

## **Watford Leisure PLC**

("Watford Leisure" or the "Company")

### **Final Results for the year ended 30 June 2009**

#### **Chairman's Statement**

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Watford Leisure PLC for the year ended 30 June 2009.

There have been many changes over the year involving the Board, the control of finance, the business ethic, the playing staff and administrative function.

As you are aware, Graham Simpson resigned at the EGM in December 2008 followed immediately by Mark Ashton. Andrew Wilson agreed to act as interim Chairman and he appointed Julian Winter as Chief Executive Officer and Director. In January 2009, I and my brother Vince were appointed to the Board as non-executive Directors together with Stuart Timperley, who was no stranger to the Club having previously served as Chairman, and Graham Taylor, who is a legend at Watford and well known to everyone concerned with the Football Club.

In February, Andrew Wilson resigned as interim Chairman and Director of the company. In March, David Fransen and Robin Williams were appointed to the Board as non-executive Directors completing the formation of the new Board. I offered myself as Executive Chairman with my brother as Executive Vice Chairman and the Board approved. We now have a wealth of talent and expertise with which to move forward.

We have faced challenging times, most of which have centred around the financial situation which we inherited. It has been necessary for the Company to rely, at times, on the generosity of lenders, including myself and my brother Vince, to provide funds by way of loans to enable us to meet our obligations. Whilst this is a short term solution, we have all accepted the need to identify a longer term solution and at the time of writing this report, discussions are ongoing. The Board expects that approximately £6.5 million of funding will be required to make up the shortfall to 30 June 2010.

It has been necessary to take a long hard look at the manner in which the business was operating and it soon became clear that there were many areas where savings could be made and it is to the credit of all involved that real progress has been achieved and our efforts are ongoing.

It is the Board's aim to achieve an equalised budget by the end of June 2011 as we are firmly of the view that you cannot spend what you do not have. To do so is fraught with problems as has often been proved in the past.

We were delighted with the performance of the team to secure our position in the Championship. It is never easy to change Manager mid-season but the arrival of Brendan Rogers to steer us through to safety proved to be the right decision. His subsequent departure to Reading FC, after such a short period with us, was not anticipated but these things happen and we have to move on. Malky Mackay, who acted as Interim Manager prior to Brendan Rodger's appointment, was a natural choice and one that we are certain will prove to be the right one.

#### **Financial Overview**

Whilst we seem to be trading on the same basis as all football clubs, I would prefer that the business should have no debt and should be building up a reserve. With the financial world in turmoil over the last 18 months this has been a big wake up call for all football clubs, who now know that their banks are not as accommodating as they were before the collapse of the financial world. Nevertheless, we are working to a plan which will enable us to trade within our financial

means but we also need to be aware that for us to encourage players to join us they will expect to be paid at the right level of remuneration in the Championship. Thus, this will mean that year on year we will have to generate revenue from player sales in order to meet the financial requirements of the business.

The key financial and performance indicators are as follows:

	<b>2009</b>	2008
	<b>£000</b>	£000
Revenue	<b>23,079</b>	22,363
Cost of sales	<b>(19,792)</b>	(21,908)
Administrative expenses	<b>(5,348)</b>	(6,180)
Other operating income	<b>1,115</b>	578
	<hr/>	<hr/>
Operating loss before interest, player trading, amortisation and exceptional items	<b>(946)</b>	(5,147)
	<hr/>	<hr/>
(Loss)/profit before taxation	<b>(1,987)</b>	426
Cash (absorbed by)/generated from operations	<b>(1,994)</b>	(5,701)
Wages to revenue ratio	<b>68%</b>	79%
League position	<b>13th</b>	6th

The financial year saw an increase in revenue of £716,000. The increase includes £1,550,000 of loan fee income and increased cup match income of £275,000 from the previous year. These increases were offset by reduced commercial revenues of £835,000, including reductions in ticketing, retail, corporate sponsorships, hospitality and advertising. Televised match income reduced by £210,000 to £70,000 with only one home and one away televised fixture. The combined income generated by the Premier League parachute and Football League income also dropped from £13,550,000 to £13,475,000 (of which £12,300,000 relates to Premier League parachute income).

