

Certified as signed original

The Annual Report and Financial Statements
of Watford Leisure PLC
for the year ended 30th June 2006

Pete Wastall

P. J. Wastall
(Company Secretary)
26th January 2007

STEADY GROWTH
SERIOUS PROGRESS

ANNUAL REPORT AND FINANCIAL STATEMENTS
WATFORD LEISURE PLC
FOR THE YEAR ENDED 30TH JUNE 2006

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COMPANIES HOUSE

VISION

To become a premier business, driven by an inspired and talented team

Key strategies over the next 3 years

Build a common understanding of the purpose, vision and direction of Watford Football Club supported by values and behaviours embraced by the whole team

Develop a high performance culture, where people are respected, rewarded and can grow to reach their full potential

Develop a sustainable business model which reduces the dependency on media and match day income

Develop a team of disciplined, hungry footballers who are role models for young people, playing a brand of exciting attacking football

Build a premier stadium with supporting infrastructure

Establish effective communication within the whole team

Create a united, integrated team philosophy

HIGHLIGHTS

Financial

The successful Rights Issue provided capital for the company and our promotion to the Premiership will significantly increase revenues and shareholder value.

Stadium

The recent announcement concerning the stadium redevelopment will significantly increase both the matchday experience of our supporters and help deliver a sustainable business.

Football

Promotion to the Premier League.

Management

The football management has delivered promotion to the Premier League and the executive team has played a major part in our plans for the redevelopment of the stadium.

	2006	2005	2004
Turnover	£8.5m	£8.5	£8.5
Loss before tax	£5.6m	£2.1m	£4.5m
Earnings per share	(29.9)p	(19.1)p	(62.6)p

CHAIRMAN'S STATEMENT

Graham Simpson

Growth and Progress

I am pleased to announce the results of 2005/2006 season which culminated in Watford FC being promoted to the Premiership. This promotion will not only bring the top level of football to Vicarage Road but will also play a major part in returning the company to profit. The financial results in 2005/2006 suffered the costs of promotion with significant bonus payments accruing to our players and management staff.

Rights Issue

At the end of 2005, the board decided that additional working capital was required to develop the business and ensure that no financial pressures were applied to the team during their drive for promotion. On the 28th April 2006 we announced the success of the Rights Issue through which we received gross proceeds of £6.19 million. I would like to thank my fellow directors and those who invested for their support. I would particularly like to take this opportunity to thank Lord Ashcroft who underwrote the issue for his faith in both the club and the management team.

Financial Results

The loss on ordinary activities after taxation was £5.6million (2005: £2.1 million loss) on a turnover of £8.5 million. The principal cause of an increased loss was the increase in employment costs of £3.4 million largely as a result of bonus payments to players in regard to promotion to the Premiership and the league performances to get to the play off final. Once these costs are taken into account, it can be seen that the trading performance was similar to the previous year with a loss of circa £2 million as a result of turnover being flat at £8.5 million.

Performance of the Football Team

The 2005/06 season was an excellent one for the team with promotion to the Premier League achieved having finished third in the Championship and then defeating Crystal Palace and Leeds United in the Play-offs. In addition to this, Marlon King and Ashley Young were voted by their peers into the 'Championship Team of the Season' and Marlon also finished as top scorer in the league.

On behalf of the board, I would like to pay tribute to Adrian Boothroyd, his staff and all the players who contributed to such a memorable season.

Delivering the Goals

Now that Premier League football has been attained, our goal is to build a club infrastructure that will support the on-pitch success and enable us to continue to drive the business forward on all levels.

Football Management Team

In the summer of 2006, Adrian took further steps in shaping his backroom staff to equip the team for the challenges of the Premier League. This meant that a number of appointments were made over the course of the last 12 months, including Performance Analyst Mick Court, who joined the club from Crewe Alexandra, and Dick Bate who was appointed as Technical Director after a career spanning many years working with the Football Association.

Watford Staff

I would also like to take this opportunity to thank all Watford FC staff whether full time or part time employees. Under the leadership of Mark Ashton, they have all contributed so much to the success of the club over the last 12 months.

The Commercial Director, James McLaughlin, left during the year and the Communications and Corporate Sales Director, Tony Yorke, left in October 2006. I would like to thank them both for the contribution they made to the club.

I was also pleased to welcome Julian Winter who joined Watford as Community Director to lead our Community, Sports and Education Trust while Katie Wareham was promoted from Financial Controller to Director of New Projects, further strengthening the dynamic Senior Management Team in place to support Chief Executive Officer Mark Ashton.

Sir Elton John receives my personal thanks for his invaluable support and assistance regarding the transfer of Paul Devlin, who left the club in January 2006.

My thanks also go to our loyal fans who have maintained their levels of support, playing a significant role in the team's success over the last year.

Other Developments and Future Prospects

I have consistently stated our three outstanding objectives, which were:

- to achieve promotion to the Premier League
- to return value to our shareholders
- to redevelop the stadium

Addressing each of these in turn:

Promotion to the Premier League has been achieved so our work is now focused on ensuring that we are able to compete at the top level of English football and continue to move forward on and off the pitch.

Whilst we have produced a similar trading performance to last year the achievement of Premiership status has provided a platform to generate a return to our shareholders in the coming years.

Although the announcement was made outside of this reporting period, in September 2006, I was delighted to be able to publicly confirm the formal plans for the redevelopment of Vicarage Road. Should planning permission be granted, work will commence in June 2007 and will be completed within three years.

This work will ensure the club's long-term future in the town of Watford and also provide much-needed and enhanced revenue streams that will, eventually, allow the business to become self-sustaining.

