The **Watford** Association Football Club Limited

Report and Financial Statements 2009

Contents

100th report of the Directors

for the year ended 30 June 2009

The directors present their report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 30 June 2009.

Principal activity

The principal activity of the Company continues to be that of a professional football league club.

Business review

The Company reported a loss before taxation for the year of £1,788,000 (2008 - profit £295,000).

The directors are unable to recommend the payment of a dividend. Accordingly, the loss for the year has been combined with the accumulated deficit brought forward as shown in note 16 to the financial statements.

The financial results for the year ended 30 June 2009, which are set out in statutory format on page 10, are summarised in an amended format below.

	2009 £'000	2008 £'000
Turnover	**21,805**	21,183
Wages and salary costs	**(14,997)**	(17,167)
Other operating expenses	**(8,553)**	(9,677)
Amortisation and impairment of player registrations	**(4,293)**	(5,830)
Other operating income	**1,115**	578
Operating loss	**(4,923)**	(10,913)
Profit on disposal of players' registrations	**3,774**	7,372
Premium received on grant of long lease	-	4,558
Net interest charges	**(639)**	(722)
(Loss) / profit on ordinary activities before taxation	**(1,788)**	295

Turnover

Total revenue increased by £622,000 from £21,183,000 to £21,805,000. This increase includes loan fee income of £1,550,000 and increased cup match related revenues of £275,000 from the previous year. These increases have been off-set by a drop in match day revenues, mainly due to lower attendances (on average 14,820 against 16,870 in the 07/08 season) - combined season ticket and match ticket revenue fell by £365,000 from £3,880,000 to £3,515,000. Income generated by televised league fixtures reduced from £280,000 to £70,000, a drop of £210,000, due to only two league matches being televised in the year, one home and one away.

Retail revenue reduced from £835,000 to £560,000, a reduction of £275,000 - this reduction is attributed to the fact that we had the same kit supplier, sponsor and colour of both home and away shirts as the previous year. Commercial revenues in corporate sponsorships, hospitality and advertising were also lower than the previous year with a drop of £195,000. Event income which had previously been an income stream into Watford Association Football Club was transferred to Watford Catering Ltd in the year, representing an £80k drop in Club revenue. Combined revenue from Premier League parachute and League Award income also dropped from £13,550,000 to £13,475,000 (of which £12,300,000 relates to Premier League parachute income).

The global economic climate was likely to make for a difficult year in terms of revenue and many areas of the business have suffered as a consequence.

100th report of the Directors continued

for the year ended 30 June 2009

Wages and salary costs

Salary levels remained high in the year, though reduced from the previous year by £2,170,000 (£1,200,000 from administrative salaries). Work is ongoing to reduce the salary costs across the business. However, football playing contracts generally cover two or three year periods and sometimes longer. Therefore, it is difficult to have an immediate impact when trying to realign salary costs with the position of the business.

Other operating expenses

The business has sought to reduce its operating expenses across all areas as the need to operate differently in line with reduced revenue levels has become apparent.

Amortisation and impairment of player registrations

The amortisation and impairment charge reduced significantly from the previous year as the prior year included the impairment charge of £1,435,000 relating to Nathan Ellington. The charge in the year is still high relative to previous years and it would be expected that future years would show a reduction.

Other operating income

Other operating income includes rent receivable from Saracens Rugby Club for the lease of the Vicarage Road Stadium and from Kier London, the construction company involved in the key worker housing development ongoing at the Stadium, for the lease of the office space 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 players' registrations

The profit on disposal of players' registrations comprises primarily profit from the sales of D Shittu, D Henderson and L Williamson and profit from the ending of the registration of D Francis (generated through insurance income). Several smaller profits have been generated by appearances, promotion and sell-on clauses from players sold in previous years. These incomes have been off-set by the losses on disposals of other players' registrations in the year.

Risks and uncertainties

The Board have 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 its league position.

Future developments

The Club is actively seeking new investment to drive the business forward and to continue with the redevelopment of the stadium.

