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**THE WATFORD  
ASSOCIATION FOOTBALL CLUB LIMITED**

**92nd Annual Report  
and  
Financial Statements  
30 June 2001**



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**THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED**

**Report and financial statements for the year ended 30 June 2001**

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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 Graham Taylor G A Smith
Company Secretary	P Wastall
Football Secretary	C Alexander
Registered office	Vicarage Road Stadium Watford Herts WD18 0ER
Football Manager	Gianluca Vialli
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

## 92nd report of the directors for the year ended 30 June 2001

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 2001.

### 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 £5,534,117 (2000 - profit £3,948,279). The results reflect the reduction in income during the year as a result of the football club being relegated from the Premier League at the end of the previous season. The football club continues to receive parachute payments from the Premier League until the conclusion of the 2001/02 playing season.

The directors are committed to the Club returning to the Premier League and have authorised a substantial increase in both players and football management costs in the 2001/02 and following seasons.

The company continues to benefit from the 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 2001 together with their beneficial interests in the shares of the company and parent, Watford Leisure PLC, are as follows:

	Parent company		Company	
	Ordinary shares of £1 each		Ordinary shares of £1 each	
	2001	2000	2001	2000
Sir Elton John CBE	200,000	200,000	200	200
T Shaw	50,000	50,000	100	100
B Anderson	65,600	65,600	-	-
D Lester	200,000	200,000	-	-
C D Lissack	65,600	65,600	200	200
D R Meller	120,000	120,000	-	-
C Norton	95,000	95,000	-	-
H B Oundjian	-	-	-	-
M Sherwood	60,000	60,000	-	-
G Simpson	60,000	-	-	-
N Wray	-	-	-	-

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

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## 92nd report of the directors for the year ended 30 June 2001

### 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 £10,000.

### Post balance sheet events

Details of post balance sheet events are given in note 23 to the financial statements.

### Auditors

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

### Signed on behalf of the Board



T Shaw  
Director

Approved by the Board on 2 October 2001

# 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 2001 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 long leasehold 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 Standards.

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 group'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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Shanley Vellacott DFK*

Chartered Accountants and Registered Auditors

WATFORD

2 October 2001

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Profit and loss account for the year ended 30 June 2001

	Notes	2001 £	2000 £
Turnover	1(e) & 2	9,977,804	16,800,619
Cost of sales		11,360,235	10,347,494
<b>Gross (loss) / profit</b>		<b>(1,382,431)</b>	<b>6,453,125</b>
Administrative expenses		2,466,488	2,008,375
		<b>(3,848,919)</b>	<b>4,444,750</b>
Amortisation of players' registrations	8	(2,431,637)	(1,080,557)
Other operating income	3	832,027	587,130
<b>Operating (loss) / profit</b>		<b>(5,448,529)</b>	<b>3,951,323</b>
Profit / (loss) on disposal of players' registrations		95,948	(108,418)
Interest receivable	4	41,068	118,683
Interest payable and similar charges	4	(222,604)	(13,309)
<b>(Loss) / profit on ordinary activities before taxation</b>	5	<b>(5,534,117)</b>	<b>3,948,279</b>
Tax on (loss) / profit on ordinary activities	7	-	-
<b>(Loss) / profit for the financial year</b>	16	<b>£(5,534,117)</b>	<b>£3,948,279</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.

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

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Balance sheet at 30 June 2001

	Notes	£	2001 £	2000 £
<b>Fixed assets</b>				
Intangible assets	1 (b) & 8		5,143,492	3,371,872
Tangible assets	1 (c) & 9		6,633,477	6,866,276
			<u>11,776,969</u>	<u>10,238,148</u>
<b>Current assets</b>				
Stocks	1 (d) & 10	70,881		177,855
Debtors	11	1,372,434		950,860
Cash at bank and in hand		921,255		1,734,451
		<u>2,364,570</u>		<u>2,863,166</u>
Creditors: amounts falling due within one year	12	15,021,826		9,861,226
Net current liabilities			<u>(12,657,256)</u>	<u>(6,998,060)</u>
Total assets less current liabilities			<u>(880,287)</u>	<u>3,240,088</u>
Creditors: amounts falling due after more than one year	13		(1,411,413)	(91,959)
Deferred income	14		(2,041,431)	(1,947,143)
			<u>£(4,333,131)</u>	<u>£1,200,986</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		(6,725,072)	(1,190,955)
Shareholders' funds	17		<u>£(4,333,131)</u>	<u>£1,200,986</u>

Approved by the Board of Directors on 2 October 2001 and signed on its behalf.

