

Registered number: 104194

**THE WATFORD
ASSOCIATION FOOTBALL CLUB LIMITED**

**91st Annual Report
and
Financial Statements
30 June 2000**



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THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Report and financial statements for the year ended 30 June 2000

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THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Company information

Directors

Sir Elton John CBE - Chairman
T Shaw - Managing Director
B Anderson
D Lester
C D Lissack
D R Meller
C Norton
H B Oundjian
M Sherwood
G Simpson
N Wray

Honorary Life Presidents

Sir Elton John CBE
G A Smith

Company Secretary

P Wastall

Football Secretary

C Alexander

Registered office

Vicarage Road Stadium
Watford
Herts
WD1 8ER

Football Manager

G Taylor

Incorporation details

Incorporated in the United Kingdom
on 22 July 1909 under Certificate of
Incorporation number 104194

Auditors

Chantrey Vellacott DFK
Chartered Accountants
Gresham House
53 Clarendon Road
Watford
Herts
WD17 1LR

Bankers

Barclays Bank plc
32 Clarendon Road
Watford
Herts
WD1 1LD

Solicitors

Matthew Arnold & Baldwin
20 Station Road
Watford
Herts
WD1 1JH

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

91st report of the directors for the year ended 30 June 2000

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 30 June 2000.

Principal activities and business review

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

The company reported a profit before taxation for the year of £3,948,279 (1999 - loss £1,819,695). This result reflects the financial success of being a member of the Premier League for the season 1999 / 2000 following promotion via the "Play-offs" from the Nationwide League in May 1999. The company continues to benefit from the ground sharing agreement with Saracens and looks forward to a continuing relationship with the rugby club.

The company has also benefited from the decision of the directors of the Holding company to waive the charge to interest on the inter-company loan for the year.

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

Directors and their interests

The directors at 30 June 2000 together with their beneficial interests in the shares of the company and parent, Watford Association Football Club (Holdings) Limited, are as follows:

	Parent company		Company	
	Ordinary shares of £1 each		Ordinary shares of £1 each	
	2000	1999*	2000	1999*
Sir Elton John	200,000	10	200	200
T Shaw (appointed 1 December 1999)	50,000	50,000	100	100
B Anderson	65,600	-	-	-
D Lester (appointed 21 March 2000)	200,000	-	-	-
C D Lissack	65,600	-	200	200
D R Meller	120,000	2	-	-
C Norton (appointed 19 January 2000)	95,000	-	-	-
H B Oundjian	-	-	-	-
M Sherwood (appointed 19 January 2000)	60,000	60,000	-	-
G Simpson (appointed 19 January 2000)	-	-	-	-
N Wray (appointed 18 September 1999)	-	-	-	-

* or date of appointment

At 30 June 1999 Sir Elton John held an interest in £250,000 non-interest bearing loan stock 2002 which was redeemed in the year. None of the directors have any interest in the share capital of any other group companies.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

91st report of the directors for the year ended 30 June 2000

Directors' responsibilities

Company law requires the directors to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of its financial year and of the profit or loss of the company for the year then ended. In preparing those financial statements, the directors are required

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable contributions

During the year the company made charitable donations amounting to £22,550.

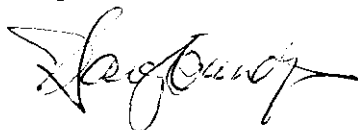
Post balance sheet events

Details of post balance sheet events are given in note 21 to the financial statements.