The work that has gone into the stadium redevelopment project has been immense, led by Mark Ashton and his team. I would like to pay tribute to Mark for his tenacity, thoroughness and dedication which has resulted in what should be a massive leap forward for our future success.

I also thank everyone who has played his or her part in driving Watford Football Club forward.

Graham Simpson
Chairman
16 November 2006

A large, stylized handwritten signature in black ink, appearing to be 'G. Simpson', followed by a smaller, less distinct signature.

CHIEF EXECUTIVE'S REPORT

Mark Ashton

Overview of the Season

The 2005/06 season started with some serious challenges for Watford FC, both on and off the pitch with an almost totally new backroom staff and a large number of new players.

The season would offer vast challenges for Adrian Boothroyd and his players while, off the pitch, there would be continued challenges in delivering increased commercial revenues and developing the plan to restructure the stadium as well as a further enhancement of the organisational structure of the football club.

In May 2006, Watford Football Club gained promotion to the Premier League - a massive achievement for a club that has come so far in such a short period of time. Everyone connected with the football club should be commended for their huge efforts on this fantastic achievement.

Adrian Boothroyd and his backroom staff, along with his team of players, delivered one of the most successful seasons in the club's 125-year history. That achievement was supported by non-footballing staff who also played a major role in the delivery of Premier League football.

I would like to take this opportunity to thank all of the staff at the Football Club who played their part in the success in the 2005/06 season. During the 12-month period, the club continually evolved, supported by a driven and focused team both on and off the pitch. Success was delivered in a variety of areas.

These included ticketing, retail and commercial revenues. In addition to which, there was a substantial improvement in our media and communications operations with the club receiving unprecedented levels of national coverage across all media.

A total of 42 football and rugby matches were delivered at the Vicarage Road Stadium. This is another significant achievement and the operations, maintenance and catering staff at the club should be commended for their efforts in achieving this.

2005/06 was again a very busy and challenging year for everyone at the football club and, although success has been achieved in many areas, everyone connected with the club will not be resting on their laurels. This is merely the end of the beginning. A new league offers us a new set of challenges - challenges which we will endeavour to meet and overcome with a team of focused and dedicated people.

I'd also like to thank our partners and sponsors - loans.co.uk and TOTAL - as well as Watford's mayor, Dorothy Thornhill, and Watford Borough Council and all our fellow members of the Strategic Master Planning Group for their fantastic enthusiasm and support over the last year. They have all been a fundamental part of our success and we're proud to share it with them. Everyone played his or her role.

Financial Results

The financial results for the year ended 30th June 2006, which are set out in statutory format on page 18, are summarised in an amended format below.

	2006 £'000	2005 £'000
Revenue	8,526	8,529
Wages and Salary Costs	(10,002)	(6,599)
Other Operating Expenses	(5,948)	(5,623)
Other Operating Income	440	800
Operating Loss	(6,984)	(2,893)
Profit on disposal of Players Registrations	2,019	725
Termination of Stadium finance lease	-	614
Net Interest charges	(626)	(593)
Loss on ordinary activities before taxation	(5,591)	(2,147)

Revenue

Revenue compared to 2004/05 was static at £8.5 million, the principal areas where sales increased or decreased were as follows.

Gate Receipts

Average attendance at Vicarage Road for league matches increased in the year by 7.6% to 15,376. In 2004/05 it was 14,290. As a result turnover increased by £122,000 year on year an increase of only 3.2% due to the Carling Cup run the previous year, and an agreement with Leeds United that the loser of the play off final in Cardiff would retain the gate receipts.

Retail

The shop migrated from the Vicarage Road to the Rookery Stand in November 2005 providing both a far greater retail area and a location close to our supporters. This move, plus the play offs, contributed to the increase in sales of £380,000.

Catering

Caterings takings were down by £150,000 year on year as a result of the previous years sales substantially benefiting from the Elton John Concert.

Broadcasting Receipts

TV income was £150,000 less than 2004/05 as a result of the TV monies received for the Carling Cup run. Although we were promoted via the play-offs no TV income is received for the final.

Programme Receipts

In 2005/06 the programme was outsourced to CRE8 resulting in an additional contribution of £30,000 being generated after costs were taken into account, however turnover reduced by £150,000 as a result of the match day revenues being paid to CRE8.

Wages and Salary Costs

The costs of wages and salaries have continued to be tightly managed in the year, however significant bonuses were offered for success to players and staff and most notably for promotion to the Premier League. As a result of our promotion these bonuses fell due and are the principal reason for significant increase in costs in the year.

Other Operating Expenses

The costs increased by 6% in the year to £5.9million, principally due to the increased costs of rent, rates and utility costs.

Other Operating Income

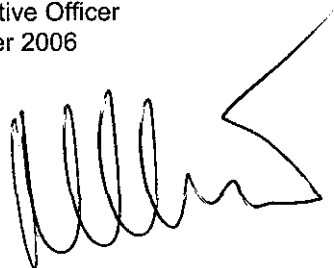
In 2004/05 donations of £239,000 were received for the 'Buy Back the Vic' campaign. As we have now bought back the freehold of Vicarage Road, no such donations were sought. This is the principal reason for the reduction in this income line.

Player Trading

The profit on disposal of players was mainly due to the sale of Heidar Helguson and the cancellation of a loan made by Sir Elton John for Paul Devlin on his transfer to Walsall.

Mark Ashton

Chief Executive Officer
16 November 2006

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

BOARD OF DIRECTORS

Graham Simpson Chairman

Lifelong fan Graham Simpson saw his first Watford match in 1959 and has been a loyal Hornets' supporter ever since.