Directors and their interests

The directors at 30 June 2009 together with their beneficial interests in the shares of the Company and parent company, Watford Leisure PLC, at that date, were as follows:

	Parent company Ordinary £1 shares		Company Ordinary £1 shares	
	2009	2008*	**2009**	2008*
* or date of appointment, if later				
Executive Directors:				
G Russo (Chairman) - appointed 22 January 2009		see note below		
V Russo (Vice Chairman) - appointed 22 January 2009		see note below		
J Winter (Chief Executive Officer) - appointed 12 December 2008	-	-	-	-
Non-Executive Directors:				
D B Fransen - appointed 13 March 2009	-	-	-	-
G Taylor - appointed 22 January 2009	-	-	**123**	123
S R Timperley - appointed 22 January 2009	-	-	-	-
R R Williams - appointed 13 March 2009	**2,500**	2,500	-	-

G Russo and V Russo jointly control Valley Grown Salads which holds 13,156,953 shares in the parent company (date of appointment: 13,156,953 shares).

C J Norton is an alternate director for G Russo, V Russo and R R Williams, and was appointed on 13 March 2009. His beneficial interests in the shares of the parent company amount to 283,286 shares (date of appointment 283,286 shares). He holds no shares in the Company.

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

During the year ended 30 June 2009, the following resigned as directors:

G M Simpson - resigned 1 December 2008
M A Ashton - resigned 12 December 2008
A S Wilson - resigned 23 February 2009

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

100th report of the Directors continued
for the year ended 30 June 2009

Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far 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.

Payment of suppliers

The Company 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 Company 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 Company transacts with many small suppliers the group endeavours to meet the Government 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 Company by its suppliers (excluding transfer fees payable) and the amount owed to its creditors at 30 June 2009 was 37 days.

Charitable contributions

During the year the Company made charitable donations amounting to £2,096.

Post balance sheet events

Details of post balance sheet events are given in note 23 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
Company Secretary

Approved by the Board on 6 November 2009

Independent auditor's report

to the members of The Watford Association Football Club Limited

We have audited the financial statements of The Watford Association Football Club Limited for the year ended 30 June 2009 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with section 495 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 6, 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 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 Company's affairs as at 30 June 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 1a) to the financial statements concerning the Company's ability to continue as a going concern. At 30 June 2009 the company's liabilities exceeded its total assets by £7,269,000, following a loss for the year of £1,788,000.

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 Company'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 doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company 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 matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CHARLES JAMES (Senior Statutory Auditor)
for and on behalf of CHANTREY VELLACOTT DFK LLP
Chartered Accountants and Statutory Auditor
London
6 November 2009

Profit and loss account

for the year ended 30 June 2009

	Notes	Operations excluding player trading £'000	Player trading (note 8) £'000	2009 £'000	2008 £'000
Turnover	2	**21,805**	-	**21,805**	21,183
Cost of sales		**18,995**	**4,293**	**23,288**	26,967
Gross loss		**2,810**	**(4,293)**	**(1,483)**	(5,784)
Administrative expenses		**4,555**	-	**4,555**	5,707
		(1,745)	**(4,293)**	**(6,038)**	(11,491)
Other operating income	3	**1,115**	-	**1,115**	578
Operating loss		**(630)**	**(4,293)**	**(4,923)**	(10,913)
Profit on disposal of players registrations		-	**3,774**	**3,774**	7,372
Premium received on grant of long lease	5	-	-	-	4,558
Interest receivable	4	**44**	-	**44**	99
Interest payable and similar charges	4	**(683)**	-	**(683)**	(821)
(Loss) / profit on ordinary activities before taxation	5	**(1,269)**	**(519)**	**(1,788)**	295
Tax on (loss) / profit on ordinary activities	7			-	-
(Loss) / profit for the financial year	16			**£(1,788)**	£295

None of the Company's activities was acquired or discontinued during the above two financial years.

The Company has no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the results shown above and their historical cost equivalents.

The notes on pages 13 to 26 form part of these financial statements.

Balance sheet

at 30 June 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Intangible assets	1 (c) & 8	2,218	8,148
Tangible assets	1 (d) & 9	12,868	13,941
		15,086	22,089
Current assets			
Stocks	1 (g) & 10	96	115
Debtors	11	2,433	5,004
Cash at bank and in hand		37	2,025
		2,566	7,144
Creditors: amounts falling due within one year	12	10,311	20,582
Net current liabilities		(7,745)	(13,438)
Total assets less current liabilities		7,341	8,651
Creditors: amounts falling due after more than one year	13	(14,581)	(14,099)
Deferred capital grants and contributions	14	(29)	(33)
		£(7,269)	£(5,481)
Capital and reserves			
Called up share capital	15	1,073	1,073
Profit and loss account - accumulated deficit	16	(8,342)	(6,554)
Shareholders' funds	17	£(7,269)	£(5,481)

Approved by the Board of Directors and authorised for issue on 6 November 2009 and signed on its behalf.

