The Watford Association Football Club Limited

Report and financial statements

For the year ended 30th June 2016

Contents

Company information

Directors	Raffaele Riva	Executive chairman
	Scott I. Duxbury	Executive director and chief executive
	David B. Fransen	Non-executive director
	Stuart R. Timperley	Non-executive director

(Raffaele Riva resigned as Executive chairman and as Director on 2nd November 2016. At the same time, Scott Duxbury was appointed as Executive chairman, and continuing also as Chief Executive)

Honorary Life President	Sir Elton John CBE
Football Manager	Walter Mazzarri
Company Secretary	Peter Wastall
Football Secretary	Gayle Vowels
Registered office	Vicarage Road Stadium Watford Hertfordshire WD18 0ER
Incorporation details	Incorporated in the United Kingdom on 22nd July 1909 under Certificate of Incorporation number 104194
Auditor	Myers Clark Egale 1 80 St Albans Road Watford Hertfordshire WD17 1DL
Bankers	Barclays Commercial Bank PO Box 729, Eagle Point 1 Capability Green, Luton Bedfordshire LU1 3US
Website address	www.watfordfc.com

Strategic report
For the year ended 30th June 2016

The directors present their report on the affairs of The Watford Association Football Club Limited ("the Company" or "the Club"), together with the financial statements for the year ended 30th June 2016.

Background

As at the year end, the Club's Board consisted of four directors (as detailed in the Company information section on page 1), being the executive chairman, the chief executive and two independent non-executive directors. There have been no changes in the Club's directorate during the year under review. Details of changes in the Club's directorate following the year end are set out later in the Directors' Report.

The chairman and chief executive has responsibility, in close liaison with the other directors, for the day to day running and long term operation of the Club and refers to the Board in regard to significant decisions affecting all aspects of the Club.

Business Review

Promotion to the Premier League at the end of the 2014/2015 season, and subsequent retention of that status for the 2016/2017 season, has meant the financial performance of the Club for the year to 30th June 2016 has been one of the most successful in the recent history of the Club.

The Club finished in 13th position in the 2015/2016 Premier League season, retaining status in this League for the first time in the Club's history, recording 45 points from twelve wins and nine draws.

Key Performance Indicators

	2016 £'000	2015 £'000
Turnover	94,449	18,393
Wages and salary costs	(57,900)	(20,689)
Other operating expenses	(23,926)	(8,947)
Amortisation and impairment of player registrations	(13,078)	(493)
Other operating income	10	21
Operating loss	(445)	(11,715)
Profit on disposal of player registrations	5,611	7,288
Exceptional item		
Net interest charges	(1,553)	(356)
Intercompany debt waiver		
Profit/(Loss) on ordinary activities before taxation	3,613	(4,783)
Cash generated (absorbed) by operations	24,055	(2,587)
Wages to revenue ratio	61%	112%
League position	13th (PL)	2nd (FLC)

Strategic report continued
For the year ended 30th June 2016

Financial Review

Total turnover increased by £76,056,000 from £18,393,000 to £94,449,000.

Media revenue has increased by £75,014,000. Of this improvement, £73,553,000 relates to central league funding and £1,147,000 from FA Cup progression bonuses. Academy funding increased by £245,000 due to the Club's higher EPPP categorisation whilst other media related income increased by £69,000.

Commercial revenues for the year to 30th June 2016 total £2,536,000, a reduction from the £8,066,000 generated in the previous year. The prior year included Sponsorship revenue of £5,333,000 from an agreement which ended in June 2015. This Sponsorship agreement included provision for a payment due in the year and therefore the unrelated commercial growth is actually £1,803,000 compared to the previous season. This increase includes £1,172,000 from Club partnerships, £221,000 from increased retail revenue, £391,000 from advertising sales and £19,000 from Event sales.

Revenues generated on match days have increased by £3,282,000. This relates to increases in Season and Match ticket income of £1,790,000 and an increase in match day commercial sales of £643,000, as well as additional income from Cup matches of £851,000.

Other income within turnover, relating to player loan fees receivable, has increased by £3,290,000 from £553,000 to £3,843,000.

Salary and wages costs, have increased from £20,689,000 to £57,900,000, with players' total salary costs having increased from £15,751,000 to £50,249,000, an increase of £34,498,000. Other football related salaries have increased from £3,072,000 to £5,356,000 and commercial salaries from £712,000 to £1,002,000. Stadium and administrative salaries have increased from £1,155,000 to £1,294,000.

Other operating expenses have increased by £14,979,000 from £8,947,000 in 2015 to £23,926,000 in 2016. £9,487,000 of this increase relates to the football operation, £1,905,000 relates to centralised youth and community costs and £1,129,000 relates to increased depreciation and disposal costs. Administration and Stadium related costs have increased by £1,740,000 with commercial costs increased by £718,000.

With significant investment into the playing squad, additions for the year totaled £64,400,000 compared with £4,996,000 for the previous season, amortisation and impairment costs have increased from £493,000 for the year to 30 June 2015 to £13,060,000 for the year to 30 June 2016.