Following a 12-year acting career, in 1978 Graham formed Simply Travel, a holiday company that grew rapidly to carry over 50,000 clients. He sold the business in 1999 and has now formed Simpson Travel, a new travel company that he runs when his duties at Vicarage Road permit.

Jimmy Russo Vice-Chairman, Non-executive Director

Jimmy, 50, is a founder Director of Valley Grown Salads, a major supplier of quality fresh produce to high street supermarkets such as Waitrose and Sainsburys. In addition, Jimmy is a director of an electronics company and has business interests in Spain and Israel.

Valley Grown Salads, located in a village in Essex, was established in 1982. During the last two decades it has grown into one of the leading businesses of its kind in the United Kingdom. Jimmy was invited to join the Watford Board as its Vice-Chairman in January 2004.

Vince Russo Non-executive Director

Vince is 47-years-old and is a passionate football fan and co-founder of Valley Grown Salads. He is a Director of Valley Grown Salads, where he has particular responsibility for the company's ongoing business operations. He also has business interests in Egypt and Israel.

Vince is the driving force behind Valley Grown Nursery, a 10 acre facility in Essex that provides peppers for leading high street supermarkets Waitrose and Sainsburys. In 2004, Vince and his brother Jimmy received the coveted Salad Grower of the Year award in recognition of their outstanding contribution to their industry.

Andrew Wilson Non-executive Director

Andrew Wilson joined the Board as a non-executive Director in December 2002. He is currently Chairman of London Town Plc and a non-executive Director of Corporate Services Group Plc, Wraith Plc, Digital Marketing Group Plc, Global Health Partner Plc, Strand Associates Limited, Bruce Oldfield Studio Limited and an Industrial Partner of Lyceum Capital Limited.

Mark Ashton Chief Executive Officer

At 35, Mark Ashton is the youngest chief executive working in the Premier League. After initially playing for West Bromwich Albion, Mark left at 19 to establish his own engineering business.

He then returned to professional football as a twenty-two year old, after being offered the opportunity to join the West Brom coaching staff. By 2004 he was a director and had responsibility for key infrastructure projects, including business development, stadium redevelopment and youth and community operations.

In 2004, Mark was invited to join Watford FC and lead the club's senior management team during one of the most exciting phases of its 125-year history.

CORPORATE GOVERNANCE REPORT for the year ended 30 June 2006

General principles

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

The Board

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

Accountability and audit

Audit committee and audit

The board has established an Audit Committee which consists of three non-executive directors. Written terms of reference of the Audit Committee have been drawn up which require it to consider and report to the Board on such issues as the group's annual reports and interim reports, ensuring compliance with accounting policies and satisfying itself as to the adequacy of the group's external audit and internal control procedures. The Committee will meet at least once a year with the group's auditors in attendance.

Internal financial control

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

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

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

Risk management

A risk management review has been previously undertaken by the group to identify, evaluate and manage key risks. Projections are made on a realistic basis in order to identify financial pressures in advance. A four year planning process is due to be completed in respect of all key components of the group's operation.

Compliance with the Combined Code

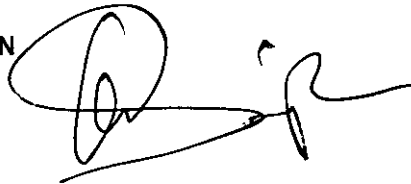
The Group is not required to comply with the Combined Code as an AIM company, but seeks to comply with those provisions most appropriate to the group. We continue to review our corporate governance procedures to ensure they match the needs of the group.

Remuneration report

The Remuneration Committee is responsible for determining the emoluments of the executive director, and consists of three non-executive directors. The Committee makes recommendations to the Board on the company's framework of executive remuneration and its cost.

GRAHAM SIMPSON

Chairman
16 November 2006

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REPORT OF THE DIRECTORS for the year ended 30 June 2006

The directors present their report on the affairs of the group, together with the audited financial statements for the year ended 30 June 2006.

Principal activities and business review

The principal activity of the company is to hold, as investments, the majority of the issued share capital of The Watford Association Football Club Limited and the whole of the issued share capital of Watford Catering Limited.

The group reported a loss before taxation for the year of £5,591,742 (2005 - loss £2,146,524).

The development of the business during the year and the group's position at the year end is considered in the Chairman's statement on pages 2 to 4 and in the Chief Executive's report on pages 6 to 9.

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.

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

Directors and their interests

The directors at 30 June 2006 together with their beneficial interests in the shares of the company were as follows:

	Ordinary shares of 1p each 30 June 2006	Ordinary shares of 10p each 30 June 2005
G M Simpson (Chairman)	7,368,796	2,868,796
G Russo (Vice Chairman)	12,781,953	3,759,398
V Russo	12,781,953	3,759,398
A S Wilson	56,664	16,666

G Russo and V Russo jointly control Valley Grown Salads which holds 12,781,953 Ordinary 1p shares (2005 - 3,759,398 Ordinary 10p shares) in the company.

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

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

Substantial interests

Apart from the directors above and the shareholding listed below, the directors are not aware of any party beneficially interested in 3% or more of the issued ordinary share capital at 16 November 2006.

Name	Number of shares	Percentage
Fordwat Limited	16,306,437	37.16%

REPORT OF THE DIRECTORS for the year ended 30 June 2006

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors have each taken all steps that they ought to have taken as directors in order to make themselves aware of any information relevant to the audit and to ensure that the auditors are aware of all relevant audit information. As far as each director is aware, there is no relevant audit information of which the company's auditors are unaware.

Corporate governance

The Board's report on the group's corporate governance procedures is set out on pages 11 and 12.

Payment of suppliers

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

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

Overall, the ratio expressed in days between the amounts invoiced to the Group by its suppliers and the amount owed to its trade creditors at 30 June 2006 was 52 days.

