



## EXPLANATORY STATEMENT

### IMPORTANT NOTICE

This explanatory statement contains an explanation of, and information about the accompanying proposals to be considered by all eligible shareholders (**Shareholders**) of (The) Watford Association Football Club Limited (the **Company**) and to help them determine how to vote on the special resolutions set out in the accompanying attachment. If you are in doubt about what to do in relation to the special resolutions, you should consult your financial or other professional advisor.

As Shareholders may be aware, the Company has recently been sold to Hornets Investment Limited (Hornets) (approximately 99.67 per cent. of the issued share capital of the Company was sold to Hornets by the Company's holding company Watford Leisure Limited effective 29 June 2012).

As part of the purchase of the Company by Hornets, certain secured notes due 2014 (the Notes) of Watford Leisure PLC (the **Issuer**) were issued as constituted by, subject to and with the benefit of a Deed of Covenant of Guarantee dated 13 July 2010 (the **Deed of Covenant and Guarantee**) granted by the Issuer and The Watford Association Football Club Limited in its capacity as a guarantor (the **Guarantor**) as amended by a Supplemental Deed of Covenant and Guarantee dated 10 March 2011 entered into by the Issuer and the Guarantor. The noteholders that subscribed for the Notes on the terms of the Deed of Covenant and Guarantee are:

- (i) **Mr. Graham Simpson**
- (ii) **Mr. David Fransen**; and
- (iii) **Fordwat Limited**, a company incorporated in Belize (together with Graham Simpson and David Fransen above, the Noteholders).

For the payment and discharge of secured liabilities of Hornets and the Company to the Noteholders, Hornets agreed to provide certain security to Fordwat Limited (in its capacity as trustee for the Noteholders and other secured parties). As a part of such security, the Company is required to amend its articles of association (the **Articles**), effectively at the earliest possible date, by the inclusion of a new article 4.6, and, at the same time, proposes to amend the heading of article 6 with more suitable wording.

The amendments proposed to the Articles are set out in full in the Special Resolutions attached to this Explanatory Memorandum and pursuant to Chapter 2 of Part 13 of the Companies Act 2006 and the **Articles**, the directors of the Company propose that the Special Resolutions are passed by the Company as a Written Resolution by circulation.

You are urged to carefully consider all of this material, determine how you wish to vote and cast your vote accordingly.

### Recommendation

**Your directors recommend approval and encourage all eligible shareholders to vote in favour of both the Special Resolutions set out in the accompanying Written Resolution.**

### BY ORDER OF THE BOARD:

**RAFFAELE RIVA**  
Chairman

4th September 2012

**GIAN LUCA NANI**  
Director