The profit on disposal of players' registrations comprises total profits of £5,611,000 mainly generated from sales, appearance and sell-on clauses in relation to players Fernando Forestieri, Jonathan Bond, Miguel Layun, Diego Fabbrini, Jonathan Hogg and William Buckley. The prior year amount of £7,288,000 was mainly generated from the sales, appearance and sell-on clauses in relation to players Britt Assomobalonga, William Buckley, Javier Acuna, Jonathan Hogg, Craig Forsyth, Tom Rosenthal, Panos Armenakas, Carl Stewart, Javier Sanchez and Gavin Massey.

The financial performance of the Club is reflective of its progression to the Premier League, with significant increases in turnover and running costs directly attributable. Investment in the playing squad and infrastructure of the Stadium is evidenced by the capital additions in the year. Retention of Premier League status for the first time in the Club's history ended a memorable season, both on and off the pitch. This success has enabled continued development of the Club's Stadium and Training Ground as well as further enhancement of the playing squad.

Retention of Premier League status for the 2016/17 season maintains the Club's positive financial outlook where the new Premier League TV deals will increase levels of income significantly.

The cash at bank at year end shows a credit position of over £11,000,000, and whilst the Company's net liabilities do exceed its net assets by £5,282,000, this position may well to revert to a positive net assets position over the coming twelve months dependent on team performance.

Strategic report continued
For the year ended 30th June 2016

Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's long term performance. These risks and uncertainties are monitored by the Board on a regular basis.

Income

The Club derives its income from three principal sources: gate receipts, television and commercial relationships.

All three sources of income are dependent on the performance of the first team and its appeal to football supporters. The performance of the first team is significantly influenced by the quality of the coaching staff and the players that the Club can attract in a highly competitive market both on the domestic and European levels.

Expenditure

In order to attract the talent which will continue to improve the performances of the first team the Club continually invests in the playing staff by way of both transfer and wages.

Regulatory environment

The Club is regulated by the rules of the FA, FAPL, UEFA and FIFA. These regulations have a direct impact on the Club as they cover areas such as the division of centrally negotiated television deals and the operation of the transfer market. The Club has staff whose roles include ensuring that the Club monitors the evolution of the rules and ensures compliance with them.

Funding

Funds are provided by the Club's parent company, Hornets Investment Limited. The Club reviews and updates its cash forecasts on a regular basis and keeps the owner aware of financial commitments going forwards.

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 status. It has also considered the financing requirements of the business that may result and these are referred to in note 1a.

Future developments

The Club's owner continues to be committed to new investment into the business in respect of playing staff and updating the facilities at the Stadium and the Club's Training Ground at London Colney. This strategy continues to be evident with the Vicarage Road Stadium now including corner infills providing additional hospitality opportunities and a brand new retail store to the north east corner of the Stadium. Planning permission has been sought for further development of the East side of the Stadium; work which will commence when increased capacity is required due to consistent demand. The Club also continues to invest in its playing squad, in order to sustain performance and improve on its 13th position finish in the Premier League during 2015/2016.

Signed on behalf of the Board of Directors

S. I. Duxbury
Executive chairman and chief executive

Approved by the Board on 2nd February 2017

Report of the directors
For the year ended 30th June 2016

Principal activity

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

Business Review

The Company recorded a profit before taxation for the year of £3,613,000 (2015 - £4,783,000 loss).

The profit for the year has been added to the deficit brought forward as shown in note 17 to the accounts.

The directors do not recommend the payment of a dividend for the year (2015 – Nil).

The results for the year, together with a review of the Company's business performance for the year, its future prospects and its approach to financial risk management, are considered in the Strategic Report.

Directors and their interests

The directors at 30th June 2016, together with their beneficial interests in the shares of the Company and parent company, at the dates shown below, were as follows:

	Parent Company Hornets Investment Limited from 1st July 2015 to 30th June 2016		Company from 1st July 2015 to 30th June 2016	
	Ordinary £1 shares		Ordinary £1 shares	
	2016	2015	2016	2015
Mr. R. Riva	-	-	-	-
Mr S.I. Duxbury	-	-	-	-
Mr D.B. Fransen	-	-	-	-
Professor S.R. Timperley	-	-	-	-

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

Mr R. Riva resigned as Executive chairman and as a director of the Company on 2nd November 2016 and Mr S.I. Duxbury was appointed Executive chairman from that date, and continuing as chief executive.

The Company has in place Directors' and Officers' Liability Insurance with a third party.

Employees

Within the bounds of commercial confidentiality, the Company endeavours to keep staff at all levels informed of matters that affect the progress of the Company and are of interest to them as employees.

The Company operates an equal opportunities policy. The aim of the policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability. Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of the disability. Should for whatever reason, an employee of the Company become disabled whilst in employment, every step, where appropriate will be taken to assist with rehabilitation and suitable retraining.

