

Registered number: 104194

**THE WATFORD  
ASSOCIATION FOOTBALL CLUB LIMITED**

**93rd Annual Report  
and  
Financial Statements  
30 June 2002**



# **THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED**

## **Report and financial statements for the year ended 30 June 2002**

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# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Company information

<b>Directors</b>	G M Simpson - Chairman D R Meller - Vice-chairman T M Shaw - Chief Executive B M Anderson D R J Lester C D Lissack C J Norton H B Oundjian M S Sherwood
<b>Honorary Life Presidents</b>	Sir Elton John CBE Graham Taylor G A Smith
<b>Company Secretary</b>	P J Wastall
<b>Football Secretary</b>	C Alexander
<b>Registered office</b>	Vicarage Road Stadium Watford Herts WD18 0ER
<b>Football Manager</b>	Ray Lewington
<b>Incorporation details</b>	Incorporated in the United Kingdom on 22 July 1909 under Certificate of Incorporation number 104194
<b>Auditors</b>	Chantrey Vellacott DFK Chartered Accountants Gresham House 53 Clarendon Road Watford Herts WD17 1LR
<b>Bankers</b>	Barclays Bank plc 32 Clarendon Road Watford Herts WD17 1BZ
<b>Solicitors</b>	Matthew Arnold & Baldwin 21 Station Road Watford Herts WD17 1HT

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## 93rd report of the directors for the year ended 30 June 2002

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 2002.

### 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 loss before taxation for the year of £5,784,609 (2001 - loss £5,534,117).

The company continues to benefit from a ground share agreement with Saracens and looks forward to a continuing relationship with the rugby club.

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

### Directors and their interests

The directors at 30 June 2002 together with their beneficial interests in the shares of the company and parent, Watford Leisure PLC, were as follows:

	Parent company		Company	
	Ordinary shares		Ordinary shares of £1 each	
	0.4p shares 2002	£1 shares 2001	2002	2001
T M Shaw	26,420,242	50,000	100	100
B M Anderson	34,663,358	65,600	-	-
D R J Lester	155,680,970	200,000	-	-
C D Lissack	34,663,358	65,600	200	200
D R Meller	64,539,064	120,000	-	-
C J Norton	50,198,460	95,000	-	-
H B Oundjian	-	-	-	-
M S Sherwood	48,697,149	60,000	-	-
G M Simpson	31,704,290	60,000	-	-
N W Wray	-	-	-	-

The ordinary £1 shares of the parent company were subdivided into ordinary 0.4p shares in the year.

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

Graham Simpson was appointed as Chairman, and David Meller as Vice-chairman, on 25 September 2002.

Sir Elton John CBE and Nigel Wray resigned as a directors on 27 May 2002 and 5 August 2002 respectively.

# **THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED**

## **93rd report of the directors for the year ended 30 June 2002**

### **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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 £20,000.

### **Post balance sheet events**

Details of post balance sheet events are given in note 22 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**



**T M Shaw**  
**Director**

Approved by the Board on 31 October 2002

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Independent auditors' report to the shareholders of The Watford Association Football Club Limited

We have audited the financial statements of The Watford Association Football Club Limited for the year ended 30 June 2002 which are set out on pages 6 to 20. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of the company's property, and the accounting policies set out therein.

### Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatement within it.

### Basis of opinion

We conducted our audit in accordance with United Kingdom 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

### Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the possible outcome of arrangements for additional finance. The financial statements have been prepared on a going concern basis, the validity of which depends upon such further finance becoming available. The financial statements do not include any adjustments that would result from a failure to obtain such finance. Details of the circumstances relating to this fundamental uncertainty are described in note 1a) to the financial statements. Our opinion is not qualified in this respect.