Employees

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

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

Charitable and political donations

During the year the group made charitable donations amounting to £35,264. No political donations were made during the year.

Going concern

As disclosed in note 1a to the financial statements the directors are confident that the company has sufficient funds to meet its financial obligations. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Post balance sheet events

Details of post balance sheet events are given in note 25 to the financial statements.

Auditors

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

Signed on behalf of the Board

P J WASTALL



Secretary

Approved by the Board on 16 November 2006

INDEPENDENT AUDITORS' REPORT to the shareholders of Watford Leisure PLC

We have audited the group and parent company financial statements (the "financial statements") of Watford Leisure PLC for the year ended 30 June 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the parent company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the Chairman's Statement and the Chief Executive's report that is cross referred from the Business Review section of the directors' report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Chief Executive's report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT to the shareholders of Watford Leisure PLC

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 June 2006 and of the group's loss for the year then ended;
and
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
and
- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in the financial statements concerning the group's borrowing facilities. The financial statements have been prepared on a going concern basis, the validity of which depends upon such borrowing facilities being available. Details of the circumstances are described in note 1 to the financial statements. Our opinion is not qualified in this respect. The financial statements do not include any adjustments that would result from such borrowing facilities not being available.

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CHANTREY VELLACOTT DFK LLP

Chartered Accountants
Registered Auditors
Watford
16 November 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30 June 2006

	Notes	Operations excluding player trading £	Player trading (note 9) £	2006 £	2005 £
Turnover	2	8,526,054	-	8,526,054	8,529,159
Cost of sales		11,762,076	420,194	12,182,270	9,738,121
Gross loss		(3,236,022)	(420,194)	(3,656,216)	(1,208,962)
Administrative expenses		3,768,442	-	3,768,442	2,484,797
		(7,004,464)	(420,194)	(7,424,658)	(3,693,759)
Other operating income	3	439,991	-	439,991	800,321
Operating loss		(6,564,473)	(420,194)	(6,984,667)	(2,893,438)
Profit on disposal of players' registrations		-	2,019,144	2,019,144	725,345
Profit on termination of stadium finance lease		-	-	-	613,699
Interest receivable	4	2,116	-	2,116	22,305
Interest payable and similar charges	4	(628,335)	-	(628,335)	(614,435)
Loss on ordinary activities before taxation	5	(7,190,692)	1,598,950	(5,591,742)	(2,146,524)
Tax on loss on ordinary activities	7			-	-
Loss on ordinary activities after taxation				(5,591,742)	(2,146,524)
Minority interests				233,900	(28,665)
Loss for the financial year	19			£(5,357,842)	£(2,175,189)
Earnings per share (loss) (basic and diluted)	8			(29.9p)	(19.1p)

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.

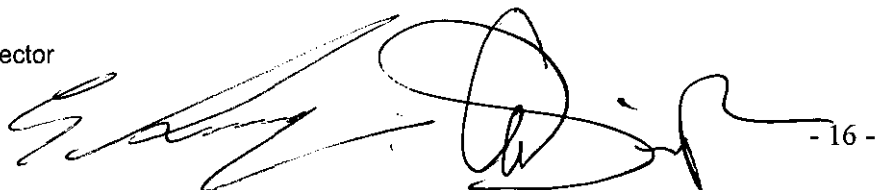
There is no difference between the profits shown above and their historical cost equivalents.

CONSOLIDATED BALANCE SHEET as at 30 June 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	1 c)d)g) & 9	1,989,700	813,049
Tangible assets	1 f) & 10	8,029,930	8,057,971
		10,019,630	8,871,020
Current assets			
Stocks	1 h) & 12	131,122	81,070
Debtors	13	2,490,985	1,443,792
Cash at bank and in hand		450,751	34,276
		3,072,858	1,559,138
Creditors: amounts falling due within one year	14	9,712,985	10,099,256
Net current liabilities		(6,640,127)	(8,540,118)
Total assets less current liabilities		3,379,503	330,902
Creditors: amounts falling due after more than one year	15	(5,687,545)	(2,969,259)
Deferred capital grants and contributions	1 f) & 17	(41,741)	(46,393)
		£(2,349,783)	£(2,684,750)
Capital and reserves			
Called up share capital	18	438,857	1,290,756
Share premium	19	-	1,872,409
Special reserve	19	10,650,875	1,999,858
Profit and loss account	19	(12,872,641)	(7,514,799)
Shareholders' funds	20	(1,782,909)	(2,351,776)
Minority interests		(566,874)	(332,974)
		£(2,349,783)	£(2,684,750)

Approved by the Board of Directors on 16 November 2006 and signed on its behalf.

G M SIMPSON - Director
G RUSSO - Director



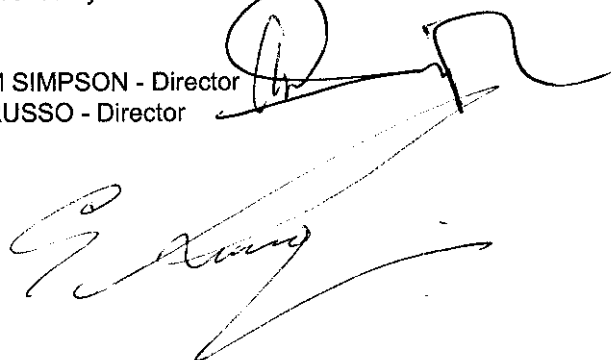
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COMPANY BALANCE SHEET as at 30 June 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	11	12,164,829	6,572,103
Current assets			
Debtors	13	20	26,323
Creditors: amounts falling due within one year	14	9,094	35,403
Net current liabilities		(9,074)	(9,080)
Total assets less current liabilities		12,155,755	6,563,023
Creditors: amounts falling due after more than one year	15	(1,000,000)	(1,400,000)
		£11,155,755	£5,163,023
Capital and reserves			
Called up share capital	18	438,857	1,290,756
Share premium	19	-	1,872,409
Special reserve	19	10,650,875	1,999,858
Profit and loss account - accumulated surplus	19	66,023	-
Shareholders' funds	20	£11,155,755	£5,163,023

Approved by the Board of Directors on 16 November 2006 and signed on its behalf.

