

The Watford Association Football Club Limited

Report and financial statements

For the year ended 30th June 2015

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Company information

Directors	Raffaele Riva Scott I. Duxbury David B. Fransen Stuart R. Timperley	Executive chairman Executive director and chief executive Non-executive director Non-executive director
Honorary Life Presidents	Sir Elton John CBE Graham Taylor OBE	
Football Manager	Quique Sanchez Flores	
Company Secretary	Peter Wastall	
Football Secretary	Gayle Vowels	
Registered office	Vicarage Road Stadium Watford Hertfordshire WD18 0ER	
Incorporation details	Incorporated in the United Kingdom on 22 nd July 1909 under Certificate of Incorporation number 104194	
Auditor	Myers Clark Egale 80 St Albans Watford Hertfordshire WD17 1DL	
Bankers	Barclays Commercial Bank PO Box 729, Eagle Point 1 Capability Green, Luton Bedfordshire LU1 3US	
Website address	www.watfordfc.com	

Strategic report For the year ended 30th June 2015

The directors present their report on the affairs of The Watford Association Football Club Limited (“the Company” or “the Club”), together with the financial statements for the year ended 30th June 2015.

Background

The Club’s Board consists of four directors (as detailed in the *Club information* section on page 1), being the executive chairman, the chief executive and two independent non-executive directors. Details of a change in the Club’s directorate during the year are set out later in this Directors’ Report.

The chief executive has responsibility, in close liaison with the chairman and other directors, for the day to day running and long term operation of the Club and refers to the Board in regard to significant decisions affecting all aspects of the Club.

Financial Overview

The year under review has continued to see the Club progress under stable and ambitious ownership and management culminating in the Club’s promotion to the FA Premier League. This on field success is mirrored by continued commercial growth off the field and whilst the Company has recorded a loss before tax of £4,783,000 for the year, this figure includes costs totalling £8,125,000 directly relating to promotion and but for these exceptional costs, the Company would have recorded a healthy pre-tax profit of £3,342,000.

Turnover for the year has increased by £1,703,000, which includes growth in partnership, retail and match day income as well as an increase in loan fees receivable. The Company has reported an operating loss for the year of £11,715,000, but as outlined above this includes a significant element of cost directly relating to the Club’s promotion to the Premier League. Further, this loss has been somewhat offset by an amount of profit on disposal of player registrations of £7,288,000.

Wage and salary costs have increased by £8,793,000, £6,682,000 of which related directly to the achievement of promotion. The remaining increase relates to players’ basic salaries and game by game incentive bonuses which have increased from the previous season based on improved performance.

The trading of non-core players continues to contribute to reducing operating losses which have occurred as the Club has successfully achieved the goal of promotion to the Premier League. The profit on player disposals for the year to the 30th June 2015 was £7,288,000.

The key financial and performance indicators are as follows:

	2015 £'000	2014 £'000
Turnover	18,393	16,690
Wages and salary costs	(20,689)	(11,896)
Other operating expenses	(8,947)	(6,959)
Amortisation and impairment of player registrations	(493)	(251)
Other operating income	21	988
Operating loss	<u>(11,715)</u>	<u>(1,428)</u>
Profit on disposal of player registrations	7,288	1,513
Exceptional item		
Net interest charges	(356)	(429)
Intercompany debt waiver		

Strategic report continued
For the year ended 30th June 2015

Profit/(Loss) on ordinary activities before taxation	(4,783)	(344)
Cash generated (absorbed) by operations	(2,587)	(1,136)
Wages to revenue ratio	112%	71%
League position	2nd	13 th

When reviewing the key performance indicators and in particular the wages to revenue turnover, it is to be noted that salary costs, after deduction of bonuses and payments directly relating to Premier League promotion, would reduce to £14,007,000 which represents a wages to revenue ratio of 76%.

Financial Review

Total turnover increased by £1,703,000 from £16,690,000 to £18,393,000.

Media revenue has reduced by £141,000. Of this reduction, £170,000 relates to the central league funding increase, whilst the central award remained static. A payment back to the Football League, as a result of promotion to the Premier League, accounts for the majority of the reduction. This movement is somewhat offset by an additional £80,000 of TV income due to an additional televised fixture, with three home fixtures being selected for TV broadcast during the 2014/15 season, compared to two during the previous season. Failure to progress in the FA Cup meant the Club did not benefit from any payment under the progression bonuses and therefore income reduced by £67,000. Other media income increased slightly by £16,000, mainly due to increased payments under the Club's programme licence agreement relating to average programme sales.