### 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**CHANTREY VELLACOTT DFK**  
**Chartered Accountants and Registered Auditors**  
**WATFORD**  
31 October 2002

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Profit and loss account for the year ended 30 June 2002

	Notes	Operations excluding player trading £	Player trading (note 8) £	2002 £	2001 restated (see below) £
Turnover	2	16,816,506	-	16,816,506	9,977,804
Cost of sales		17,911,137	3,032,740	20,943,877	13,714,622
<b>Gross loss</b>		<b>(1,094,631)</b>	<b>(3,032,740)</b>	<b>(4,127,371)</b>	<b>(3,736,818)</b>
Administrative expenses		2,548,858	-	2,548,858	2,466,488
		<b>(3,643,489)</b>	<b>(3,032,740)</b>	<b>(6,676,229)</b>	<b>(6,203,306)</b>
Other operating income	3	683,382	-	683,382	832,027
<b>Operating loss</b>		<b>(2,960,107)</b>	<b>(3,032,740)</b>	<b>(5,992,847)</b>	<b>(5,371,279)</b>
Profit on disposal of players' registrations		-	317,740	317,740	18,698
Interest receivable	4	82,670	-	82,670	39,702
Interest payable and similar charges	4	(192,172)	-	(192,172)	(221,238)
<b>Loss on ordinary activities before taxation</b>	5	<b>(3,069,609)</b>	<b>(2,715,000)</b>	<b>(5,784,609)</b>	<b>(5,534,117)</b>
Tax on loss on ordinary activities	7			-	-
<b>Loss for the financial year</b>	16			<b>£(5,784,609)</b>	<b>£(5,534,117)</b>

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.

Details of the prior year adjustment relating to the classification of expenditure items are given in notes 1(b) and 1(c).

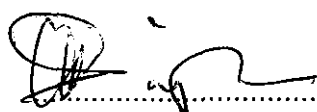
The notes on pages 9 to 20 form part of these financial statements.

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Balance sheet at 30 June 2002

	Notes	£	2002 £	2001 £
<b>Fixed assets</b>				
Intangible assets	1 (b) (e) & 8		4,155,565	5,143,492
Tangible assets	1 (d) & 9		7,179,466	6,633,477
			<u>11,335,031</u>	<u>11,776,969</u>
<b>Current assets</b>				
Stocks	1 (f) & 10	152,270		70,881
Debtors	11	1,518,133		1,372,434
Cash at bank and in hand		19,678		921,255
		<u>1,690,081</u>		<u>2,364,570</u>
Creditors: amounts falling due within one year	12	20,662,035		15,021,826
		<u></u>		<u></u>
Net current liabilities			(18,971,954)	(12,657,256)
			<u></u>	<u></u>
Total assets less current liabilities			(7,636,923)	(880,287)
			<u></u>	<u></u>
Creditors: amounts falling due after more than one year	13		(694,558)	(1,411,413)
			<u></u>	<u></u>
Deferred capital grants and contributions	14		(1,786,259)	(2,041,431)
			<u></u>	<u></u>
			<u>£(10,117,740)</u>	<u>£(4,333,131)</u>
<b>Capital and reserves</b>				
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		(12,509,681)	(6,725,072)
			<u></u>	<u></u>
Shareholders' funds	17		<u>£(10,117,740)</u>	<u>£(4,333,131)</u>

Approved by the Board of Directors on 31 October 2002 and signed on its behalf.



G M SIMPSON - Director



T M SHAW - Director

The notes on pages 9 to 20 form part of these financial statements.



# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Cash flow statement for the year ended 30 June 2002