G M SIMPSON - Director
G RUSSO - Director



CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2006

	Notes	2006 £	2005 £
Operating activities			
Net cash outflow from operating activities	21 (a)	(3,248,748)	(1,179,966)
Returns on investments and servicing of finance			
Interest received	2,116	22,305	
Interest paid	(643,394)	(576,878)	
Net cash outflow from returns on investments and servicing of finance		(641,278)	(554,573)
Taxation		-	-
Capital expenditure			
Payments to acquire intangible fixed assets	(1,733,443)	(188,350)	
Payments to acquire tangible fixed assets	(142,499)	(7,808,852)	
Receipts from sales of intangible fixed assets	1,682,749	315,654	
Receipts from sales of tangible fixed assets	-	3,838	
Net cash outflow for capital expenditure		(193,193)	(7,677,710)
Net cash outflow before financing		(4,083,219)	(9,412,249)
Financing			
Issue of ordinary share capital	5,176,709	1,856,249	
(Repayments) / advances of finance and other loans	(157,672)	6,270,982	
Capital element of finance lease and hire purchase	-	185,553	
Net cash inflow from financing		5,019,037	8,312,784
Increase / (decrease) in cash in the year	21 (c)	£935,818	£(1,099,465)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

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 UK accounting standards.

The group incurred a loss for the year of £5,357,842 and had net liabilities at 30 June 2006 of £2,349,783. The payment of bonuses for the promotion of Watford Football Club into the Premier League was the principal factor in the increased loss in the year compared to the year before. Eliminating the cost of promotion bonuses showed that the club made a loss of circa £2 million in line with the previous year's performance.

The promotion of Watford Football Club to the Premier League will generate significant additional revenues principally from broadcasting rights, but also from increased revenues relating to ticket sales, increased use of corporate facilities, advertising and retail sales.

The group has prepared financial projections for the period to December 2007 which show that it can through a combination of its operational revenues and borrowing facilities meet all its financial obligations.

The directors therefore consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result should this not be the case.

b) Basis of consolidation

The group financial statements incorporate the financial statements to 30 June 2006 of Watford Leisure PLC and its subsidiaries, The Watford Association Football Club Limited (the "Club") and Watford Catering Limited.

c) Goodwill

Goodwill arising on consolidation is capitalised as an intangible asset and is amortised on a straight line basis over 10 years. The value of goodwill is reviewed annually for any impairment and provision made against any permanent diminution in value. At 30 June 2006 Goodwill was fully provided.

d) Players' registrations

Costs of acquiring players' registrations are capitalised as intangible fixed assets. Costs include all amounts payable under the purchase agreement, where payment is probable, and any associated costs of the transfer of registration.

Players' registrations, which are amortised over the period of their initial contract, and any subsequent extensions, on a straight line basis, are written down for impairment when the carrying amount exceeds the amount recoverable through use or sale.

e) Signing on fees

Signing on fees are charged in the year of payment.

Where a player's registration is transferred any amounts paid in respect of the balance of signing on fees due are included in the profit on disposal of players' registrations in the period in which the disposal is recognised.

f) Tangible fixed assets, capital grants and depreciation

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

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 not charged on freehold land nor on expenditure on assets under construction which have not been brought into use before the relevant accounting date. The stadium is now categorised as freehold property and is depreciated on a straight line basis over 25 years. Depreciation of leasehold improvements, motor vehicles, equipment, fixtures and fittings is calculated at 25% on written down value, a rate calculated to write off cost less estimated residual value of each asset over its expected useful life.

g) Pouring rights

Payments made to release the group 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 are amortised on a straight line basis over their economic life, estimated at 10 years.

h) Stocks

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

i) Deferred revenue

Deferred revenue arises principally on the advance sale of season tickets and executive boxes and is recognised as income in the period to which it relates.

j) Donations received

Donations are accounted for on a cash received basis.

k) Hire purchase and leasing

The costs of operating leases are expensed as incurred.

Assets acquired under hire purchase agreements and finance leases are capitalised in the balance sheet and are depreciated in accordance with the company's normal policy. The outstanding liabilities under such agreements less interest not yet due are included in creditors. Interest on such agreements is charged to profit and loss account over the term of each agreement and represents a constant proportion of the balance of capital repayments outstanding.

l) Pensions

The group contributes to the Football League Limited Pension and Life Assurance Scheme for certain employees and also contributes to players' own pension plans, the assets of which are held separately from those of the group in independently administered funds. The pension cost charges represents contributions payable by the group during the year.

m) 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 for the year ended 30 June 2006

2 Turnover

Turnover represents match receipts and all other income associated with the principal activity of running a professional football club, excluding profits arising on the sale of players' registrations, and excludes value added tax.