G RUSSO - Director

Company registration number - 104194

The notes on pages 13 to 26 form part of these financial statements.

Cash flow statement

for the year ended 30 June 2009

	Notes	£'000	2009 £'000	£'000	2008 £'000
Operating activities					
Net cash outflow from operating activities	18 (a)		(1,722)		(5,519)
Returns on investments and servicing of finance					
Interest received		44		99	
Interest paid		(693)		(845)	
Net cash outflow from returns on investments and servicing of finance			(649)		(746)
Capital expenditure					
Payments to acquire intangible fixed assets		(3,424)		(6,259)	
Payments to acquire tangible fixed assets		(433)		(4,009)	
Receipts from sales of intangible fixed assets		8,538		9,479	
Receipts from sales of tangible fixed assets		-		4,558	
			4,681		3,769
Net cash inflow / (outflow) before financing			2,310		(2,496)
Financing	18 (b)				
Receipts from group companies		1,896		16	
(Repayments) / advances of bank and other loans		(6,809)		6,418	
Net cash (outflow) / inflow from financing			(4,913)		6,434
(Decrease) / increase in cash in the year	18 (c)		£(2,603)		£3,938

The notes on pages 13 to 26 form part of these financial statements.

Notes to the financial statements

for the year ended 30 June 2009

1 **Accounting policies**

The principal accounting policies are as follows :

a) Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company made a loss for the year of £1,788,000 and had net liabilities at 30 June 2009 of £7,269,000.

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 Company remains reliant upon its ability to raise finance through other means.

The support of the Company'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 to the group by directors of the Company, 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 £1,000,000 continues to be made available by the bank. The Company's bankers have indicated that, so long as the Company continues to operate within its financial plan, regular renewal of the facility will be available.

The Company has prepared detailed cash flow forecasts for the period to 30 June 2014. Those forecasts show that the Company does 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 Company 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 Company'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 Company acknowledges that player trading will continue to be a key strategy year on year. The Company 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.

b) Turnover

Turnover 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 income 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.

Notes to the financial statements continued

for the year ended 30 June 2009

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. Income 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.

c) Intangible assets

i) Acquired players' registrations

The costs associated with the acquisition of players' registrations are initially recorded 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 profit and loss account.

ii) Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the length of each respective player's contract.

d) Tangible fixed assets, capital grants and depreciation

Tangible fixed assets are stated at their gross cost or valuation less accumulated depreciation and impairment losses.

Capital grants and contributions to capital expenditure are credited to deferred income and are released to the profit and loss account over the expected useful lives of the assets to which they relate.

Depreciation is charged to the profit and loss account, 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

e) Signing on fees

Signing on fees are charged to the profit and loss account 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.

f) Pouring rights

Payments made to release the Company from exclusive supply provisions relating to alcoholic beverages have been recognised under the description of "pouring rights". Pouring rights are capitalised as an intangible fixed asset and were amortised on a straight line basis over the economic life, estimated at 10 years. The Company's supply agreement was renegotiated in a prior year. As a result the asset was fully written off in that year's financial statements.

g) Stocks

Stocks are stated at the lower of the cost and net realisable value.

h) Deferred revenue

Deferred revenue arises principally from the advance sale of season tickets, executive boxes and players' loan fees and is recognised as income in the period to which it relates.

i) Operating leases

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

Rental receipts are recognised in the profit and loss account on a straight line basis over the term of the lease.

j) Pensions

The Company 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 Company in independently administered funds. The pension cost charges represent contributions payable by the Company during the year.

k) Deferred taxation

Deferred tax is provided in full, where appropriate, in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax balances are not discounted.

Notes to the financial statements continued
for the year ended 30 June 2009

2 Turnover

The Company 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.

	2009 £'000	2008 £'000
Matchday	4,488	4,767
Media	14,504	15,081
Commercial	1,263	1,335
Other	1,550	-
	£21,805	£21,183

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

3 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
	£1,115	£578

4 Interest

	2009 £'000	2008 £'000
Interest receivable:		
Bank deposit interest	£44	£99
Interest payable and similar charges:		
Group interest	214	239
Bank loan and overdraft interest	71	306
Other interest	398	276
	£683	£821

5 (Loss) / profit on ordinary activities before taxation

	2009 £'000	2008 £'000
This is stated after charging:		
Amortisation of intangible fixed assets	**4,260**	4,395
Impairment of intangible fixed assets	**33**	1,435
Depreciation of tangible fixed assets	**888**	881
Impairment of tangible fixed assets	**435**	-
Auditor's remuneration		
audit fees	**22**	25
taxation	**3**	11
other	**7**	8
Operating leases - vehicles and equipment	**51**	32
Operating leases - other	**538**	247

The impairment of intangible fixed 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 tangible fixed assets 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.