The Company maintains its own health, safety and environmental policies covering all aspects of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the Company is responsive to the needs of its employees and the environment.

Report of the directors continued
For the year ended 30th June 2016

Statement of 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), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 judgments and accounting 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, and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Statement of disclosure to auditors
So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Payments 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 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 Company by its suppliers (excluding transfer fees payable) and the amount owed to its creditors at 30th June 2016 was 36 days.

Charitable and political donations

During the year the Company made charitable donations of £87,820 (2015 - £126,858). No political donations were made during the year.

Report of the directors continued
For the year ended 30th June 2016

Post balance sheet events

Details of the post balance sheet events are set out in note 22 to the financial statements.

Auditor

In accordance with the Company's articles, a resolution, proposing that Myers Clark be re-appointed as auditors of the Company, will be put at the General Meeting.

From the Board

The Board would like to acknowledge the Club's achievement in securing 13th place in the Premier League following their promotion. The chairman and directors wish to express their thanks for the commitment and sustained endeavours of the whole team at the Club – the players, football management, office staff and supporters, each and every one playing their part in that success.

Retention of Premier League status is the key focus. The Board welcomes the appointment of Walter Mazzarri as head coach and trusts that the Club will continue to enjoy sustained progress during the coming year and beyond.

Tribute to Graham Taylor OBE

The Board, together with family, staff, shareholders, supporters and friends, deeply mourn the passing on 12th January 2017 of Graham Taylor, truly acknowledged, admired and respected as "the greatest Watford manager of all time". Graham was also a former chairman and director of the Club and revered as an Honorary Life President with Sir Elton John CBE.

Graham's achievements at the Club remain unsurpassed, both on and off the field. Together with Sir Elton, Graham built Watford FC. That the Club remains the heartbeat of the town today is an enduring testament to Graham's outstanding endeavours and commitment. The Club continues to enjoy the reputation of being the original pioneers of the concept of the family club, a club deeply rooted in its community, because of Graham's determination, drive and commitment to see and make this happen. The legacy Graham created will always be treasured and honoured as a continuing memorial to the ongoing development and future of the Club, sharing Graham's will and determination to succeed and take the Club forward at all times.

The Board is honoured and privileged to record and pay this tribute to Graham, an outstanding and deeply revered chairman, director and manager in the history of the Club.

Signed on behalf of the Board of Directors

S. I. Duxbury
Executive chairman and chief executive

Approved by the Board on 2nd February 2017

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 30th June 2016 set out on pages 10 to 32. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement as set out on Page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report and strategic report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30th June 2016 and of its profit 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.

Independent auditor's report
to the members of The Watford Association Football Club Limited continued

Emphasis of matter – Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. At 30th June 2016 the Company's liabilities exceeded its total assets by £5,282,078.

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 it may be required.

These conditions indicate the existence of a material uncertainty which may cast significant 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 Strategic Report and 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 by the Company, 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.

Mr Paul Windmill FCA (Senior Statutory Auditor) **2nd February 2017**
for and on behalf of Myers Clark

Chartered Accountants
Statutory Auditor
Egale 1
80 St Albans Road
Watford
Hertfordshire
WD17 1DL

Profit and loss account
For the year ended 30th June 2016

	Note	Operations excluding player trading £'000	Player trading (note 8) £'000	2016 £'000	2015 £'000
Turnover	2	94,449	-	94,449	18,393
Cost of sales		(71,163)	(13,060)	(84,223)	(25,694)
Gross profit/(loss)		23,286	(13,060)	10,226	(7,301)
Administrative expenses		(10,681)	-	(10,681)	(4,435)
		12,605	(13,060)	(455)	(11,736)
Other operating income	3	10	-	10	21
Operating profit/(loss)		12,615	(13,060)	(445)	(11,715)
Profit on disposal of players' registrations		-	5,611	5,611	7,288
Interest receivable	4	15	-	15	6
Interest payable and similar charges	4	(1,568)	-	(1,568)	(362)
Profit/(loss) on ordinary activities before taxation	5	11,062	(7,449)	3,613	(4,783)
Tax on profit/(loss) on ordinary activities	7			-	-
Profit/(loss) for the financial year	16			£3,613	£(4,783)
Total comprehensive income for the year				3,613	
Retained earnings as at 1 July 2015				(9,968)	
Retained earnings as at 30 June 2016				(6,355)	

Player trading consists primarily of the amortisation of the cost of acquiring plyer registrations and profit on disposal of player registrations.

All trading results are from continuing operations.

The notes on page 15 to 32 form part of these financial statements.