3 Other operating income

	2006 £	2005 £
Donations	905	239,247
Rent receivable	411,750	409,500
Contributions to capital expenditure	1,132	1,510
Release of capital grants	3,520	3,520
Other	22,684	146,544
	<u>£439,991</u>	<u>£800,321</u>

4 Interest

	2006 £	2005 £
Interest receivable :		
Bank deposit interest	<u>£2,116</u>	<u>£22,305</u>
Interest payable and similar charges :		
Bank loan and overdraft	194,395	127,766
Finance lease and hire purchase interest	-	143,731
Other interest	433,940	342,938
	<u>£628,335</u>	<u>£614,435</u>

5 Loss on ordinary activities before taxation

	2006	2005
	£	£
<hr/>		
This is stated after charging :		
Amortisation of intangible fixed assets	495,401	458,435
Depreciation of tangible fixed assets	170,540	171,917
Profit on disposal of tangible fixed assets	-	(1,166)
Staff costs (note 6)	10,001,961	6,599,768
Directors' remuneration (note 6)	451,423	75,000
Auditors' remuneration		
audit	31,000	27,000
in connection with share issue	50,150	-
other non - audit fees	26,550	27,267
Operating leases - vehicles and equipment	56,786	71,578
Operating leases - other	282,489	260,028
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

6 Employee information

	2006	2005
	£	£
Staff costs:		
Wages and salaries	8,437,232	5,861,178
Social security costs	943,852	646,094
Other pension costs	620,877	92,496
	<u>£10,001,961</u>	<u>£6,599,768</u>

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

	2006	2005
	Number	Number
Players	42	46
Coaching staff	24	26
Commercial staff	22	21
Part-time catering staff	102	83
Administration	15	15
Ground staff	6	5
	<u>211</u>	<u>196</u>

In addition to the above the group employed an average of 208 (2005 - 206) part-time match day staff during the year.

Directors' remuneration

Chairman and highest paid director	£301,423	£75,000
	<u> </u>	<u> </u>

7 Tax on loss on ordinary activities

In view of the loss for the year there is no liability to corporation tax.

Tax losses of the Club at 30 June 2006 available for offset against future trading profits of that subsidiary, subject to Inland Revenue acceptance, are in excess of £30,000,000. No charge to corporation tax arises in the parent company due to the availability of group losses.

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

8 Earnings per share

Earnings per ordinary share have been calculated as follows:

	2006 £	2005 £
Loss for the financial year	£(5,357,842)	£(2,175,189)
Weighted average number of shares in issue	17,914,982	11,410,960
Earnings per ordinary share	(29.9p)	(19.1p)

9 Intangible fixed assets - group

	Goodwill £	Pouring rights £	Players' registrations £	Total £
Cost :				
At 1 July 2005	1,872,703	752,067	2,861,020	5,485,790
Additions	-	-	1,782,526	1,782,526
Disposals	-	-	(2,350,545)	(2,350,545)
At 30 June 2006	1,872,703	752,067	2,293,001	4,917,771
Amortisation :				
At 1 July 2005	1,872,703	256,957	2,543,081	4,672,741
Charge for the year	-	75,207	420,194	495,401
Disposals	-	-	(2,240,071)	(2,240,071)
At 30 June 2006	1,872,703	332,164	723,204	2,928,071
Net book value :				
At 30 June 2006	£Nil	£419,903	£1,569,797	£1,989,700
At 30 June 2005	£Nil	£495,110	£317,939	£813,049

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

10 Tangible fixed assets - group

	Freehold ground, premises and improvements £	Motor vehicles, equipment, fixtures and fittings £	Total £
Cost :			
At 1 July 2005	7,826,380	1,112,419	8,938,799
Additions	-	142,499	142,499
Disposals	-	(29,410)	(29,410)
	<u>7,826,380</u>	<u>1,225,508</u>	<u>9,051,888</u>
At 30 June 2006			
Depreciation :			
At 1 July 2005	72,570	808,258	880,828
Charge for the year	63,769	106,771	170,540
Disposals	-	(29,410)	(29,410)
	<u>136,339</u>	<u>885,619</u>	<u>1,021,958</u>
At 30 June 2006			
Net book value :			
At 30 June 2006	<u>£7,690,041</u>	<u>£339,889</u>	<u>£8,029,930</u>
At 30 June 2005	<u>£7,753,810</u>	<u>£304,161</u>	<u>£8,057,971</u>

11 Investments

	Shares in subsidiary undertakings £	Loan to subsidiary undertaking £	Total £
Cost :			
At 1 July 2005	10,674	6,561,429	6,572,103
Additions	-	5,592,726	5,592,726
At 30 June 2006	£10,674	£12,154,155	£12,164,829

Subsidiaries	Nature of business	Ordinary shares
The Watford Association Football Club Limited	Football club	96%
Watford Catering Limited	Catering company	100%

Both companies are incorporated in England & Wales.

12 Stocks - group

	2006	2005
Goods for resale	£131,122	£81,070

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

13 Debtors

	Group		Company	
	2006 £	2005 £	2006 £	2005 £
Trade debtors	1,588,881	451,532	-	-
Transfer fees receivable	127,250	690,000	-	-
Prepayments and accrued income	774,854	302,260	20	26,323
	£2,490,985	£1,443,792	£20	£26,323

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

14 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank overdraft	-	519,343	-	6
Bank loan (note 15)	89,865	83,409	-	-
Trade creditors	841,859	341,599	-	-
Players' registration costs	403,417	362,750	-	-
Other taxes and social security	1,667,361	745,277	-	-
Directors' loans	500,000	4,000,000	-	-
Other loans (note 15)	340,000	1,425,121	-	-
Accruals and deferred revenue	5,870,483	2,621,757	9,094	35,397
	£9,712,985	£10,099,256	£9,094	£35,403

Accruals and deferred revenue includes income, mainly from season ticket sales, received in advance in respect of the 2006/07 season.