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 was being treated as an outright disposal and proceeds recognised in full in the profit and loss account in the year ended 30 June 2008.

6 Employee Information

	2009 £'000	2008 £'000
Staff costs:		
Wages and salaries	**13,271**	15,185
Social security costs	**1,537**	1,838
Other pension costs	**189**	144
	£14,997	£17,167

The average monthly number of persons employed by the Company was as follows:	2009 Number	2008 Number
Players	**48**	50
Coaching staff	**32**	34
Part-time coaching staff	**9**	10
Commercial staff	**25**	26
Part-time commercial staff	**14**	17
Administration	**16**	11
Ground staff	**10**	7
	154	155

In addition to the above the Company employed an average of 122 (2008 - 130) match day staff during the year.

A Company staff restructuring was completed towards the end of the financial year and therefore the results are not evident in the numbers above.

Notes to the financial statements continued

for the year ended 30 June 2009

Directors' remuneration

	2009 £'000	2008 £'000
Directors' remuneration	**£336**	£873
Highest paid director	**£233**	£494

The directors' remuneration and highest paid director includes remuneration relating to directors who resigned during the financial year.

7 **Tax on (loss) / profit on ordinary activities**

No liability to corporation tax arises in view of the tax loss suffered in the year.

The tax position is reconciled as follows:

	2009 £'000	2008 £'000
(Loss) / profit before taxation	**(1,788)**	295
(Loss) / profit before taxation multiplied by the effective standard UK corporation tax rate of 28.0% (2008 - 29.5%)	**(501)**	87
Expenses not deducted for tax purposes	**2**	18
Deductions allowable for tax purposes	**-**	(901)
Depreciation in excess of capital allowances	**237**	61
Other temporary differences	**(34)**	-
Utilisation of tax losses	**-**	(150)
Unused tax losses carried forward	**255**	851
Group relief	**41**	34
	£Nil	£Nil

Tax losses at 30 June 2009 available for offset against future trading profits or transfer as group relief are in excess of £29 million.

Under the accounting policy no provision is required for deferred taxation and there is no potential liability.

8 Intangible fixed assets

	Pouring rights £'000	Players' registrations £'000	Total £'000
Cost :			
At 1 July 2008	752	16,792	17,544
Additions	-	633	633
Disposals	-	(7,669)	(7,669)
At 30 June 2009	**752**	**9,756**	**10,508**
Amortisation :			
At 1 July 2008	752	8,644	9,396
Charge for the year	-	4,293	4,293
Disposals	-	(5,399)	(5,399)
At 30 June 2009	**752**	**7,538**	**8,290**
Net book value :			
At 30 June 2009	**£Nil**	**£2,218**	**£2,218**
At 30 June 2008	£Nil	£8,148	£8,148

Notes to the financial statements continued
for the year ended 30 June 2009

9 Tangible fixed assets

	Freehold ground, premises and improvements £'000	Leasehold property and improvements £'000	Motor vehicles, equipment, fixtures and fittings £'000	Total £'000
Cost or valuation :				
At 1 July 2008	12,686	1,013	2,251	15,950
Additions	215	(25)	60	250
Transfer	(242)	(46)	288	-
Disposals	-	(63)	-	(63)
At 30 June 2009	**12,659**	**879**	**2,599**	**16,137**
Depreciation :				
At 1 July 2008	541	234	1,234	2,009
Charge for the year	632	402	289	1,323
Transfer	(68)	(46)	114	-
Disposals	-	(63)	-	(63)
At 30 June 2009	**1,105**	**527**	**1,637**	**3,269**
Net book value :				
At 30 June 2009	**£11,554**	**£352**	**£962**	**£12,868**
At 30 June 2008	£12,145	£779	£1,017	£13,941

10 Stocks

	2009 £'000	2008 £'000
Goods for resale	**£96**	£115

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

11 Debtors

	2009 £'000	2008 £'000
Trade debtors	**1,214**	781
Transfer fees receivable	**156**	2,650
Other debtors	**204**	424
Prepayments and accrued income	**859**	1,149
	£2,433	£5,004

Other debtors includes £10,183 (2008 - £111,009) which falls due after more than one year.