Auditors

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

Signed on behalf of the Board



H B Oundjian
Director

Approved by the Board on 04 October 2000

Auditors' report to the shareholders of The Watford Association Football Club Limited

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention, as modified by the revaluation of the long leasehold property, and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chantrey Vellacott DFK

CHANTREY VELLACOTT DFK

Chartered Accountants and Registered Auditors

WATFORD

04 October 2000

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Profit and loss account for the year ended 30 June 2000

Chantrey Vellacott DFK

	Notes	2000 £	1999 £
Turnover	1(e) & 2	16,800,619	5,845,454
Cost of sales		10,347,494	6,297,415
Gross profit / (loss)		6,453,125	(451,961)
Administrative expenses		2,008,375	1,447,797
		4,444,750	(1,899,758)
Amortisation of players' registrations	8	(1,080,557)	(427,976)
Other operating income	3	587,130	440,409
Operating profit / (loss)		3,951,323	(1,887,325)
(Loss) / Profit on disposal of players' registrations		(108,418)	255,698
Interest receivable	4	118,683	11,641
Interest payable and similar charges	4	(13,309)	(199,709)
Profit / (loss) on ordinary activities before taxation	5	3,948,279	(1,819,695)
Tax on profit / (loss) on ordinary activities	7	-	-
Profit / (loss) for the financial year	16	£3,948,279	£(1,819,695)

Statement of total recognised gains and losses

	Notes	2000 £	1999 £
Profit / (loss) for the financial year		3,948,279	(1,819,695)
Unrealised surplus on revaluation of leasehold property	9	-	1,319,219
Total recognised gains and losses		£3,948,279	£(500,476)

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

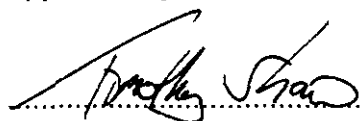
The notes on pages 9 to 19 form part of these financial statements.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Balance sheet at 30 June 2000

	Notes	£	2000 £	1999 £
Fixed assets				
Intangible assets	1 (b) & 8		3,371,872	903,066
Tangible assets	1 (c) & 9		6,866,276	6,233,528
			<u>10,238,148</u>	<u>7,136,594</u>
Current assets				
Stocks	1 (d) & 10	177,855		125,832
Debtors	11	950,860		430,935
Cash at bank and in hand		1,734,451		1,239,470
		<u>2,863,166</u>		<u>1,796,237</u>
Creditors: amounts falling due within one year	12	9,861,226		9,638,086
Net current liabilities			<u>(6,998,060)</u>	<u>(7,841,849)</u>
Total assets less current liabilities			<u>3,240,088</u>	<u>(705,255)</u>
Creditors: amounts falling due after more than one year	13		(91,959)	(15,389)
Deferred income	14		(1,947,143)	(2,026,649)
			<u>£1,200,986</u>	<u>£(2,747,293)</u>
Capital and reserves				
Called up share capital	15		1,072,722	1,072,722
Revaluation reserve	16		1,319,219	1,319,219
Profit and loss account - accumulated deficit	16		(1,190,955)	(5,139,234)
Shareholders' funds	17		<u>£1,200,986</u>	<u>£(2,747,293)</u>

Approved by the Board of Directors on 4th October 2000 and signed on its behalf.



T SHAW - Director

The notes on pages 9 to 19 form part of these financial statements.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Cash flow statement for the year ended 30 June 2000

	Notes	2000 £	1999 £
Operating activities			
Net cash inflow from operating activities	18 (a)	4,332,741	421,169
Returns on investments and servicing of finance			
Net interest received		118,683	11,641
Interest paid		(351,152)	(2,378)
		<u>(232,469)</u>	<u>9,263</u>
Capital expenditure			
Payments to acquire intangible fixed assets		(3,412,216)	(534,575)
Payments to acquire tangible fixed assets		(861,897)	(578,256)
Capital contributions received	14	112,395	243,503
Capital grants received		-	46,400
Receipts from sales of intangible fixed assets		285,000	1,000,500
Receipts from sales of tangible fixed assets		10,000	6,501
		<u>(3,866,718)</u>	<u>184,073</u>
Net cash inflow before financing		233,554	614,505
Financing	18 (b)		
Receipts from group companies	18 (b)	333,595	540,836
Advances / (repayments) of bank and other loans		(32,498)	44,171
Capital element of hire purchase		(39,670)	(4,444)
		<u>261,427</u>	<u>580,563</u>
Net cash inflow from financing		261,427	580,563
Increase in cash in the year	18 (c)	£494,981	£1,195,068

The notes on pages 9 to 19 form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2000

1 Accounting policies

The principal accounting policies are as follows :

a) **Basis of accounting**

The financial statements are prepared under the historical cost convention, modified by the revaluation of the long leasehold property.

b) **Players' registrations**

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

Players' registrations are amortised over the period of their initial contract, and any subsequent extensions, on a straight line basis.

c) **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 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.