	Notes	2002 £	2001 £
<b>Operating activities</b>			
Net cash outflow from operating activities	18 (a)	(3,956,884)	(138,947)
<b>Returns on investments and servicing of finance</b>			
Interest received		82,670	41,068
Interest paid		(395,855)	(18,921)
<b>Net cash (outflow) / inflow from returns on investments and servicing of finance</b>		<b>(313,185)</b>	<b>22,147</b>
<b>Capital expenditure</b>			
Payments to acquire intangible fixed assets		(2,086,381)	(3,862,954)
Payments to acquire tangible fixed assets		(1,045,382)	(370,207)
Capital contributions received		41,551	12,635
Capital grants received		-	196,224
Receipts from sales of intangible fixed assets		373,904	322,751
Receipts from sales of tangible fixed assets		1,500	-
		<b>(2,714,808)</b>	<b>(3,701,551)</b>
<b>Net cash outflow before financing</b>		<b>(6,984,877)</b>	<b>(3,818,351)</b>
<b>Financing</b>	18 (b)		
Receipts from group companies		5,078,730	3,031,552
Advances / (repayments) of bank and other loans		1,016,464	(3,228)
Capital element of finance lease and hire purchase		(11,894)	(23,169)
<b>Net cash inflow from financing</b>		<b>6,083,300</b>	<b>3,005,155</b>
<b>Decrease in cash in the year</b>	18 (c)	<b>£(901,577)</b>	<b>£(813,196)</b>

The notes on pages 9 to 20 form part of these financial statements.

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 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 company's property and in accordance with applicable accounting standards.

The company incurred a loss for the year of £5,784,609 and had net liabilities at 30 June 2002 of £10,117,740. The company has raised finance subsequent to the year end by entering into a sale and lease back transaction to raise £5.5m net as detailed in note 22.

The company's parent, Watford Leisure PLC, has prepared financial projections which indicate that due to current difficult trading conditions additional working capital is required. The parent company is currently seeking to raise funds through a share issue and arrangement of loan facilities. This, taken together with deferral of staff and player salaries and cost saving measures undertaken by the company, will enable working capital requirements to be met for the foreseeable future. The directors are confident that these actions will be successful and therefore consider it appropriate to prepare the financial statements on a going concern basis.

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

The accounting policy in respect of amortisation has been changed to adopt the guidance from the Committee on Financial Reporting of Football Clubs. Amortisation amounting to £3,032,740 (2001 - £2,431,637) is included within cost of sales where previously it was included separately below gross profit/(loss).

#### c) Signing on fees

Signing on fees are charged in the year of payment.

The accounting policy in respect of signing on fees has been changed to adopt the guidance from the Committee on Financial Reporting of Football Clubs. 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. These amounts were previously included in salary costs. An amount of £77,250 has been re-analysed within the comparative figures in line with the new policy.

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 1 Accounting policies (continued)

#### d) Tangible fixed assets, capital grants and depreciation

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

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 company's freehold over the company's lease of the ground was acquired in the year. The premises and ground improvements continue to be 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.

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

#### e) 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 are amortised on a straight line basis over their economic life, estimated at 10 years.

#### f) Stocks

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

#### g) 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.

#### h) Donations received

Donations are accounted for on a cash receipts basis.

#### i) Leasing

The costs of operating leases are expensed as incurred.

#### j) Pensions

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

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 1 Accounting policies (continued)

#### k) Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. 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. No provision has been made for deferred tax on gains recognised on revaluing property to its market value as no tax charge is expected to arise on disposal.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future. The adoption of the standard has not required a prior period adjustment.

### 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

	2002 £	2001 £
Donations	8,780	298
Rent receivable	390,000	365,770
Contributions to capital expenditure	134,068	90,035
Release of capital grants	126,714	122,703
Other	23,820	253,221
	<u>£683,382</u>	<u>£832,027</u>

### 4 Interest

	2002 £	2001 £
Interest receivable :		
Bank deposit interest	<u>£82,670</u>	<u>£39,702</u>
Interest payable and similar charges :		
Group interest	164,915	203,683
Bank loan interest	6,020	-
Hire purchase interest	1,695	6,449
Other interest	19,542	11,106
	<u>£192,172</u>	<u>£221,238</u>

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

<b>5 Loss on ordinary activities before taxation</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
This is stated after charging :		
Amortisation of intangible fixed assets	3,064,076	2,431,637
Depreciation of tangible fixed assets	576,260	603,006
Staff costs (note 6)	15,558,144	9,746,420
Directors' remuneration	123,600	107,952
Auditors' remuneration	18,450	17,500
non audit fees	11,369	3,379
Operating leases - vehicles and equipment	82,451	68,087
Operating leases - other	209,103	32,737
	<u>£15,558,144</u>	<u>£9,746,420</u>