  
H B OUNDJIAN - 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 2001

	Notes	£	2001 £	£	2000 £
<b>Operating activities</b>					
Net cash (outflow) / inflow from operating activities	18 (a)		(216,196)		4,332,741
<b>Returns on investments and servicing of finance</b>					
Net interest received		41,068		118,683	
Interest paid		(18,921)		(351,152)	
			22,147		(232,469)
<b>Capital expenditure</b>					
Payments to acquire intangible fixed assets		(3,862,954)		(3,412,216)	
Payments to acquire tangible fixed assets		(370,207)		(861,897)	
Capital contributions received	14	12,635		112,395	
Capital grants received		196,224		-	
Receipts from sales of intangible fixed assets		400,000		285,000	
Receipts from sales of tangible fixed assets		-		10,000	
			(3,624,302)		(3,866,718)
<b>Net cash (outflow) / inflow before financing</b>			(3,818,351)		233,554
<b>Financing</b>					
Receipts from group companies	18 (b)	3,031,552		333,595	
Repayments of bank and other loans		(3,228)		(32,498)	
Capital element of hire purchase		(23,169)		(39,670)	
<b>Net cash inflow from financing</b>			3,005,155		261,427
<b>(Decrease) / increase in cash in the year</b>	18 (c)		£(813,196)		£494,981

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 2001

### 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 2001

### 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 in 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

	2001 £	2000 £
Donations	298	210
Rent receivable	365,770	294,781
Contributions to capital expenditure	90,035	74,998
Release of capital grants	122,703	116,903
Other	253,221	100,238
	<u>£832,027</u>	<u>£587,130</u>

### 4 Interest

	2001 £	2000 £
Interest receivable :		
Bank deposit interest	<u>£41,068</u>	<u>£118,683</u>
Interest payable and similar charges :		
Group interest	214,789	-
Bank loan interest	1,366	1,716
Hire purchase interest	6,449	11,593
	<u>£222,604</u>	<u>£13,309</u>

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

<b>5 (Loss) / profit on ordinary activities before taxation</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>

This is stated after charging :

Amortisation of intangible fixed assets	<b>2,431,638</b>	1,080,557
Depreciation of tangible fixed assets	<b>603,006</b>	566,654
Staff costs (note 6)	<b>9,746,420</b>	8,361,058
Directors' remuneration	<b>107,952</b>	12,000
Auditors' remuneration	<b>17,500</b>	17,000
Operating leases - vehicles and equipment	<b>68,087</b>	70,416
Operating leases - other	<b>32,737</b>	47,834
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<b>6 Employee information</b>	<b>2001</b>	<b>2000</b>
	<b>£</b>	<b>£</b>

Staff costs:

Wages and salaries	<b>8,289,318</b>	7,257,530
Social security costs	<b>921,092</b>	803,257
Other pension costs	<b>536,010</b>	300,271
	<hr/> <hr/>	<hr/> <hr/>
	<b>£9,746,420</b>	<b>£8,361,058</b>

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

	<b>2001</b>	<b>2000</b>
	<b>Number</b>	<b>Number</b>
Players	<b>57</b>	57
Coaching staff	<b>17</b>	14
Commercial staff	<b>20</b>	16
Administration	<b>16</b>	13
Ground staff	<b>4</b>	3
	<hr/> <hr/>	<hr/> <hr/>
	<b>114</b>	<b>103</b>

In addition to the above the group employed an average of 142 (2000 - 129) match day staff during the year.

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

### 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 2001 available for offset against future trading profits or transfer as group relief, subject to Inland Revenue agreement, are in excess of £5,000,000.

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

### 8 Intangible fixed assets

	Players' registrations £
<b>Cost :</b>	
At 1 July 2000	5,213,046
Additions	4,557,310
Disposals	(793,453)
At 30 June 2001	<u>8,976,903</u>
<b>Amortisation :</b>	
At 1 July 2000	1,841,174
Charge for the year	2,431,638
Disposals	(439,401)
At 30 June 2001	<u>3,833,411</u>
<b>Net Book Value :</b>	
At 30 June 2001	<u><u>£5,143,492</u></u>
At 30 June 2000	<u><u>£3,371,872</u></u>