Cost of sales and administrative expenses show a reduction of £2,948,000 of which £2,152,000 has been generated by reduced salary costs. Further evidence of cost reduction measures taken will be evident in the financial statements for the current financial year as significant work has been undertaken in this area across both the administrative and playing side of the business. The nature of football contracts makes it difficult to transition this cost very quickly as contracts generally cover a two, three or four year period. The summer transfer window allowed for some movement and with a number of contracts expiring in June 2010 the real evidence of the 'new' player salary model will not be seen until the 2010/2011 financial statements.

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

Profit on disposal of player registrations includes profit from the sales of D Shittu, D Henderson and L Williamson and profit from the disposal of the registration of D Francis (generated through insurance income). Other profit was generated from appearance, promotion and sell-on clauses from various players sold in previous years and these amounts have been off-set by the losses on the disposal of other players' registrations in the year.

Amortisation costs of £4,293,000 represent the charge in the year and include £1,500,000 of amortisation relating to N Ellington. In the previous year, the player's book value had been impaired to a level relative to the known loan income which was generated. This book value has been fully amortised over the year long loan.

## **Football Team**

It is imperative that we have a group of players that can more than compete in the Championship. However, history has shown us that we have been too generous with players' wages only to find that sometimes these players are no better, and in fact on certain occasions of a lower standard, than those that we currently have. The Board is firmly of the belief that the Club can survive in the Championship with a mixture of seasoned professionals and younger players who, at this stage of their careers, command lower salaries.

I am really pleased with the way that Malky Mackay has conducted himself and has won the respect of all of his staff both playing and non playing. He is a true gentleman and a leader amongst men and whilst our expectations would be success year on year, we also have to be realistic as to the challenges that he faces. Indeed, having sold and released some 12 players since Easter he has been somewhat restricted as to the amounts of money made available to him. He fully understands his position and was informed at the time of being appointed. Nevertheless, he chooses to work with a small team of good players and, for this, we are grateful to him for his endeavours.

We are also grateful for the contribution of John Stephenson. His eye for talent has already been shown with the recruitment of such players as Cowie, Graham and Williamson. What is really important is that we are a team and whilst, at times, we may not agree on everything, the winner will always be "what is right for Watford Football Club".

## **Academy**

In the last 12 months we have had a real need to progress young talent with such players as Sordell, Hodson, Bennett, Bryan and Jenkins. Indeed these individuals have great potential and whilst we cannot play a team entirely made up of youngsters it is encouraging that we are in a position to bring forward young footballers who have been dedicated to Watford from a young age. All these young players have not been fazed whilst appearing alongside mature professionals and we must remember that their bodies are still growing. Despite the physical disadvantages, they have performed exceptionally well, which is a real encouragement for the future.

Regarding The Harefield Academy, the school with which we work in partnership to deliver a full educational and football development programme for our young players from the age of eleven, I am delighted with the progress that it is making and we expect to see the fruits of our investment over the next few years. We have had to make some financial adjustments but without reducing the quality of provision at The Harefield Academy.

I would like to extend my sincere thanks to everyone at The Harefield Academy for their unstinting belief in the programme that has been established at the school for Watford Football Club's young players. Particular recognition should be made to the Principal - Lynn Gadd and the Director of Sports - Pat Cottis, without whose efforts the programme would never have commenced.

In addition I would like to thank all the dedicated coaching and administrative staff for delivering the Watford FC Academy programme. Their hard work is proving to be the foundation of the Football Club and we look to greater success from developing our own talent year on year. The Academy is core to our future plans and we are all truly excited by its potential.

## **Stadium Development**

A golden opportunity was missed after our promotion to really develop the East Stand so that we would have a four sided stadium fit for purpose. I will guarantee that should promotion occur again, money will be set aside to spend on the rebuild of the East Stand along with making sure that our facilities are of a high standard, especially for the disabled fans that attend our stadium.

The Red Lion is a project that we are committed to should we find the initial funding for us to go ahead with the refurbishment. We see this as a wonderful opportunity to raise revenue and to bring fans who currently use facilities in the town centre prior to matches, closer to the stadium.

### **Community Involvement**

Community involvement is crucial to a club such as ours. The Watford FC's Community Sports & Education Trust currently employs 18 full time staff along with over 60 part time coaching and administrative staff and it allows us to contribute to all types of activities in the community, such as sports participation, education, health and social inclusion programmes, which raises the awareness of the Football Club to the wider community. Indeed, I believe this was a contributory factor in us selling 10,000 season tickets for the current season.

I am delighted with the work that has been achieved and would take this opportunity to thank Chris Norton who is Chairman of the Trust, and his co-trustees, for their contribution in delivering such a successful model, together with Rob Smith who heads the day to day operations of the Trust.