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Convertible Loan Notes 2009	1,000,000	1,000,000	1,000,000	1,000,000
Bank loan	228,420	317,046	-	-
Directors' loans	3,312,821	562,821	-	400,000
Other loans	668,961	668,961	-	-
Players' registration costs	8,416	-	-	-
Accruals and deferred revenue	468,927	420,431	-	-
	£5,687,545	£2,969,259	£1,000,000	£1,400,000

15 Creditors: amounts falling due after more than one year (continued)

The maturity of total debt may be analysed as follows:

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
In one year or less	929,865	5,508,530	-	-
Between one and two years	3,244,168	88,626	-	-
Between two and five years	1,966,034	2,460,202	1,000,000	1,400,000
	£6,140,067	£8,057,358	£1,000,000	£1,400,000

The Convertible Loan Notes 2009 are issued to the Chairman, Mr G Simpson. The notes are unsecured and are convertible into Ordinary 1p shares at a price of 66.5p per share. Interest of £70,233 (2005 - £62,382) was payable during the year.

The bank loan totalling £318,285, including £89,865 falling due within one year is secured by a charge over the Club's freehold stadium.

Directors loans of £3,150,000 (2005 - £4,400,000) have been advanced to the company by G Russo and V Russo (2005 - additionally G Simpson). These loans are unsecured.

Additional directors loans of £662,821, including £500,000 due within one year, represent amounts advanced to the company to fund the acquisition and salary costs of certain players by G Russo and V Russo. These loans are unsecured. £305,408 (2005 - £344,041) of interest and charges were payable to directors during the year.

Other loans of £668,961 represent a loan to the Club by Watford FC's Community Sports and Education Trust which is secured by a legal charge over the Club's stadium and is guaranteed by Watford Leisure PLC. £40,451 (2005 - £Nil) interest was payable during the year.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

16 Financial instruments

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

Short term debtors and creditors have been excluded from the disclosures in this note.

Interest rate risk

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

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

	2006 £	2005 £
Floating rate	450,751	34,276

The interest rate profile of financial liabilities was as follows:

	2006 £	2005 £
Fixed rate	3,650,000	-
Floating rate	2,081,731	6,450,487
No interest	492,821	1,842,942
	£6,224,552	£8,293,429
Fixed rate weighted average interest rate at 30 June	7.41%	-

Liquidity risk

The group's policy to ensure the continuity of funding has been to spread the cash outflow from player purchases through contract negotiation and capital purchases through the utilisation of loan and lease purchase funding.

The maturity profile of financial assets was as follows:

	2006 £	2005 £
In one year or less	450,751	34,276

The maturity profile of financial liabilities was as follows:

	2006 £	2005 £
In one year or less	101,506	5,993,131
Between one and two years	4,085,319	435,320
Between two and five years	2,017,195	1,820,845
Over five years	20,532	44,133
	£6,224,552	£8,293,429

The group has an undrawn bank overdraft facility of £2m which is subject to annual review.

17 Deferred capital grants and contributions - group

	Capital grants £	Contributions to capital expenditure £	Total £
At 1 July 2005	40,310	6,083	46,393
Credited to the profit and loss account	(3,520)	(1,132)	(4,652)
At 30 June 2006	£36,790	£4,951	£41,741

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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

18 Share capital

	2006 £	2005 £
Authorised :		
60,000,000 Ordinary shares of 1p each	600,000	-
44,502,250 Ordinary shares of 10p each	-	4,450,225
Allotted, called up and fully paid :		
43,885,693 Ordinary shares of 1p each	438,857	-
12,907,557 Ordinary shares of 10p each	-	1,290,756
	£438,857	£1,290,756

30,978,136 Ordinary 10p shares were issued on 2 May 2006 as a result of a rights issue, fully underwritten by Fordwat Ltd, at a price of £0.20 each. The cost of the share issue deducted from the share premium was £268,918.

As resolved at an Extraordinary General Meeting of the company held on 7 April 2006, and sanctioned by the Court on 14 June 2006, each 10p share was subdivided into 1 Ordinary share of 1p and 9 deferred shares of 1p. All deferred shares were then cancelled. In addition, the share premium account was also cancelled and the amount of share capital and premium cancelled were transferred to the Special Reserve.

19 Reserves

Group	Share premium £	Special reserve £	Profit and loss account £
At 1 July 2005	1,872,409	1,999,858	(7,514,799)
Premium on shares issued in the year (note18)	2,828,896	-	-
Deferred shares cancelled (note18)	-	3,949,712	-
Share premium cancelled	(4,701,305)	4,701,305	-
Loss for the year	-	-	(5,357,842)
At 30 June 2006	£Nil	£10,650,875	£(12,872,641)
Company			
At 1 July 2005	1,872,409	1,999,858	-
Premium on shares issued in the year (note18)	2,828,896	-	-
Deferred shares cancelled (note18)	-	3,949,712	-
Share premium cancelled	(4,701,305)	4,701,305	-
Profit for the year	-	-	66,023
At 30 June 2006	£Nil	£10,650,875	£66,023

Future losses of the company may be extinguished against the Special Reserve in accordance with the provisions of High Court orders obtained on 5 May 2004 and 14 June 2006.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the company is not presented as part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

20 Reconciliation of movements on shareholders' funds

Group	2006 £	2005 £
Loss for the financial year	(5,357,842)	(2,175,189)
Proceeds from issue of shares	5,926,709	1,856,249
Net addition to / (depletion in) shareholders' funds	568,867	(318,940)
Opening shareholders' funds	(2,351,776)	(2,032,836)
Closing shareholders' funds	£(1,782,909)	£(2,351,776)
Company		
Profit / (loss) for the financial year	66,023	(3,067,441)
Proceeds from issue of shares	5,926,709	1,856,249
Net addition to shareholders' funds	5,992,732	(1,211,192)
Opening shareholders' funds	5,163,023	6,374,215
Closing shareholders' funds	£11,155,755	£5,163,023

Shareholders' funds are fully attributable to equity interests.