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

9	Tangible fixed assets	Assets under construction £	Lease of ground, premises and ground improvements £	Motor vehicles, equipment, fixtures and fittings £	Total £
	<b>Cost or valuation :</b>				
	At 1 July 2000	-	6,376,467	1,376,440	7,752,907
	Additions	164,653	121,689	83,865	370,207
	At 30 June 2001	<u>164,653</u>	<u>6,498,156</u>	<u>1,460,305</u>	<u>8,123,114</u>
	<b>Depreciation :</b>				
	At 1 July 2000	-	374,831	511,800	886,631
	Charge for the year	-	377,947	225,059	603,006
	At 30 June 2001	<u>-</u>	<u>752,778</u>	<u>736,859</u>	<u>1,489,637</u>
	<b>Net Book Value :</b>				
	At 30 June 2001	<u>£164,653</u>	<u>£5,745,378</u>	<u>£723,446</u>	<u>£6,633,477</u>
	At 30 June 2000	<u>£Nil</u>	<u>£6,001,636</u>	<u>£864,640</u>	<u>£6,866,276</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 2001 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 2001 of £11,594 and depreciation charge during the year of £3,864.

10	Stocks	2001	2000
	Goods for resale	<u>£70,881</u>	<u>£177,855</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 2001

11 Debtors	2001 £	2000 £
Trade debtors	863,800	341,172
Transfer fees receivable	50,000	-
Prepayments and accrued income	458,634	609,688
	<u>£1,372,434</u>	<u>£950,860</u>

Prepayments and accrued income includes £98,167 which falls due after more than one year.

12 Creditors: amounts falling due within one year	2001 £	2000 £
Finance loan (note 13)	138,439	-
Other loans	10,515	10,515
Hire purchase (note 13)	2,222	323,169
Trade creditors	116,746	81,032
Transfer fees payable	1,001,911	524,068
Amount owed to parent company (see note 24)	8,563,084	5,531,532
Amount owed to ultimate parent company	300,000	300,000
Director's loan	75,000	75,000
Other taxes and social security	625,862	886,418
Accruals and deferred revenue	4,188,047	2,129,492
	<u>£15,021,826</u>	<u>£9,861,226</u>

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

13 Creditors: amounts falling due after more than one year	2001 £	2000 £
Finance loan	158,333	-
Hire purchase	-	2,222
Transfer fees payable	306,250	89,737
Accruals and deferred revenue	946,830	-
	<u>£1,411,413</u>	<u>£91,959</u>

Accruals and deferred revenue includes £30,916 payable after more than 5 years in respect of pension costs (see note 22).

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

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

The maturity of total debt may be analysed as follows:	2001 £	2000 £
In one year or less	148,954	10,515
Between one and two years	100,000	-
Between two and five years	58,333	-
	<u>£307,287</u>	<u>£10,515</u>

The bank loan is secured by a mortgage over the Giant Screen.

The hire purchase balances, which total £2,222 (2000 - £325,391) are secured over the assets to which they relate and are repayable in less than five years.

### 14 Deferred income

	Capital grants £	Contributions to capital £	Total £
At 1 July 2000	1,557,743	389,400	1,947,143
Received during the year	196,224	110,802	307,026
	<u>1,753,967</u>	<u>500,202</u>	<u>2,254,169</u>
Credited to the profit and loss account	(122,703)	(90,035)	(212,738)
	<u>£1,631,264</u>	<u>£410,167</u>	<u>£2,041,431</u>

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

### 15 Called up share capital

	2001	2000
Authorised :		
Ordinary shares of £1 each	<u>£1,250,000</u>	<u>£1,250,000</u>
Allotted and fully paid :		
Ordinary shares of £1 each	<u>£1,072,722</u>	<u>£1,072,722</u>



# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

16 Reserves	Revaluation reserve £	Profit and loss account £
At 1 July 2000	1,319,219	(1,190,955)
Loss for the year	-	(5,534,117)
At 30 June 2001	<u>£1,319,219</u>	<u>£(6,725,072)</u>

## 17 Reconciliation of movements on shareholders' funds

	2001 £	2000 £
(Loss) / profit for the financial year	(5,534,117)	3,948,279
Opening shareholders' funds	<u>1,200,986</u>	<u>(2,747,293)</u>
Closing shareholders' funds	<u>£(4,333,131)</u>	<u>£1,200,986</u>

Shareholders' funds are fully attributable to equity interests.