12 Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Bank overdraft (secured)	**615**	-
Bank loan (secured)	**-**	7,118
Directors' loans	**1,468**	-
Other loans	**912**	1,738
Trade creditors	**879**	1,553
Players' registration costs	**1,473**	3,014
Amount due to fellow subsidiary	**429**	310
Other taxes and social security	**989**	1,188
Accruals	**1,312**	910
Deferred revenue	**2,234**	4,751
	£10,311	£20,582

The bank loan and overdraft of £615,000 (2008 - £7,118,000) is all due within one year and is secured by a charge over the Company's stadium and a cross guarantee with the parent company.

Other loans payable within one year of £912,000 (2008 - £1,738,000) include a loan to the Company by Watford FC's Community Sports & Education Trust of £668,961 which is secured by a legal charge over the Company's stadium and is guaranteed by Watford Leisure PLC. In October 2009 the Trustees agreed to postpone the repayment of the loan until June 2013. In addition £167,667 of a £503,000 interest free loan from The Football League is included, this is repayable in six half-yearly instalments commencing in October 2009. The remaining balance payable is shown in other loans falling due after more than one year (note 13).

Directors' loans payable within one year of £1,468,000 are amounts owing to Valley Grown Salads, a company controlled by two of the directors, G and V Russo. Subsequent to the year end, this loan, along with further loans made available since the year end, were repaid and a new loan of £2,633,000 was made available by Valley Grown Salads. The new loan is secured by a charge over the Company's stadium and is repayable on demand with interest payable monthly at 3.5% over Barclays' Bank base rate (note 25).

Deferred revenue includes income, mainly from season ticket sales, received in advance in respect of the 2009/10 season.

Notes to the financial statements continued

for the year ended 30 June 2009

13 Creditors: amounts falling due after more than one year

	2009 £'000	2008 £'000
Other loans (note 12)	**336**	669
Players' registration costs	**-**	1,250
Amount owed to parent Company (note 24)	**13,656**	11,760
Accruals and deferred revenue	**589**	420
	£14,581	£14,099

The maturity of total debt may be analysed as follows:	2009 £'000	2008 £'000
In one year or less	**2,380**	8,856
Between one and two years	**13,824**	12,429
Between two and five years	**168**	-
	£16,372	£21,285

The Company's parent, Watford Leisure PLC, has given representations that it will not seek repayment of amounts loaned to the Company in the next 12 months.

14 Deferred capital grants and contributions

	Capital grants £'000	Contributions to capital expenditure £'000	Total £'000
At 1 July 2008	30	3	33
Credited to the profit and loss account	(4)	-	(4)
At 30 June 2009	**£26**	**£3**	**£29**

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

15 Share capital

	2009	2008
Authorised :		
1,250,000 Ordinary shares of £1 each	**£1,250**	£1,250
Allotted, called up and fully paid :		
1,072,722 Ordinary shares of £1 each	**£1,073**	£1,073

16 Reserves

	Profit and loss account £'000
At 1 July 2008	(6,554)
Loss for the year	(1,788)
At 30 June 2009	**£(8,342)**

17 Reconciliation of movements on shareholders' funds

	2009 £'000	2008 £'000
(Loss) / profit for the financial year	**(1,788)**	295
Opening shareholders' funds	**(5,481)**	(5,776)
Closing shareholders' funds	**£(7,269)**	£(5,481)

Shareholders' funds are fully attributable to equity interests.

18 Notes to the cash flow statement

a) Reconciliation of operating loss to net cash outflow from operating activities:	**2009 £'000**	2008 £'000
Operating loss	**(4,923)**	(10,913)
Amortisation and impairment of intangible fixed assets	**4,293**	5,830
Depreciation and impairment of tangible fixed assets	**1,323**	881
Capital contribution released	**-**	(1)
Capital grant released	**(4)**	(3)
Decrease in stocks	**19**	19
Decrease / (increase) in debtors	**77**	(1,180)
Decrease in creditors	**(2,507)**	(152)
Net cash outflow from operating activities	**£(1,722)**	£(5,519)

Notes to the financial statements continued

for the year ended 30 June 2009

18 Notes to the cash flow statement (continued)

b) Analysis of changes in net debt

	At 1 July 2008 £'000	Cash flows £'000	Other changes £'000	At 30 June 2009 £'000
Cash at bank and in hand	2,025	(1,988)	-	**37**
Bank overdraft	-	(615)	-	**(615)**
Net cash at bank and in hand	2,025	(2,603)	-	**(578)**
Intergroup balance	(11,760)	(1,896)	-	**(13,656)**
Bank loans due within 1 year	(7,118)	7,118	-	**-**
Directors' loans within 1 year	-	(1,305)	(163)	**(1,468)**
Other loans due within 1 year	(1,738)	1,332	(506)	**(912)**
Other loans due after 1 year	(669)	(336)	669	**(336)**
	(21,285)	4,913	-	**(16,372)**
	£(19,260)	£2,310	£Nil	**£(16,950)**

c) Reconciliation of net cash flows to movement in net debt.

