent to the year end the £2,050,000 loan from D Fransen and the £592,000 Convertible Loan Notes 2009, along with the Fordwat loan with accrued interest to that date, were converted into a 364 day Bond.

A director, D Fransen has loaned to the group a total of £2,550,000. A loan of £2,050,000 which was repayable in October 2011 has, subsequent to the year end, been converted into bonds. This loan was accruing interest at 3.5% above the Barclays Bank base rate. A further loan was made available to the group of £500,000, drawn down in three instalments, £200,000 on 22 January 2010, £100,000 on 29 January 2010 and £200,000 on 23 February 2010. This loan is unsecured and repayable on 31 January 2011 and is accruing interest at 3.5% above the Barclays Bank base rate. The total amount of interest related to these loans for the period is £90,063 - this interest has not been paid and is provided for in accruals.

Interest receivable amounting to £165,000, was charged by the Company to the Club during the year (2009 - £214,000).

## Company information

<b>Directors</b>	G Taylor - Non Executive Chairman J Winter - Chief Executive Officer D B Fransen - Non Executive Director S R Timperley - Non Executive Director
<b>Company Secretary</b>	P J Wastall
<b>Registered office</b>	Vicarage Road Stadium Watford Hertfordshire WD18 0ER
<b>Registered number</b>	3335610
<b>Nominated adviser and broker</b>	Strand Hanson Limited 26 Mount Row London W1K 3SQ
<b>Auditor</b>	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
<b>Bankers</b>	Barclays Commercial Bank PO Box 729, Eagle Point 1 Capability Green, Luton Bedfordshire LU1 3US
<b>Registrar</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA
<b>Web site address</b>	<a href="http://www.watfordfc.com">www.watfordfc.com</a> (Football Club) <a href="http://www.watfordleisureplc.com">www.watfordleisureplc.com</a> (Company)





**Watford Leisure PLC**

Vicarage Road Stadium, Watford, Herts, WD18 0ER  
T 0844 856 1881 F 01923 496 001