<b>6 Employee information</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>
Staff costs:		
Wages and salaries	13,721,111	8,289,318
Social security costs	1,452,688	921,092
Other pension costs	384,345	536,010
	<u>£15,558,144</u>	<u>£9,746,420</u>

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

	<b>2002</b>	<b>2001</b>
	<b>Number</b>	<b>Number</b>
Players	58	57
Coaching staff	20	17
Commercial staff	20	20
Administration	16	16
Ground staff	5	4
	<u>119</u>	<u>114</u>

In addition to the above the group employed an average of 155 (2001 - 142) match day staff during the year.

## 7 Tax on loss on ordinary activities

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

Tax losses at 30 June 2002 available for offset against future trading profits or transfer as group relief, subject to Inland Revenue agreement, are in excess of £10,000,000.

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

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 8 Intangible fixed assets

	Pouring rights £	Players' registrations £	Total £
<b>Cost :</b>			
At 1 July 2001	-	8,976,903	8,976,903
Additions	752,067	1,655,246	2,407,313
Disposals	-	(2,178,226)	(2,178,226)
	<hr/>	<hr/>	<hr/>
At 30 June 2002	<b>752,067</b>	<b>8,453,923</b>	<b>9,205,990</b>
	<hr/>	<hr/>	<hr/>
<b>Amortisation :</b>			
At 1 July 2001	-	3,833,411	3,833,411
Charge for the year	31,336	3,032,740	3,064,076
Disposals	-	(1,847,062)	(1,847,062)
	<hr/>	<hr/>	<hr/>
At 30 June 2002	<b>31,336</b>	<b>5,019,089</b>	<b>5,050,425</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value :</b>			
At 30 June 2002	<b>£720,731</b>	<b>£3,434,834</b>	<b>£4,155,565</b>
	<hr/>	<hr/>	<hr/>
At 30 June 2001	<b>£Nil</b>	<b>£5,143,492</b>	<b>£5,143,492</b>
	<hr/>	<hr/>	<hr/>

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 9 Tangible fixed assets

	Assets under construction £	Ground, premises and improvements £	Motor vehicles, equipment, fixtures and fittings £	Total £
<b>Cost or valuation :</b>				
At 1 July 2001	164,653	6,498,156	1,460,305	8,123,114
Additions	302,890	655,960	165,593	1,124,443
Disposals	-	-	(9,000)	(9,000)
At 30 June 2002	<b>467,543</b>	<b>7,154,116</b>	<b>1,616,898</b>	<b>9,238,557</b>
<b>Depreciation :</b>				
At 1 July 2001	-	752,778	736,859	1,489,637
Charge for the year	-	369,274	206,986	576,260
Disposals	-	-	(6,806)	(6,806)
At 30 June 2002	-	<b>1,122,052</b>	<b>937,039</b>	<b>2,059,091</b>
<b>Net book value :</b>				
At 30 June 2002	<b>£467,543</b>	<b>£6,032,064</b>	<b>£679,859</b>	<b>£7,179,466</b>
At 30 June 2001	<b>£164,653</b>	<b>£5,745,378</b>	<b>£723,446</b>	<b>£6,633,477</b>

The freehold of Vicarage Road, previously occupied under a lease expiring in 25 March 2118, was acquired during the year. The leasehold and freehold interests have been merged.

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 2002 in view of the nature of additions and disposals in recent years.

Details of the sale and leaseback of the Vicarage Road Stadium subsequent to the year end are given in note 22.

Equipment was held under finance leases with net book value at 30 June 2002 of £32,458 and depreciation charge during the year of £5,542.