21 Notes to the consolidated cash flow statement

a) Reconciliation of operating loss to net cash outflow from operating activities:

	2006 £	2005 £
Operating loss	(6,984,667)	(2,893,438)
Amortisation of intangible fixed assets	495,401	458,435
Depreciation of tangible fixed assets	170,540	171,917
Capital contribution released	(1,132)	(1,510)
Capital grant released	(3,520)	(3,520)
Net profit on disposal of sundry fixed assets	-	(1,166)
(Increase) / decrease in stocks	(50,052)	36,898
(Increase) / decrease in debtors	(1,609,943)	655,549
Increase in creditors	4,734,625	396,869
Net cash outflow from operating activities	£(3,248,748)	£(1,179,966)

b) Analysis of changes in net debt

	At 1 July 2005 £	Cash flows £	Other changes £	At 30 June 2006 £
Cash at bank and in hand	34,276	416,475	-	450,751
Bank overdraft	(519,343)	519,343	-	-
Net cash at bank and in hand	(485,067)	935,818	-	450,751
Bank loans due within 1 year	(83,409)	(6,456)	-	(89,865)
Other loans due within 1 year	(1,425,121)	75,502	1,009,619	(340,000)
Directors' loans due within 1 year	(4,000,000)	-	3,500,000	(500,000)
Loan notes 2009	(1,000,000)	-	-	(1,000,000)
Bank loans due after 1 year	(317,046)	88,626	-	(228,420)
Directors' loans due after 1 year	(562,821)	-	(2,750,000)	(3,312,821)
Other loans due after 1 year	(668,961)	-	-	(668,961)
	(8,057,358)	157,672	1,759,619	(6,140,067)
	£(8,542,425)	£1,093,490	£1,759,619	£(5,689,316)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

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

	2006 £	2005 £
Increase / (decrease) in cash in the year	935,818	(1,099,465)
Cash outflow / (inflow) from decrease / (increase) in debt	157,672	(6,456,535)
Movement in net debt in the year resulting from cashflows	1,093,490	(7,556,000)
Finance lease cancelled	-	6,270,842
Directors' loans converted to shares	750,000	-
Other loan written off	1,009,619	-
Movement in net debt in the year	2,853,109	(1,285,158)
Net debt at 1 July 2005	(8,542,425)	(7,257,267)
Net debt at 30 June 2006	£(5,689,316)	£(8,542,425)

d) Major non-cash transactions

During the year the repayment of a loan of £1,009,609, representing amounts advanced to the company to fund the acquisition and salary costs of a player, was waived by the lender.

22 Financial commitments

The annual amount of payments due in respect of loyalty bonuses and deferred signing on fees for playing staff under contract with the Club as at 30 June 2006, which has not been provided for in the financial statements, is as follows:

	£
On contracts expiring:	
Within two to five years	85,000

The group's commitments for rental payments under operating leases payable during the year to 30 June 2007 are as follows:

	Land and buildings £	Other £
On contracts expiring:		
Within one year	-	20,487
Within two to five years	39,890	9,791
	£39,890	£30,278

23 Contingent liabilities

The group has liabilities under transfer agreements to pay additional sums dependent on players' attainment and subsequent transfer value. Provision has been made for such liabilities to the extent that it is probable that the amounts will become payable and they are included within players' registration costs capitalised (note 9).

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2006

24 Pension costs

The latest actuarial valuation of the Football League Limited Pension and Life Assurance Scheme at 1 April 2003 revealed that the Club's share of the deficit in respect of the final salary section of the scheme was £201,421. The pension cost for the period ended 30 June 2006 includes a charge of £38,208 in respect of the increase in the company's liability. The contribution is being paid by instalments of £1,573 per month until April 2016.

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

25 Post balance sheet events

Subsequent to the year end the Club has purchased players with registration costs amounting to £3,600,000. These amounts will be capitalised in the financial statements for the next financial year. The Club has not received any proceeds from the sale of players since the year end.

Directors' loans to the Club totalling £1,177,500 have been repaid since the year-end. In addition, £333,000 of Convertible Loan Notes 2009, issued to Graham Simpson, have also been repaid.

26 Related party transactions

A director of the Club, C Norton, hired an executive box which was paid for on a commercial basis.

G Simpson and C Norton were re-appointed directors of Watford FC's Community Sports & Education Trust, a charitable company, on 7 February 2006 having resigned on 29 June 2005. During the year, following the Club's promotion to the Premier League, the group agreed to fund bonuses to Trust staff with a total cost of £28,764. In addition the group made charges totalling £1,828 (2005 - £330,332) to the Trust and its subsidiary, Buy Back The Vic Limited. At 30 June 2006 £594 was owing to the Trust (2005 - £79,751 owing by the Trust).

COMPANY INFORMATION

Directors	G M Simpson - Chairman G Russo (Alternate director C J Norton) V Russo (Alternate director C J Norton) A S Wilson
Chief Executive Officer	M A Ashton
Company Secretary	P J Wastall
Registered office	Vicarage Road Stadium Watford Herts WD18 0ER
Registered number	3335610
Nominated adviser	Strand Partners Limited 26 Mount Row London W1K 3SQ
Broker	Seymour Pierce Ellis Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
Auditors	Chantrey Vellacott DFK LLP Gresham House 53 Clarendon Road Watford Herts WD17 1LR
Bankers	Barclays Bank plc 32 Clarendon Road Watford Herts WD17 1BZ
Solicitors	Matthew Arnold & Baldwin 21 Station Road Watford Herts WD17 1HT
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