Balance sheet
As at 30th June 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	1(e) & 8	54,564	4,894
Tangible assets	1(f) & 9	28,692	20,014
		83,256	24,908
Current assets			
Stocks	1(k) & 10	144	127
Debtors	11	8,988	4,171
Cash at bank and in hand		11,612	556
		20,744	4,854
Creditors amounts falling due within one year	12	(91,265)	(29,606)
Net current liabilities		(70,521)	(24,752)
Total assets less current liabilities		12,735	156
Creditors amounts falling due after more than one year	13	(18,012)	(9,043)
Deferred capital grants and contributions	14	(5)	(8)
		£(5,282)	£(8,895)
Capital and reserves			
Called up share capital	15	1,073	1,073
Profit and loss account – accumulated deficit	16	(6,355)	(9,968)
Shareholders' funds	17	£(5,282)	£(8,895)

Approved by the Board of Directors on 2nd February 2017 and signed on its behalf

S. I. Duxbury
Executive chairman and chief executive
Company registration number – 104194
The notes on pages 15 to 32 form part of these financial statements

Statement of changes in Equity
For the year ended 30th June 2016

	Called up share capital £'000	Retained Earnings £'000	Total Equity £'000
At 1 July 2014	1,073	(5,185)	(4,112)
Loss for the period		(4,783)	(4,783)
At 30 June 2015	1,073	(9,968)	(8,895)
At 1 July 2015	1,073	(9,968)	(8,895)
Profit for the period		3,613	3,613
At 30 June 2016	1,073	(6,355)	(5,282)

The notes on pages 15 to 32 form part of these financial statements

Cash flow statement
For the year ended 30th June 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
Cash flows from operating activities					
Cash generated from (absorbed by) operations	**18**		24,055		(2,587)
Interest paid			(88)		(133)
Net cash generated from / (absorbed by) operating activities			23,967		(2,720)
Investing activities					
Purchases of tangible fixed assets		(10,619)		(5,058)	
Proceeds from sale of intangible fixed assets		4,937		8,387	
Purchases of intangible assets		(31,948)		(329)	
Interest received		15		6	
Net cash (used in)/generated from investing activities			(37,615)		3,006
Financing activities					
Advance of group loans		16,600		491	
Repayment of group loans		(1,288)		-	
Advance of directors loans		1,500		-	
Advance of other loans		12,281		172	
Repayment of other loans		(4,389)		-	
Net cash generated from financing activities			24,704		663
Net (decrease) / increase in cash and cash equivalents			11,056		949

Cash flow statement continued
For the year ended 30th June 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
Cash and cash equivalents at beginning of the year			556		(393)
Cash and cash equivalents at end of the year			11,612		556
Relating to:					
Cash at bank and in hand			11,612		556
Bank overdraft included in creditors payable within one year			-		-
			11,612		556

The notes on pages 15 to 32 form part of these financial statements.

Notes to the financial statements
For the year ended 30th June 2016

1. Accounting policies

The principal accounting policies are as follows:

a) General information and basis of accounting

The Watford Association Football Club Limited is a private company, limited by shares, incorporated in the United Kingdom under the Companies Act. The address of the registered office is stated on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 4.

The financial statements for the year ended 30 June 2016 have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), effective from 1 January 2015.

The financial statements have been prepared on the historical cost convention. The principal accounting policies adopted are set out below.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

These financial statements for the year ended 30 June 2016 are the first year end financial statements of The Watford Association Football Club Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 July 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 25.

The Watford Association Football Club Limited is a wholly owned subsidiary of Hornets Investment Limited. The results of Club are included in the consolidated accounts of Hornets Investment Limited which are available at 15-17 Grosvenor Gardens, London, SW1W 0BD.

b) Going concern

The Company made a profit for the year of £3,612,913 and had net liabilities at 30th June 2016 of £5,282,000.

However, following retention of Premier League status, the Company's income over the next twelve months, along with the continued support of the parent company, is sufficient to provide the necessary working capital for the Company and therefore it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Company's bankers have indicated that, so long as the Company continues to operate within its financial plan, regular renewal of the £5,000,000 million overdraft facility will be available.

The parent company has confirmed that they will not seek repayment of the loan of £20,520,054 if to do so would jeopardise the Club's ability to continue as a going concern. The Club's owner is committed to new investment into the business in respect of playing staff and in order to update the facilities at the Stadium and the ultimate beneficial owner has entered into a financial commitment to financially support the Company for the next 12 months.

c) 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. Included in turnover are match day receipts and other match day income.

Season ticket and corporate hospitality income is recognised over the period of the football season as home matches are played.

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.

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.

d) Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic Financial assets
Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently measured at cost less impairment.

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that it is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities which include trade and other payables are initially recognised at transaction price including transaction costs and are subsequently measured at the undiscounted amount of cash or other consideration expected to be paid, unless the arrangement constitutes a financing transaction.

If an arrangement constitutes a financing transaction, the financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

e) 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. 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. 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 assets 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.

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

ii) Software and website development costs (not research costs) are be recognised as internally generated intangibles when it can be demonstrated:
a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
b) its intention to complete the intangible asset and use or sell it.
c) its ability to use or sell the intangible asset.
d) how the intangible asset will generate probable future economic benefits.
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation is charged to the profit and loss account on a straight line over 10 years.

f) Tangible fixed assets, capital grants and depreciation

Tangible fixed assets are stated at their gross cost or valuation less accumulated depreciation and impairment losses. Assets under construction are not depreciated until they are brought into use.