The Community Sports & Education Trust, along with our Academy, forms a fundamental foundation to our business and moving forward will prove to be more valuable to our Football Club as the club builds upon its traditions as a family and community club - a tradition and wonderful legacy created by our current non executive director and former football manager - Graham Taylor. We look forward with enthusiasm to more great work in our communities as we seek to grow our business foot print in the future and also to benefit local people and families.

### **People**

Regarding people, unfortunately with the need to reshape the Company there had to be a reduction in staff. I would like to use this occasion to thank all those who left the Club due to these reductions. The administrative team was far too excessive for the Club's needs. I believe we now have a strong team in place and that we are correctly staffed to cope with the day to day business needs.

We should never lose sight of the invaluable work undertaken at an executive level and our thanks are extended to Julian Winter, CEO, in particular for his exceptional commitment since taking office and to all of his team who have given their total support. Everyone that works for the Football Club should be truly proud of their contribution in challenging times. As Chairman of the Club and on behalf of the board I would like to thank every single member of staff for their commitment and effort, particularly over the last year, as it is their hard work and expertise that has seen us through a difficult transition as a business and will serve us well in the future.

Finally, my thanks to our sponsors, customers, and our vociferous supporters who never let us down. We genuinely appreciate all as without them there would be no Club.

We look forward to continued progress and success in the year ahead.

**Jimmy Russo**  
**Chairman**

**Consolidated income statement for the year ended 30 June 2009**

	<b>2009</b> <b>£'000</b>	2008 £'000
<b>Continuing Operations</b>		
Revenue	<b>23,079</b>	22,363
Cost of sales	<b>(19,792)</b>	(21,908)
	<hr/>	<hr/>
<b>Gross profit</b>	<b>3,287</b>	455
Administrative expenses	<b>(5,348)</b>	(6,180)
Other operating income	<b>1,115</b>	578
	<hr/>	<hr/>
	<b>(946)</b>	(5,147)
Amortisation and impairment of costs of players' registrations	<b>(4,293)</b>	(5,830)
Profit on disposal of players' registrations	<b>3,774</b>	7,372
Premium received on grant of long lease	<b>-</b>	4,558
	<hr/>	<hr/>
<b>Operating (loss) / profit</b>	<b>(1,465)</b>	953
Financing income	<b>44</b>	99
Financing costs	<b>(566)</b>	(626)
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<b>(Loss) / profit before taxation</b>	<b>(1,987)</b>	426
Taxation	<b>-</b>	-
	<hr/>	<hr/>
<b>(Loss) / profit for the year</b>	<b>(1,987)</b>	426
	<hr/> <hr/>	<hr/> <hr/>
<b>Attributable to:</b>		
Equity holders of the parent	<b>(1,987)</b>	426
	<hr/> <hr/>	<hr/> <hr/>
<b>(Loss) / earnings per 1p share (basic and diluted)</b>	<b>(4.5p)</b>	1.0p
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## Consolidated balance sheet at 30 June 2009

	<b>2009</b> <b>£'000</b>	2008 £'000
<b>Non-current assets</b>		
Property, plant and equipment	<b>12,880</b>	13,981
Intangible assets	<b>2,218</b>	8,148
	<b>15,098</b>	22,129
<b>Current assets</b>		
Inventories	<b>120</b>	137
Trade and other receivables	<b>2,480</b>	5,051
Cash and cash equivalents	<b>59</b>	2,039
	<b>2,659</b>	7,227
<b>Total assets</b>	<b>17,757</b>	29,356
<b>Current liabilities</b>		
Interest bearing loans and other borrowings	<b>3,587</b>	8,856
Trade and other payables	<b>4,880</b>	6,745
Deferred revenue	<b>2,234</b>	4,751
	<b>10,701</b>	20,352
<b>Non-current liabilities</b>		
Interest bearing loans and other borrowings	<b>2,385</b>	1,261
Trade and other payables	<b>589</b>	1,670
Deferred revenue	<b>29</b>	33
	<b>3,003</b>	2,964
<b>Total liabilities</b>	<b>13,704</b>	23,316
<b>Net assets</b>	<b>4,053</b>	6,040
<b>Equity</b>		
<b>Capital and reserves</b>		
Called up share capital	<b>439</b>	439
Special reserve	<b>10,409</b>	10,651
Profit and loss account	<b>(6,795)</b>	(5,050)
<b>Equity attributable to equity holders of the parent</b>	<b>£4,053</b>	£6,040