### 10 Stocks

	2002	2001
Goods for resale	<b>£152,270</b>	<b>£70,881</b>

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 2002

11 Debtors	2002 £	2001 £
Trade debtors	714,655	863,800
Amount due from fellow subsidiary	8,044	-
Transfer fees receivable	325,000	50,000
Prepayments and accrued income	470,434	458,634
	<u>£1,518,133</u>	<u>£1,372,434</u>

Prepayments and accrued income includes £24,226 (2001 - £60,167) which falls due after more than one year.

12 Creditors: amounts falling due within one year	2002 £	2001 £
Bank loan (note 13)	74,055	-
Finance loan (note 13)	100,000	138,439
Other loans (note 13)	85,000	10,515
Hire purchase and finance leases (note 13)	12,590	2,222
Trade creditors	250,340	116,746
Transfer fees payable	1,629,093	1,001,911
Amount owed to parent company (note 23)	13,941,814	8,563,084
Amount owed to ultimate parent company	-	300,000
Directors' loans	600,000	75,000
Other taxes and social security	990,304	625,862
Accruals and deferred revenue	2,978,839	4,188,047
	<u>£20,662,035</u>	<u>£15,021,826</u>

The directors' loans represent amounts loaned to the company by 3 of the directors.

Accruals and deferred revenue includes income, mainly from season ticket sales, received in advance in respect of the 2002/03 season.

13 Creditors: amounts falling due after more than one year	2002 £	2001 £
Bank loan	475,945	-
Finance loan	63,751	158,333
Hire purchase and finance leases	15,738	-
Transfer fees payable	-	306,250
Accruals and deferred revenue	139,124	946,830
	<u>£694,558</u>	<u>£1,411,413</u>



# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

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

The maturity of total debt may be analysed as follows:	2002 £	2001 £
In one year or less	259,055	148,954
Between one and two years	142,439	100,000
Between two and five years	266,840	58,333
After five years	130,417	-
	<b>£798,751</b>	<b>£307,287</b>

The bank loan totalling £550,000, including £74,055 falling due within one year is payable over more than five years. The loan is repayable by instalments of £26,500 per quarter and the loan bears interest at 2% above Barclays Bank base rate. The loan is held under an unlimited guarantee from Watford Leisure PLC.

The finance loans totalling £163,751, including £100,000 falling due within one year, are secured by a mortgage over the "Giant Screen".

The finance leases and hire purchase balances, which total £28,328 (2001 - £2,222) are secured over the assets to which they relate and are repayable in less than five years.

### 14 Deferred capital grants and contributions

	Capital grants £	Contributions to capital £	Total £
At 1 July 2001	1,631,264	410,167	2,041,431
Received during the year	-	5,610	5,610
	<b>1,631,264</b>	<b>415,777</b>	<b>2,047,041</b>
Credited to the profit and loss account	(126,714)	(134,068)	(260,782)
	<b>£1,504,550</b>	<b>£281,709</b>	<b>£1,786,259</b>

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

	2002	2001
Authorised :		
Ordinary shares of £1 each	<b>£1,250,000</b>	<b>£1,250,000</b>
Allotted, called up and fully paid :		
Ordinary shares of £1 each	<b>£1,072,722</b>	<b>£1,072,722</b>

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

16 Reserves	Revaluation reserve £	Profit and loss account £
At 1 July 2001	1,319,219	(6,725,072)
Loss for the year	-	(5,784,609)
At 30 June 2002	<u>£1,319,219</u>	<u>£(12,509,681)</u>

## 17 Reconciliation of movements on shareholders' funds

	2002 £	2001 £
Loss for the financial year	(5,784,609)	(5,534,117)
Opening shareholders' funds	(4,333,131)	1,200,986
Closing shareholders' funds	<u>£(10,117,740)</u>	<u>£(4,333,131)</u>

Shareholders' funds are fully attributable to equity interests.