Capital grants and contributions to capital expenditure are credited to deferred income and 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, 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 lease and 20 years

g) Impairment of intangible and tangible assets

At each reporting year end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

h) 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 profit/(loss) on disposal of players' registrations in the period in which the disposal is recognised.

i) 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 down in that year's financial statements.

j) Goodwill

Goodwill arising from the acquisition of Watford Catering Limited (which was dissolved on 22nd March 2011) is capitalised as an intangible fixed asset and is amortised on a straight line basis over the economic life, estimated at 10 years.

k) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes purchase price less discounts where applicable. Net realisable value is based on estimated selling price. Provision is made for obsolete or slow moving stocks

l) Deferred revenue

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

m) 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 on a straight-line basis over the term of the lease.

n) 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. Contributions payable are charged to the profit and loss account over the period to which they relate.

In addition the Company is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Limited Pension and Life Assurance Scheme (the "Scheme"). A provision has been established for the Company's share of the deficit which exists in this section of the Scheme and this additional contribution is being charged to the profit and loss account over the remaining service life of those employees who are members of the Scheme.

Under the provisions of FRS 102 Section 28 the Scheme would be treated as a defined benefit multi-employer scheme. The Scheme's actuary has advised that the participating employer's share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis. Therefore in accordance with FRS 102 Section 28 the Scheme has been accounted for as if it were a defined contribution plan.

o) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

p) Deferred taxation

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

q) Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

r) Judgements and key sources of estimation policy

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

s) Foreign currencies

The Company's accounting records are maintained in Pounds sterling. Monetary assets and liabilities denominated in foreign currencies are translated into Pounds sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

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:

	2016 £'000	2015 £'000
Matchday	8,426	5,144
Media	79,644	4,630
Commercial	2,536	8,066
Other	3,843	553
	£94,449	£18,393

Revenue streams comprise:

Matchday – season and matchday tickets and corporate hospitality.

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.

Other – loan fee receivable and other sundry income.

3. Other operating Income

	2016 £'000	2015 £'000
Release of capital grants	2	4
Other	8	17
	£10	£21

4. Interest

	2016 £'000	2015 £'000
Interest receivable		
Bank deposit interest	£15	£6
Interest payable and similar charges		
Bank loan and overdraft interest	-	1
Interest payable on group loans	1,170	144
Other interest	398	217
	£1,568	£362

5. Profit/(loss) on ordinary activities before taxation is stated after the following operating charges:

	2016 £'000	2015 £'000
Amortisation of intangible fixed assets	12,418	510
Impairment of intangible fixed asset	660	-
Depreciation of tangible fixed assets	1,898	828
Cost of stocks recognised as an expense	488	375
Foreign exchange	3,620	-
Loss on disposal of tangible fixed asset	64	4
Auditor's remuneration		
Audit fees	14	13
Taxation	-	-
Other	-	-
Operating leases – vehicles and equipment	70	57
Operating leases – property	486	411

Notes to the financial statements continued
For the year ended 30th June 2016

6. Employee information

Staff Costs	2016 £'000	2015 £'000
Wages and salaries	50,886	18,076
Social security costs	6,885	2,391
Other pension costs	129	222
	£57,900	£20,689

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

	2016 Number	2015 Number
Players	59	53
Coaching staff	51	46
Part-time coaching staff	17	18
Commercial staff	32	24
Part-time commercial staff	30	23
Administration	11	9
Ground staff	11	7
	211	180

In addition to the above the Company employed an average of 118 (2015 – 115) part-time match day staff during the year.

Directors' remuneration

	2016 £'000	2015 £'000
Directors' remuneration	245	401
Pension costs	13	20
	258	421
Highest paid director	245	210
Number of directors accruing benefits under money purchase schemes	1	2

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

The tax position is reconciled as follows:

	2016 £'000	2015 £'000
Profit/(loss) before taxation	3,613	(4,783)
Profit/loss) before taxation multiplied by the effective standard UK corporation tax rate of 20% (2015 – 20.75%)	723	(992)
Expenses not deducted for tax purposes	6	6
Depreciation in excess of capital allowances	130	136
Tax losses utilised	(859)	-
Other tax adjustments	0	850
	£Nil	£Nil

Tax losses at 30th June 2016 available for offset against future trading profits or transfer as group relief are in excess of £35 million (2015 – £37 million).

A deferred tax asset has not been recognised in respect of the net timing differences relating to tax trading losses and accelerated capital allowances as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised is approximately £7 million (2015 - £7 million). The asset would be recovered if sufficient taxable trading profits arose in the future.