**Consolidated statement of cash flows for the year ended 30 June 2009**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Operating activities</b>		
(Loss) / profit before taxation	<b>(1,987)</b>	426
Amortisation of intangible fixed assets	<b>4,293</b>	5,830
Depreciation of property, plant and equipment	<b>1,340</b>	893
Net profit on disposal of sundry fixed assets	<b>1</b>	2
Profit on disposal of players' registrations	<b>(3,774)</b>	(7,372)
Premium received on grant of long lease	<b>-</b>	(4,558)
Financing income	<b>(44)</b>	(99)
Financing costs	<b>566</b>	626
Decrease in inventories	<b>17</b>	20
Decrease / (increase) in receivables	<b>77</b>	(1,193)
Decrease in payables and deferred income	<b>(2,483)</b>	(276)
	<hr/>	<hr/>
<b>Net cash used in operations</b>	<b>(1,994)</b>	(5,701)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	<b>(3,424)</b>	(6,259)
Purchase of property, plant and equipment	<b>(424)</b>	(4,028)
Proceeds from sale of intangible fixed assets	<b>8,538</b>	9,479
Proceeds from sale of tangible fixed assets	<b>1</b>	4,558
	<hr/>	<hr/>
<b>Net cash generated by investing activities</b>	<b>4,691</b>	3,750
	<hr/>	<hr/>
<b>Net cash generated by / (used in) financing activities</b>	<b>2,697</b>	(1,951)
	<hr/>	<hr/>
<b>Financing activities</b>		
Advances of debt	<b>4,373</b>	8,500
Repayments of debt	<b>(9,133)</b>	(2,081)
Interest received	<b>44</b>	99
Interest paid	<b>(576)</b>	(637)
	<hr/>	<hr/>
<b>Net cash (used in) / generated by financing activities</b>	<b>(5,292)</b>	5,881
	<hr/>	<hr/>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,595)</b>	3,930
<b>Cash and cash equivalents at start of year</b>	<b>2,039</b>	(1,891)
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<b>Cash and cash equivalents at end of year</b>	<b>(556)</b>	2,039
	<hr/>	<hr/>
<b>Cash and cash equivalents consist of:</b>		
Cash and cash equivalents	<b>59</b>	2,039
Bank overdraft	<b>(615)</b>	-
	<hr/>	<hr/>
<b>Total</b>	<b>(556)</b>	2,039
	<hr/>	<hr/>

**Notes forming part of the financial information  
for the year ended 30 June 2009**

**1. Status of Financial Information**

While the financial information included in this final results announcement has been prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRS.

The audited financial information set out above does not constitute the Company's full financial statements for the year ended 30 June 2009 or 2008, but is derived from those financial statements, approved by the board of directors. The auditors' report on the 2009 accounts was unqualified and did not contain any statement under section 498(2) or (3) of the Companies Act 2006, but did include an emphasis of matter paragraph relating to going concern. The full audited financial statements for the year ended 30 June 2009 will be delivered to the Registrar of Companies and filed at Companies House following the Company's forthcoming annual general meeting.

The financial information has been prepared in accordance with the going concern basis of accounting (see note 2b below) taking into consideration the Group's current and forecast financing position.

**2. 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 accounting policies set out below have, unless otherwise stated, been applied consistently for the Group to all periods presented in this consolidated financial information. The financial statements have been prepared under the historical cost convention.

**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. No minority interests are shown as the Group has no obligation to fund subsidiary company deficits. 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 football 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 2009 loans totalling £3,355,000 were made available by directors of the group, and since the year end a further £2,415,000 has been made available from the same source. The loans are repayable within the

next two years, however directors have indicated that they may be extended thereafter, if necessary. In addition, the bank overdraft facility of £1m continues to be made available by the bank. The group's bankers have indicated that, so long as the group continues to operate within its financial plan, regular renewal of the facility will be available.

The group has prepared detailed cash flow forecasts for the period to 30 June 2014. 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 projected shortfall to 30 June 2010 is £6,500,000.

However, the directors are confident that sufficient additional funds will be sourced as and when they are required and given the significant variable of player trading and the high cost of securing borrowings which may not be required, the group has not sought to secure guaranteed finance to fund its cash flow projections in full for the forthcoming twelve months.