The company's lease of the ground, premises and ground improvements are depreciated at a rate of 5% of the written down value per annum. The pitch is depreciated over its expected useful life of seven years. Depreciation of 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. No depreciation is provided on assets under construction which have not been brought into use before the relevant accounting date.

The company has adopted the transitional provisions of FRS 15 and has not updated the valuation of the leasehold property.

d) **Stocks**

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

e) **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.

f) **Signing on fees**

Signing on fees are charged in the year of payment.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

1 Accounting policies (continued)

g) Donations received

Donations are accounted for on a cash receipts basis.

h) Leasing

The costs of operating leases are expensed as incurred.

i) Pensions

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

j) Deferred taxation

Provision is made for deferred taxation under the liability method where a liability is likely to crystallise the foreseeable future.

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	2000 £	1999 £
Donations	210	551
Rent receivable	294,781	226,631
Contributions to capital expenditure	74,998	60,634
Release of capital grants	116,903	116,903
Other	100,238	35,690
	£587,130	£440,409

4 Interest	2000 £	1999 £
Interest receivable :		
Bank deposit interest	£118,683	£11,641
Interest payable and similar charges :		
Group interest	-	199,709
Bank loan interest	1,716	-
Hire purchase interest	11,593	-
	£13,309	£199,709

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

5	Profit / (loss) on ordinary activities before taxation	2000	1999
		£	£

This is stated after charging :

Amortisation of intangible fixed assets	1,080,557	427,976
Depreciation of tangible fixed assets	566,654	380,772
Staff costs (note 6)	8,361,058	5,226,103
Directors' remuneration	12,000	-
Auditors' remuneration	17,000	14,000
Operating leases - vehicles and equipment	70,416	29,683
Operating leases - other	47,834	40,000

6	Employee information	2000	1999
		£	£

Staff costs:

Wages and salaries	7,257,530	4,568,465
Social security costs	803,257	465,522
Other pension costs	300,271	192,116
	£8,361,058	£5,226,103

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

	2000	1999
	Number	Number
Players	57	53
Coaching staff	14	13
Commercial staff	16	11
Administration	13	14
Ground staff	3	6
	103	97

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

7 Tax on profit on ordinary activities

No liability to corporation tax arises in view of the tax losses brought forward.

Tax losses at 30 June 2000 available for offset against future trading profits or transfer as group relief, subject to Inland Revenue agreement, are in excess of £350,000.

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

8 Intangible fixed assets

	Players' registrations £
Cost :	
At 1 July 1999	1,898,352
Additions	3,792,781
Disposals	(478,087)
	<hr/>
At 30 June 2000	5,213,046
	<hr/>
Amortisation :	
At 1 July 1999	995,286
Charge for the year	1,080,557
Disposals	(234,669)
	<hr/>
At 30 June 2000	1,841,174
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Net Book Value :	
At 30 June 2000	£3,371,872
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At 30 June 1999	£903,066
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THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