8. Intangible fixed assets

	Goodwill £'000	Pouring rights £'000	Website £'000	Players' registrations £'000	Total £'000
Cost or valuation					
At 1 July 2015	177	752	-	6,019	6,948
Additions	-	-	162	64,400	64,562
Disposal	-	-	-	(2,899)	(2,899)
At 30 June 2016	177	752	162	67,520	68,612
Depreciation					
At 1 July 2015	106	752	-	1,196	2,054
Charge for the year	18	-	-	13,060	13,078
Disposal	-	-	-	(1,084)	(1,084)
At 30 June 2016	124	752	-	13,172	14,048
Net book value					
At 30 June 2016	£53	£Nil	£162	£54,348	£54,564
At 30 June 2015	£71	£Nil	£Nil	£4,823	£4,894

The figure for cost of player registrations are historic cost figure for purchased players only. Accordingly, the net book amount of player registrations will not reflect, nor is it intended to reflect, the current market value of these players nor does it take any account of players developed through the Club's youth system.

The directors consider the net book value of intangible assets to be significantly greater than their book value.

The amortisation of players registration costs is included within cost of sales in the profit and loss account.

An impairment amount of £660,000, included within the depreciation charge for the year has been recognised during the year in cost of sales.

Notes to the financial statements continued
For the year ended 30th June 2016

9. Tangible fixed assets

	Assets under construction £'000	Freehold ground premises and improvements £'000	Leasehold property and improvements £'000	Motor vehicles, equipment, fixtures and fittings £'000	Total £'000
Cost					
At 1 July 2015	2,755	18,365	678	3,117	24,915
Additions	3,066	4,988	611	1,975	10,640
Transfers	(2,187)	1,293	463	431	-
Disposals	-	(51)	-	(619)	(670)
At 30 June 2016	3,634	24,595	1,752	4,904	34,885
Depreciation					
At 1 July 2015	-	2,728	257	1,916	4,901
Charge for the year	-	1,042	157	699	1,898
Disposals	-	(37)	-	(569)	(606)
At 30 June 2016	-	3,733	414	2,046	6,193
Net book value					
At 30 June 2016	£3,634	£20,862	£1,338	£2,858	£28,692
At 30 June 2015	£2,755	£15,637	£421	£1,201	£20,014

10. Stocks

	2016 £'000	2015 £'000
Goods for resale	£144	£127

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

11. Debtors

	2016 £'000	2015 £'000
Trade debtors	2,462	1,983
Transfer fees receivable	5,138	241
Other debtor	2,125	2,125
Provision for non-repayment of other debtor	(2,125)	(2,125)
Rent deposit	-	-
Prepayments and accrued income	1,388	1,947
	£8,988	£4,171

The other debtor is due from Watford FC Limited and has been provided for in full during a prior year.
Transfer fees receivable include £3,770,375 due in more than one year.

12. Creditors amounts falling due within one year

	2016 £'000	2015 £'000
Directors' loans	965	250
Other loans	12,818	1,086
Parent company	15,670	4,314
Trade creditors	2,257	2,541
Players' registration costs	32,484	4,855
Other taxes and social security	5,516	1,959
Accruals	15,214	6,690
Deferred revenue	6,341	7,911
	£91,265	£29,606

Other loans payable within one year of £12,818,249 (2015 - £1,085,800) includes a £12,000,000 (2015 – nil) secured loan, attracting interest at 6.6%. The total interest charged for the year was £171,419 (2015 – nil), and is outstanding as at the balance sheet date.

Also included is a £200,000 (2015 - £668,961) secured loan from Watford FC Community and Sports Education Trust, attracting interest at 1.5% above Barclays Bank base rate (the balance of the total loan of £668,961 is due in more than one year), the total interest charged for the year is £13,417 (2015 - £13,380), all interest amounts are paid.

An unsecured loan of £543,249 (2015 – nil), (previously due in more than 1 year) attracting interest at 5% per annum, total interest of £22,515 has been charged in the year (2015 - £4,517), a total amount of £27,032 is unpaid, and an interest free loan of £75,000 (2015 - £75,000) are also included. The prior year included a secured bond amount of £341,839 which has been fully repaid in the period.

Directors' loans represent a £965,015 (2015 - £250,000) unsecured loan, attracting interest at 3% per annum. The total loan amount is £3,860,060 with the balance due in more than one year. Total interest charged in the year totals £75,252 (2015 - £10,000). An amount of £57,827 of brought forward interest was transferred to the capital loan amount in the year and total amount on unpaid interest at the year end date is £156,364.

During the financial year the immediate parent company of Hornets Investment Limited, Hornets Investment SA, a company incorporated in Luxembourg, provided a unsecured loan of £15,000,000. This loan attracts interest at 6% above Bank of England base rate. In addition, a further unsecured loan of £670,054 from Hornets Investment Limited which is interest free. The interest charged on the £15,000,000 facility totals £972,329 (2015 – nil) and is unpaid at the year end date.

Security

Hornets Investment Limited hold a fixed and floating charge secured on the total assets of the Company.

XXIII Capital hold a fixed and floating charge secured on the total assets of the Company.