The directors consider that additional shareholder funding will be necessary and discussions are ongoing to secure this. The directors will continue to manage the group's resources and seek to increase income and control costs at all times. The summer transfer window saw significant income generated through player sales and the group acknowledges that player trading will continue to be a key strategy year on year. The group has also invested significantly in its Academy and Recruitment departments.

The directors are confident that the going concern basis is appropriate, and believe that shareholder funding will be forthcoming in the period required.

#### **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 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 is deemed to have been transferred to the buyer.

#### **d) 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 respective player's contract.

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

### **i) Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

### **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

iii) Capital receipt

The income of £4,558,000 received in the year ended 30 June 2008 related to the lease premium in connection with the 125 year lease granted to a housing association for the space occupied by key worker housing units at the back of the south stand and in the northwest corner of the stadium. Given the length of the lease, the transaction is being treated as an outright disposal and proceeds recognised in full in the income statement in the year ended 30 June 2008.

**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.

**3. 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.

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Matchday	<b>4,986</b>	5,269
Media	<b>14,504</b>	15,081
Commercial	<b>2,039</b>	2,013
Other	<b>1,550</b>	-
	<b>23,079</b>	22,363

Revenue streams comprise:

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

**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** - player loan fees receivable

#### 4. Other operating income

	2009 £'000	2008 £'000
Rent receivable	529	489
Contributions to capital expenditure	-	1
Release of capital grants	4	3
Compensation receivable	550	-
Other	32	85
	<u>1,115</u>	<u>578</u>

#### 5. (Loss) / profit before taxation

	2009 £'000	2008 £'000
This is stated after charging:		
Amortisation of intangible assets	4,260	4,395
Impairment of intangible assets	33	1,435
Depreciation of property, plant and equipment	905	893
Impairment of property, plant and equipment	435	-
Loss on disposal of property, plant and equipment	1	2
Inventories consumed	891	1,213
Auditors' remuneration:		
- audit of parent company and consolidated financial statements	9	9
- audit of subsidiary companies	27	26
- other services supplied pursuant to legislation	9	3
- taxation	3	11
- other non-audit fees	7	8
Operating leases - vehicles and equipment	51	32
Operating leases - other	538	247

The impairment of intangible assets made in the year ended 30 June 2008 of £1,435,000 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. (Loss)/earnings per share

	2009 £'000	2008 £'000
(Loss)/earnings per ordinary share have been calculated as follows:		
(Loss)/profit for the financial year	<b>(1,987)</b>	426
Weighted average number of shares in issue	<b>43,885,693</b>	43,885,693
(Loss)/earnings per ordinary share	<b>(4.5p)</b>	1.0p

## 7. Interest bearing loans and other borrowings

	2009 £'000	2008 £'000
<b>Current liabilities</b>		
Convertible Loan Notes 2009	<b>592</b>	-
Bank Loans	-	7,118
Bank overdraft	<b>615</b>	-
Directors' loans	<b>1,468</b>	-
Other loans	<b>912</b>	1,738
	<b>3,587</b>	8,856
<b>Non-current liabilities</b>		
Convertible Loan Notes 2009	-	592
Directors' loans	<b>2,050</b>	-
Other loans	<b>335</b>	669
	<b>2,385</b>	1,261

The maturity of total debt may be analysed as follows:

In one year or less	<b>3,587</b>	8,856
Between one and two years	<b>2,217</b>	1,261
Between two and five years	<b>168</b>	-
	<b>5,972</b>	10,117

The Convertible Loan Notes are issued to the previous Chairman, G Simpson. The notes are unsecured and are convertible into Ordinary 1p shares at a price of 66.5p per share. The repayment date has been deferred until March 2010. Interest of £28,521 (2008 - £43,727) was payable during the year.

A bank loan of £7,000,000 was repaid on 8 August 2008. This had been secured on Premier League Monies due in August 2008. Other loans at 30 June 2008 included a loan of £1,500,000 which was repaid on 15 August 2008 following receipt of £1,500,000 due from the sale of a player's registration.

Current directors' loans include £1,468,000 owing to Valley Grown Salads, a company controlled by two of the directors, G and V Russo.

Other current loans include a loan of £75,000 from a former director and a loan to the Club by Watford FC's Community Sports and Education Trust of £669,000 which is secured by a legal charge over the Club's stadium and is guaranteed by Watford Leisure PLC. £26,925 (2008 - £46,683) interest was payable during the year. In October 2009 the Trustees agreed to postpone repayment of the loan until 30 June 2013.