9	Tangible fixed assets	Lease of ground, premises and ground improvements £	Motor vehicles, equipment, fixtures and fittings £	Total £
	Cost or valuation :			
	At 1 July 1999	6,000,000	559,505	6,559,505
	Additions	376,467	834,935	1,211,402
	Disposals	-	(18,000)	(18,000)
	At 30 June 2000	<u>6,376,467</u>	<u>1,376,440</u>	<u>7,752,907</u>
	Depreciation :			
	At 1 July 1999	-	325,977	325,977
	Charge for the year	374,831	191,823	566,654
	Disposals	-	(6,000)	(6,000)
	At 30 June 2000	<u>374,831</u>	<u>511,800</u>	<u>886,631</u>
	Net Book Value :			
	At 30 June 2000	<u>£6,001,636</u>	<u>£864,640</u>	<u>£6,866,276</u>
	At 30 June 1999	<u>£6,000,000</u>	<u>£233,528</u>	<u>£6,233,528</u>

The leasehold property was revalued as at 30 June 1999, by DTZ Debenham Thorpe Chartered Surveyors, on the basis of existing use value. It is not practical to provide an analysis of the cost or valuation of the stadium at 30 June 2000 in view of the nature of additions and disposals in recent years. No taxation liability arises in respect of the revaluation.

The leasehold interest in Vicarage Road expires on 25 March 2118.

Motor vehicles and equipment was held under hire purchase agreements with net book value at 30 June 2000 of £377,958 and depreciation charge during the year of £83,047.

10	Stocks	2000	1999
	Goods for resale	<u>£177,855</u>	<u>£125,832</u>

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

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

11 Debtors	2000 £	1999 £
Trade debtors	341,172	35,996
Transfer fees receivable	-	150,000
Prepayments and accrued income	609,688	244,939
	<u>£950,860</u>	<u>£430,935</u>

12 Creditors: amounts falling due within one year	2000 £	1999 £
Bank loan	-	6,000
Other loans	10,515	30,513
Hire purchase (note 13)	323,169	6,667
Trade creditors	81,032	41,653
Transfer fees payable	524,068	233,240
Amount owed to parent company (see note 22)	5,531,532	5,197,937
Amount owed to ultimate parent company	300,000	300,000
Director's loan	75,000	75,000
Other taxes and social security	886,418	595,143
Accruals and deferred revenue	2,129,492	3,151,933
	<u>£9,861,226</u>	<u>£9,638,086</u>

The director's loan represent amounts loaned to the company by Sir Elton John.

13 Creditors: amounts falling due after more than one year	2000 £	1999 £
Bank loan	-	6,500
Hire purchase	2,222	8,889
Transfer fees payable	89,737	-
	<u>£91,959</u>	<u>£15,389</u>

The hire purchase balances, which total £325,391 (1999 - £15,556) are secured over the assets to which they relate and are repayable in less than five years.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

14 Deferred income

	Capital grants £	Contributions to capital expenditure £	Total £
At 1 July 1999	1,674,646	352,003	2,026,649
Received during the year	-	112,395	112,395
	1,674,646	464,398	2,139,044
Credited to the profit and loss account	(116,903)	(74,998)	(191,901)
At 30 June 2000	£1,557,743	£389,400	£1,947,143

Capital grants comprise grants received (principally from the Football Trust) towards the costs of stadium re-development.

15 Called up share capital

	2000	1999
Authorised :		
Ordinary shares of £1 each	£1,250,000	£1,250,000
Allotted and fully paid :		
Ordinary shares of £1 each	£1,072,722	£1,072,722

16 Reserves

	Revaluation reserve £	Profit and loss account £
At 1 July 1999	1,319,219	(5,139,234)
Profit for the year	-	3,948,279
At 30 June 2000	£1,319,219	£(1,190,955)

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

17 Reconciliation of movements on shareholders' funds

	2000 £	1999 £
Profit / (loss) for the financial year	3,948,279	(1,819,695)
Surplus on revaluation of leasehold property (note 9)	-	1,319,219
	<u>3,948,279</u>	<u>(500,476)</u>
Opening shareholders' funds	(2,747,293)	(2,246,817)
	<u>£1,200,986</u>	<u>£(2,747,293)</u>

Shareholders' funds are fully attributable to equity interests.