Barclays bank plc hold a fixed and floating charge secured on the total assets of the Company. Barclays also hold a legal charge and guarantee and debenture charge secured on the Vicarage Road Stadium

Watford FC Community Sports & Education Trust hold a legal charge secured on the Vicarage Road Stadium.

The carrying amount of the total assets of the Company is £104,000,000 and the carrying amount of the Vicarage Road Stadium is £20,862,000.

13. Creditors amounts falling due after more than one year

	2016 £'000	2015 £'000
Other loans	3,364	5,810
Amount owed to parent company	4,850	1,801
Transfer fees	7,523	-
Accruals and deferred revenue	2,275	1,433
	£18,012	£9,044

The maturity of total debt may be analysed as follows:	2016 £'000	2015 £'000
In one year or less	29,453	2,786
Between one and two years	4,965	2,501
Between two and five years	2,980	1,350
In more than five years	269	6,623
	£37,667	£13,260

Other loans include a £2,895,045 (2015 – nil) directors' loan repayable in three instalments commencing in July 2017 and the balance of the loan amount due to Watford FC Community & Sports Education Trust of £468,961 (2015 – nil) due in £50,000 instalments commencing August 2017. The interest rates and security are referred to at note 12. The prior year also included a secured bond amount of £5,638,161 which has been fully repaid in the period and a further unsecured loan of £171,891 which has been transferred to due in less than one year.

Parent company loans of £4,850,000 include three secured loans from Hornets Investment Limited; £2,250,000 and £1,000,000, and attracting interest at 4.5% per annum and £1,600,000, attracting interest at 6.00% per annum. The amount of interest charged on the three loans totals £198,078 in the year (2015 - £143,599). The total amount of interest unpaid at the year end date including brought forward amounts is £230,965.

14. Deferred capital grants and contributions

	Capital grants £'000	Contributions to capital expenditure £'000	Total £'000
At 1st July 2015	8	-	8
Credited to the profit and loss account	(3)	-	(3)
At 30th June 2016	5	-	5

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

	2016 £'000	2015 £'000
Allotted, called up and fully paid		
1,072,722 Ordinary shares of £1 each	1,073	1,073
13,000,000 Ordinary 'A' shares of £0.001 each	-	-
	£1,073	£1,073

The Ordinary 'A' shares rank pari-passu with the existing Ordinary shares. The shares have attached to them full voting rights, dividend and capital distribution (including on winding up). Any capital distribution shall be applied amongst the holders of the A ordinary shares and ordinary shares pari-passu as though the same constituted one class of shares pro rata to their numerical holdings notwithstanding they are of different nominal values. They do not confer any rights of redemption. Hornets Investment Limited own 99.7% of the Company's issued share capital.

16. Reserves

	Profit and Loss account £'000
At 1st July 2015	(9,968)
Profit for the year	3,613
At 30th June 2016	£(6,355)

17. Reconciliation of movements on shareholders' funds

	2016 £'000	2015 £'000
Profit/(loss) for the financial year	3,613	(4,783)
Opening shareholders' funds	(8,895)	(4,112)
Closing shareholders' funds	£(5,282)	£(8,895)

Shareholders' funds are fully attributable to equity interests.

18. Notes to the cash flow statement

a) Cash flows from operating activities.

	2016 £'000	2015 £'000
Profit/(loss) for the year	3,613	(4,783)
Adjusted for:		
Depreciation of tangible fixed assets	1,898	828
Amortisation of intangible assets	13,078	510
Loss on disposal of tangible fixed assets	63	4
Profit on disposal of player registrations	(5,611)	(7,288)
Interest paid	1,568	362
Interest received	(15)	(6)
Capital grant released	(2)	(2)
(Increase) / decrease in debtors	(1,479)	(1,317)
(Increase) / decrease in stock	(17)	56
Increase / (decrease) in creditors	7,340	9,049
Foreign exchange loss	3,619	-
Cash generated from operating activities	24,055	(2,587)

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 30th June 2016, which has not been provided for in the financial statements, is as follows:

	£'000
On contracts expiring :	
Within one year	0
Between two and five years	529
	529

The Company's commitments for rental payments under non-cancellable operating leases payable during the year ended 30th June 2016 are as follows:

	Land and buildings £'000	Other £'000
On contracts expiring:		
Within one year	413	70
Between two and five years	1,503	79
More than five years	747	19
	2,263	168

20. Contingent liabilities and assets

The Company has liabilities under transfer agreements to pay additional sums dependent upon players' attainment and subsequent transfer value. The maximum that can be calculated and could be payable in respect of transfers made before 30th June 2016 is £13,092,500 (2015 - £502,500). Since the year end £10,875,000 has become payable (2015 – nil) and an amount of £11,750,000 in sell on clauses not able to be calculated as a contingent sum until sale.

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 £528,500 (2015 - £171,000).

At 30th June 2016 the Club had sums receivable from other clubs in respect of players, dependent upon the number of first team appearances or percentage sell-on clauses. Due to the uncertainty of receipt of these contingent assets, it is not practical to the amount likely to be received. Since the year end £200,000 has become due.