## 18 Notes to the cash flow statement

a) Reconciliation of operating (loss) / profit to net cash (outflow) / inflow from operating activities:	2001 £	2000 £
Operating (loss) / profit	(5,448,529)	3,951,323
Amortisation of intangible fixed assets	2,431,638	1,080,557
Depreciation of tangible fixed assets	603,006	566,654
Capital contribution released	(90,035)	(74,998)
Capital grant released	(122,703)	(116,903)
Net profit on disposal of sundry fixed assets	-	2,000
Decrease / (increase) in stocks	106,974	(52,023)
Increase in debtors	(273,407)	(669,925)
Increase / (decrease) in creditors	2,576,860	(353,944)
Net cash (outflow) / inflow from operating activities	<u>£(216,196)</u>	<u>£4,332,741</u>

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

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

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

	At 1 July 2000 £	Cash flows £	Other changes £	At 30 June 2001 £
Cash at bank and in hand	1,734,451	(813,196)	-	921,255
Intergroup balance	(5,831,532)	(3,031,552)	-	(8,863,084)
Finance loans due within 1 year	-	(38,439)	(100,000)	(138,439)
Other loans due within 1 year	(10,515)	-	-	(10,515)
Director's loan	(75,000)	-	-	(75,000)
Finance loans due after 1 year	-	41,667	(200,000)	(158,333)
Other loans due after 1 year	-	-	-	-
Hire purchase balances	(325,391)	23,169	300,000	(2,222)
	(6,242,438)	(3,005,155)	-	(9,247,593)
	£(4,507,987)	£(3,818,351)	£Nil	£(8,326,338)

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

	2001 £	2000 £
(Decrease) / increase in cash in the year	(813,196)	494,981
Cash inflow from increase in debt and hire purchases	(3,005,155)	(610,932)
Change in net debt resulting from cash flows	(3,818,351)	(115,951)
New hire purchases	-	(349,505)
Movement in net debt in the year	(3,818,351)	(465,456)
Net debt at 1 July 2000	(4,507,987)	(4,042,531)
Net debt at 30 June 2001	£(8,326,338)	£(4,507,987)

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

### 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 2001, which have not been provided for in the financial statements, are as follows :

	£
On contracts expiring :	
Within one year	327,583
Within two to five years	551,333
	<hr/>
	£878,916
	<hr/>

The company's commitments for rental payments under operating leases payable during the year to 30 June 2002 are as follows:

	Land and buildings £	Other £
On contracts expiring :		
Within one year	-	4,000
Within two to five years	210,000	21,304
	<hr/>	<hr/>
	£210,000	£25,304
	<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 Capital commitments

The company has contractual commitments in respect of the continuance of a feasibility study into the prospective development of the East Stand amounting to £132,000.

### 22 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. A replacement money purchase scheme was set up from 1 August 1999 and all current employer contributions are paid into the new 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 due for payment either in a lump sum on 1 August 2001 or in instalments of £5,843 per month from August 2001 to April 2003 and £3,092 per month from May 2003 until April 2007.

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

### 23 Post balance sheet events

Subsequent to the year end the company has sold players for £500,000 and purchased players with registration costs amounting to £900,000. These amounts will be capitalised in the financial statements for the next financial year.

### 24 Parent company

The parent company is Watford Leisure PLC, formerly Watford Association Football Club (Holdings) Limited.

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

	2001 £	2000 £
Account balance	8,563,084	5,531,532
Accrued interest	203,683	-
	<u>£8,766,767</u>	<u>£5,531,532</u>

The amount owed to the parent company bears interest at 2% over HSBC Bank plc base rate. This interest charge was 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.

### 25 Ultimate parent company and control

The ultimate parent company throughout the year was Penguin Overseas Associates Limited, which is incorporated in the Isle of Man. The ultimate controlling party throughout the year was Sawyer Trust. Watford Leisure Plc made a placement and issue of new shares on the same date, 2nd August 2001, as its share capital was admitted to the Alternative Investment Market. From that date the interest of Penguin Overseas Associates Limited in the share capital of Watford Leisure Plc was reduced to 39%.

# THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

## Notes to the financial statements for the year ended 30 June 2001

### 26 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 2001 the net amount charged by the company to Saracens Limited excluding VAT was £110,802 relating to fixed assets and £509,771 other charges (2000 - £112,395 fixed assets and £411,331 other). At 30 June 2001 the amount owed by Saracens Limited to the company was £306,522 (2000 - £121,805).

Mr H Oundjian is a director of this company and it's parent company, Watford Leisure plc. He is also a director and major shareholder of Corporate Couture Limited, which company has a contract with the Company for the development, design, manufacture and supply of certain products to the Group including playing and replica kit.

During the year to 30 June 2001 supplies totalling £97,004 were made to the company by Corporate Couture Limited. There was no balance outstanding at 30 June 2001.