	2009 £'000	2008 £'000
(Decrease) / increase in cash in the year	**(2,603)**	3,938
Cash outflow / (inflow) from decrease / (increase) in debt	**4,913**	(6,434)
Change in net debt resulting from cash flows	**2,310**	(2,496)
Movement in net debt in the year	**2,310**	(2,496)
Net debt at 1 July 2008	**(19,260)**	(16,764)
Net debt at 30 June 2009	**£(16,950)**	£(19,260)

19 Financial commitments

The maximum amount of payments due in respect of deferred signing on fees for playing staff under contract with the Company as at 30 June 2009, which have not been provided for in the financial statements, are as follows :

	£'000
On contracts expiring :	
Within two to five years	253

The Company's commitments for rental payments under operating leases payable during the year to 30 June 2010 are as follows:

On contracts expiring :	Land and buildings £'000	Other £'000
Within one year	202	8
Within two to five years	412	17
	£614	£25

20 Contingent liabilities

The Company has liabilities under transfer agreements to pay additional sums dependent on players' attainment and subsequent transfer value. The maximum that could be payable in respect of transfers to 30 June 2009 is £937,400 (2008 - £1,215,000). Since the year end £75,000 of this has become payable.

21 Pension costs

Certain of the Company's ex-employees are members of the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. The Company is one of a number of participating employers in FLLPLAS. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. Under the provisions of FRS 17 the scheme is accounted for as a defined contribution scheme. Following an actuarial valuation of the scheme as at 31 August 2008, the Company has been advised by the trustees that its share of actuarial deficit is £194,825 (of which £21,797 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 the new scheme.

Notes to the financial statements continued

for the year ended 30 June 2009

22 Capital commitments

The Company has contracted for, but not provided for in the financial statements, capital expenditure totalling £886,809 which includes the cost of the foundations to the south-west corner of the Vicarage Road Stadium.

23 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 Watford Leisure Plc were transferred to The Watford Association Football Club Ltd on 1 July 2009 at a consideration of £644,000.

24 Parent Company and control

The parent company, and ultimate controlling party, is Watford Leisure PLC.

At 30 June 2009 the Company owed £13,656,000 (2008 - £11,760,000) to the parent company. Part of the amount owed to the parent company bears interest at 2% over HSBC Bank plc base rate. The balance is secured by a floating charge over all the undertakings and assets of the Company.

Interest amounting to £214,000 (2008 - £239,000) has been charged to the loan balance in the year to 30 June 2009.

During the period the Company made purchases of £284,000 (2008 - £233,000) from a fellow subsidiary, Watford Catering Limited ("Catering"). The Company recharged administration costs during the year of £29,000 (2008 - £50,000). At 30 June 2009 £429,000 (2008 - £310,000) was owed to Catering by the Company.

25 Directors' interests in 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 12, £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 Company £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 (at 30 June 2009 £1,305,000 had been reborrowed by the Company and the remainder since the year end). 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 interest at a rate of 7% per annum.

Company information

Directors	G Russo - Executive Chairman V Russo - Executive Vice Chairman J Winter - Chief Executive Officer D B Fransen - Non Executive Director G Taylor - Non Executive Director S R Timperley - Non Executive Director R R Williams - Non Executive Director
Honorary Life Presidents	Sir Elton John CBE Graham Taylor
Company Secretary	P J Wastall
Football Manager	M Mackay
Football Secretary	M Ives
Registered Office	Vicarage Road Stadium Watford Herts WD18 0ER
Incorporation details	Incorporated in the United Kingdom on 22 July 1909 under Certificate of Incorporation number 104194
Auditor	Chantrey Vellacott DFK LLP Russell Square House 10-12 Russell Square London WC1B 5LF
Bankers	Barclays Bank plc 32 Clarendon Road Watford Herts WD17 1BZ
Website address	www.watfordfc.com