21. Pension costs

a) Defined contribution schemes

Total contributions charged to the profit and loss account during the year amounted to £129,206 (2015: £100,984).

b) Defined benefit scheme

	2016	2015
	£'000	£'000
Liability at start of the year	392	309
Payments in year	(63)	(63)
Increase in provision	29	146
Liability at end of year	358	392

The Company is advised of its share of the deficit in the Scheme. The most recent actuarial valuation of the Scheme was at August 2014 and indicated that the contributions required from the Company towards making good the deficit was £391,875 at 1 September 2014 (the total deficit in the Scheme at this date was £21.8 million). The Company's share of the deficit is being paid over a period of five and a half years commencing September 2014.

Additional contributions are being charged to the profit and loss account over the remaining life of those employees who are members of the Scheme. The amount charged to the profit and loss account during the year was £29,314 (2015: £145,522).

22. Post balance sheet events

As outlined in note 20, subsequent to the year end, sums have been or have become receivable from other Clubs in respect of appearance and sell-on clause in respect of players previously sold. It is estimated that net income of at least £200,000 is to be reflected in the financial statement for the current year. Since the year end various players' registrations have been sold or terminated and in respect of those it is estimated that net income of £25,000,000 is to be reflected in the financial statement for the current year,

Since the year end there have been several new player registrations. The net payments to which the Club is committed in respect of those transactions is estimated to be £55,000,000 (dependent upon certain exchange rates at the date of payment), with estimated further potential amounts of £4,500,000 due dependent upon Club and / or player performance.

The Parent company loan of £15,000,000 has been fully repaid and the loan of £12,000,000 has also been repaid. A new loan of £40,000,000 has been provided by Hornets Investment Limited.

An amount of £965,015 has been repaid in respect of a Directors loan.

23. Parent Company and control

The immediate parent company is Hornets Investment Limited, a company registered in England and Wales. The ultimate parent company and controlling party is Diversify Sport Investment SL, a company registered in Spain. The sole shareholder and therefore the ultimate controlling party is Gino Pozzo.

24. Related party and directors' transactions

As at 30 June 2016 the Company owed £5,751,019 to Hornets Investment Limited, its immediate parent company. Details of the loan are included at note 12 and note 13.

As at 30th June the Company owed £15,972,239 to the immediate parent company of Hornets Investment Limited, Hornets Investment SA, a company incorporated in Luxembourg. Details of the loan are included at note 12.

During the year ended 30th June 2016 the Company repaid loan notes owed to David Fransen of £1,590,996 (2015 - Nil), a director of the Company, which accrued interest at 3% per annum. Interest owed as at 30th June 2016 is nil (2015 - £122,398). A new unsecured loan of £3,860,060 was received during the year, accruing interest at 3% per annum, repayable over a 4 year period. The loan is outstanding as at the year end date and interest owed as at 30th June 2016 is £156,364.

A director, Stuart Timperly, is a trustee of Watford FC Community Sports & Education Trust, a charitable company. As at 30th June 2016 a secured loan of £668,961 was owed to the Trust (2015 - £668,961), interest accrue at 1.5% above Barclays bank base rate. The total interest charged for the year was £13,417 (2015 - £13,380) and all interest amounts are paid.

During the year a salary of £33,021 was paid to Gino Pozzo, majority shareholder and ultimate controlling party.

During the year a total amount of £43,600 in respect of administration fees, was paid to Fidentis Advisors Limited, a company incorporated in England and Wales. Raffaele Riva is the director of the company and the majority shareholder. Of the above amount £6,000 remains outstanding as at the balance sheet date.

During the year a commission fee of £30,000 was paid to BGB Aurea Limited, a company incorporated in England & Wales. Raffaele Riva is the director and owns 50% of the share capital.

Also during the year the following amounts were paid to Udinese Calcio SpA, a fellow group company: Sponsorship of £2,000,000 were paid to Udinese Calcio SpA, £500,000 of deferred commercial rights income was released to the profit and loss account during the year, £3,574,349 in respect of promotion to Premier League and sell on clauses for players of which £2,272,304 remains outstanding as at the balance sheet date.

Remuneration of key management personnel

Other than the directors there are no other members of key management. Directors remuneration can be found in note 6.

25. Reconciliation on adoption of FRS 102

	30th June 2015 £'000	30th June 2016 £'000
Equity as reported under previous UK GAAP and under FRS 102	(5,282)	(5,282)

	30th June 2015 £'000	30th June 2016 £'000
Profit/(Loss) as reported under previous UK GAAP and under FRS 102	(4,783)	3,613

Notes to reconciliations on adoption of FRS 102

There were no transitional adjustments to the prior period accounts as a result of the adoption of FRS 102 that impact on the overall equity or profit of the company. There has been one reclassification adjustment in the balance sheet where a loan of £2,864,236 was classified as a long term creditor under UK GAAP, as at 30 June 2015, and under FRS 102 has been re-classified as a short term creditor.