## 18 Notes to the cash flow statement

a) Reconciliation of operating loss to net cash outflow from operating activities:	2002 £	2001 £
Operating loss	(5,992,847)	(5,371,279)
Amortisation of intangible fixed assets	3,064,076	2,431,637
Depreciation of tangible fixed assets	576,260	603,006
Capital contribution released	(134,068)	(90,035)
Capital grant released	(126,714)	(122,703)
Net loss on disposal of sundry fixed assets	694	-
(Increase) / decrease in stocks	(81,389)	106,974
Decrease / (increase) in debtors	93,360	(273,407)
(Decrease) / increase in creditors	(1,356,256)	2,576,860
Net cash outflow from operating activities	<u>£(3,956,884)</u>	<u>£(138,947)</u>

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 18 Notes to the cash flow statement (continued)

#### b) Analysis of changes in net debt

	At 1 July 2001	Cash flows	Other changes	At 30 June 2002
	£	£	£	£
Cash at bank and in hand	921,255	(901,577)	-	19,678
Intergroup balance	(8,863,084)	(5,078,730)	-	(13,941,814)
Bank loans due within 1 year	-	(74,055)	-	(74,055)
Finance loans due within 1 year	(138,439)	38,439	-	(100,000)
Other loans due within 1 year	(10,515)	515	(75,000)	(85,000)
Director's loan	(75,000)	(600,000)	75,000	(600,000)
Bank loans due after 1 year	-	(475,945)	-	(475,945)
Finance loans due after 1 year	(158,333)	94,582	-	(63,751)
Finance lease and hire purchase balances	(2,222)	11,894	(38,000)	(28,328)
	(9,247,593)	(6,083,300)	(38,000)	(15,368,893)
	£(8,326,338)	£(6,984,877)	£(38,000)	£(15,349,215)

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

	2002 £	2001 £
Decrease in cash in the year	(901,577)	(813,196)
Cash inflow from increase in debt and hire purchases	(6,083,300)	(3,005,155)
Change in net debt resulting from cash flows	(6,984,877)	(3,818,351)
New finance lease	(38,000)	-
Movement in net debt in the year	(7,022,877)	(3,818,351)
Net debt at 1 July 2001	(8,326,338)	(4,507,987)
Net debt at 30 June 2002	£(15,349,215)	£(8,326,338)

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 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 2002, which have not been provided for in the financial statements, are as follows :

£

On contracts expiring :

Within one year	822,333
Within two to five years	444,714
	<hr/>
	£1,267,047
	<hr/>

The company's commitments for rental payments under operating leases payable during the year to 30 June 2003 are as follows:

	Land and buildings £	Other £
On contracts expiring :		
Within one year	-	8,411
Within two to five years	210,000	4,053
	<hr/>	<hr/>
	£210,000	£12,464
	<hr/>	<hr/>

### 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 Pension costs

The latest actuarial valuation of the Football League Limited Pension and Life Assurance Scheme revealed that there was a deficit in the scheme of £13,054,000 which has subsequently increased to approximately £16m in respect of the final salary section of the scheme. The pension cost for the period ended 30 June 2001 includes a provision of £271,105 in respect of the Company's share of the deficit. The contribution is being paid by instalments of £5,843 per month from August 2001 to April 2003 and £3,092 per month from May 2003 until April 2007.

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

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2002

### 22 Post balance sheet events

The Club disposed of the freehold interest in Vicarage Road Stadium in August 2002 for £6m under a sale and leaseback transaction. Pursuant to arrangements entered into when the freehold was purchased by the Club, £550,000 will be paid to the former freeholder in equal instalments over the next five years. The leasehold interest was re-acquired by the company's parent for use by the Club.

The Club has not purchased or sold any players since the year end.

### 23 Parent company and control

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

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

	2002 £	2001 £
Account balance	13,941,814	8,563,084
Accrued interest	-	203,683
	<u>£13,941,814</u>	<u>£8,766,767</u>

Interest amounting to £164,915 has been charged to the loan balance in the year to 30 June 2002.

The amount owed to the parent company bears interest at 2% over HSBC Bank plc base rate. The balance is secured by a floating charge over all the undertaking and assets of the company.

### 24 Related party transactions

Details of related party transactions are disclosed in the financial statements of the company's parent, Watford Leisure PLC.