Other non-current directors' loans comprise a loan of £2,050,000 from a director which is repayable in October 2011 and carries an interest rate of Barclays Bank base rate plus 3.5%. Interest payable for the period to 30 June 2009 was £68,618.

In November 2008 an interest-free loan of £503,000 was drawn down from The Football League being an advance payment of TV monies. The loan is repayable in six half-yearly instalments commencing from October 2009. At 30 June 2009 £168,000 is shown in current other loans and £335,000 in non-current other loans.

## **8. Capital commitments**

The group has contracted for, but not provided for in the financial statements, capital expenditure totalling £886,809, which included the cost of the foundations to the South West corner of the Vicarage Road Stadium.

## **9. Post balance sheet events**

Subsequent to the year end, various players' registrations have been sold or terminated. In respect of those it is estimated that net income of £4,200,000 will be reflected in the financial statements for the current financial year.

Player registrations have been acquired at a net cost of £280,000, these costs will be reflected in the financial statements for the current financial year.

The business, assets and liabilities of Watford Catering Ltd, a wholly owned subsidiary of the Company were transferred to Watford Association Football Club Ltd on 1 July 2009 at a consideration of £644,000.

## **10. Related party transactions**

J Winter and C Norton are directors of Watford FC's Community Sports & Education Trust, a charitable company. At 30 June 2009 in addition to the loan shown in note 7, £79,943 was owed to the Trust (2008 - £35,580). The movement in the year includes interest of £26,925 and an amount unpaid against a sponsorship agreement. Since the year end this amount has been paid, but the interest remains outstanding.

In January 2009 Valley Grown Salads ("VGS"), a company controlled by G and V Russo lent the Group £1,820,000 (the "January loan") and in September 2009 VGS agreed to delay repayment.. The loan was originally due to be repaid in four equal instalments from monies due from The Football Association Premier League Limited ("the FAPL") the last instalment being due on 31 July 2009. These instalments were made available to the Club with the agreement of VGS when received from the FAPL. Further short term funding of £650,000 was provided by G Russo at the end of July 2009 (the "July loan") and a further £1,250,000 was provided in August 2009 by G Russo (the "August loan").

On 29 September 2009 it was agreed that the January loan, the July loan plus a previously loaned amount of £163,000, totalling approximately £2,633,000, would be consolidated into a single loan from VGS. The loan will be due for repayment upon demand and will accrue interest

at an interest rate of Barclays Bank base rate plus 3.5% per annum, payable monthly. VGS has been granted security over the Vicarage Road Stadium, by way of debenture ranking behind the existing secured creditors, in respect of this consolidated loan. The August loan of £1,250,000 from G Russo is repayable in three instalments over the next twelve months on receipt of the proceeds of player transfers agreed in August and will accrue at a rate of 7% per annum.

In October 2009, the Company agreed to reimburse VGS, the company controlled by G and V Russo, the sum of £172,500 relating to expenses incurred by VGS in preparing for the Extraordinary General Meeting held on 1 December 2008. The amount payable is outstanding as at 30 June 2009 and is included within accruals. This reimbursement is also deemed to be a related party transaction under the AIM Rules for Companies. Accordingly, the independent directors of the Company (that is, excluding Vince and Jimmy Russo who jointly control VGS, a substantial 29.98% shareholder in the Company and Robin Williams) consider, having consulted with Strand Hanson Limited, the Company's nominated adviser, that the terms of this reimbursement are fair and reasonable insofar as the Company's shareholders are concerned.

Interest receivable amounting to £214,000, was charged by the company to the Club during the year (2008 - £239,000).

## **11. Availability of Annual Report and Financial Statements**

Copies of the Company's full Annual Report and Financial Statements are expected to be posted to shareholders on 18<sup>th</sup> November 2009 and, once posted, will also be made available to download from the Company's website at [www.watfordleisureplc.com](http://www.watfordleisureplc.com).

The Annual Report and Financial Statements will also be made available for inspection at the Company's registered office during normal business hours on any weekday. Watford Leisure PLC is registered in England and Wales with registered number 03335610. The registered office is at Vicarage Road Stadium, Watford, Hertfordshire WD18 0ER.

## **12. Annual General Meeting**

The Company's next Annual General Meeting ("AGM") will be held on 15<sup>th</sup> December 2009 and a formal Notice of AGM will be posted to shareholders shortly.

### **Enquiries:**

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#### **Strand Hanson Limited**

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