18 Notes to the cash flow statement

a) Reconciliation of operating profit / (loss) to net cash inflow from operating activities:	2000 £	1999 £
Operating profit / (loss)	3,951,323	(1,887,325)
Amortisation of intangible fixed assets	1,080,557	427,976
Depreciation of tangible fixed assets	566,654	380,772
Capital contribution released	(74,998)	(60,634)
Capital grant released	(116,903)	(116,903)
Net loss / (profit) on disposal of sundry fixed assets	2,000	(2,030)
Increase in stocks	(52,023)	(35,832)
(Increase) / decrease in debtors	(669,925)	219,657
(Decrease) / increase in creditors	(353,944)	1,495,488
	<u>£4,332,741</u>	<u>£421,169</u>

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

b) Analysis of changes in net debt

	At 1 July 1999 £	Cash flows £	Other changes £	At 30 June 2000 £
Cash at bank and in hand	1,239,470	494,981	-	1,734,451
Intergroup balance	(5,497,937)	(333,595)	-	(5,831,532)
Bank loans due within 1 year	(6,000)	6,000	-	-
Other loans due within 1 year	(30,513)	19,998	-	(10,515)
Director's loan	(75,000)	-	-	(75,000)
Bank loans due after 1 year	(6,500)	6,500	-	-
Hire purchase balances	(15,556)	39,670	(349,505)	(325,391)
	(5,631,506)	(261,427)	(349,505)	(6,242,438)
	£(4,392,036)	£233,554	£(349,505)	£(4,507,987)

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

	2000 £	1999 £
Increase in cash in the year	494,981	1,195,068
Cash inflow from increase in debt and hire purchases	(261,427)	(580,563)
Change in net debt resulting from cash flows	233,554	614,505
New hire purchases	(349,505)	(20,000)
Movement in net debt in the year	(115,951)	594,505
Net debt at 1 July 1999	(4,392,036)	(4,986,541)
Net debt at 30 June 2000	£(4,507,987)	£(4,392,036)

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

19 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 company as at 30 June 2000, which have not been provided for in the financial statements, are as follows :

	£
On contracts expiring :	
Within one year	245,000
Within two to five years	803,500
	<hr/>
	£1,048,500
	<hr/>

The company also has a commitment in respect of a property lease to pay a rental of £40,000 per annum until 2002.

20 Contingent liabilities

The company 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 8).

21 Post balance sheet events

Subsequent to the year end the company has sold players for £200,000 and purchased players with registration costs amounting to £3,775,000. These amounts will be capitalised in the financial statements for the next financial year.

22 Parent company

The parent company is Watford Association Football Club (Holdings) Limited.

The company's indebtedness to the parent company is as follows :

	2000 £	1999 £
Account balance	5,531,532	5,197,937
Accrued interest	-	337,843
	<hr/>	<hr/>
	£5,531,532	£5,535,780
	<hr/>	<hr/>

The amount owed to the parent company bears interest at 2% over HSBC Bank plc base rate. This interest has been waived for the year to 30 June 2000. The balance is secured by a floating charge over all the undertaking and assets of the company.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Notes to the financial statements for the year ended 30 June 2000

23 Ultimate parent company and control

The ultimate parent company is Penguin Overseas Associates Limited, which is incorporated in the Isle of Man. The ultimate controlling party is Sawyer Trust.

24 Related party transactions

Four of the directors have executive boxes that are paid for on a commercial basis.

Mr N Wray is a director of this company and it's parent company, Watford Association Football Club (Holdings) Limited. He is also a director and the majority shareholder of Saracens Limited, who share the use of Vicarage Road Stadium and certain other facilities with the company.

During the year to 30 June 2000 the net amount charged by the company to Saracens Limited excluding VAT was £112,395 relating to fixed assets and £411,331 other charges (1999 - £243,503 fixed assets and £296,303 other). At 30 June 2000 the amount owed by Saracens Limited to the company was £121,805 (1999 - £12,196 owed to Saracens Limited).