Commercial revenues for the year to 30th June 2015 totalling £8,066,000, an increase of £895,000 from the previous year figure of £7,171,000. The increase includes £667,000 from Club partnerships, £211,000 from increased retail revenue. The remaining increase of £17,000 mainly relates to improved amounts due under the outsourced catering contract based upon average attendances.

Revenues generated on match days have increased by £556,000. This relates to increases in Season and Match ticket income of £445,000 and an increase in match day commercial sales of £41,000, as well as additional income from Cup matches of £70,000.

Other income within turnover, relating to player loan fees receivable, has increased by £393,000 from £160,000 to £553,000.

Salary costs, as already outlined, have increased significantly. However, the majority of that increase relates to player bonuses payable upon promotion to the Premier League. Overall salary costs have increased by £8,793,000 from a 2014 level of £11,896,000 to £20,689,000 in 2015. Of this increase £6,682,000 relates to Premier League promotion leaving a comparable increase of £2,111,000. An increase in the overall cost of players' salaries (excluding promotion bonuses) from £8,026,000 in 2014 to £10,002,000 explains £1,976,000 of this figure: this includes a £2,000,000 increase in basic salaries and a £699,000 increase in match by match incentive bonuses, offset by reductions in individual player bonuses of £348,000 and signing-on-fees of £364,000. National insurance costs have increased by £223,000 and accommodation allowances have increased by £69,000, whilst settlement fees have reduced by £294,000 and cup bonuses by £9,000. Other staff salaries have remained broadly static, with an overall increase of £135,000 (excluding promotion related bonuses) and of this figure £121,000 relates to a revaluation of the Football League Limited Pension and Life Assurance Scheme.

Strategic report continued

For the year ended 30th June 2015

Other operating expenses have seen an increase of £1,988,000 from £6,959,000 in 2014 to £8,947,000 in 2015. Of this increase £968,000 relates to amounts payable as a result of promotion to the Premier League mainly relating to fees payable to other Clubs under loan agreements. The balance of this increase totals £1,020,000 and this includes £798,000 of costs relating to the football operation, including travel and accommodation, training ground pitch maintenance and players' agents fees. Retail costs have increased from the previous year by £89,000, in line with the increased revenue. Stadium running costs have increased by £99,000, with £34,000 of other costs variances contributing to the remaining overall increase.

Amortisation and impairment costs have increased from £251,000 to £493,000, with amortisation costs relating to amounts payable to Clubs as a result of promotion to the Premier League totaling £309,000 in the year. Before capitalization of these costs, the amortisation charge in the year was reduced from the previous season by £67,000, due to the low net book value of players at that time.

Other operating income has reduced from £988,000 in 2014 to £21,000 in 2015. The prior year figure mainly related to a contribution from the bondholders in relation to the LNOC matter.

The profit on disposal of players' registrations comprises total profits of £7,288,000 generated from sales, appearance and sell-on clauses in relation to the following players: Britt Assombalonga, William Buckley, Javier Acuna, Jonathon Hogg, Craig Forsyth, Tom Rosenthal, Panos Armenakas, Carl Stewart, Javier Sanchez and Gavin Massey. The prior year amount of £1,513,000 was mainly generated from the sales of Britt Assombalonga, Jonathon Hogg and Craig Forsyth.

The Team and Football Management

Promotion to the Premier League was achieved at the end of a successful 2014/15 season. Head Coach Slavisa Jokanovic, appointed during October 2014, led the team to a second-place finish in the Football League Championship.

The playing squad was continually enhanced during the campaign, and it achieved the owner's ambition of achieving top-flight status during the first three years of tenure.

Academy

The bar continues to rise in terms of the challenge faced by the Club's young players to earn a break-through into the first-team squad. Happily, the quality of delivery from the Club's Academy continues to develop apace.

After a season of consideration with regards to next steps concerning the Academy's status within the Premier League's Elite Player Performance Plan (EPPP), the Club is now working within Category 2 Status, which includes a full roster of Under-21 fixtures to further prepare its young professionals for the transition into the senior squad.

Throughout its research prior to launch, the EPPP cited the Club's long-standing partnership with The Harefield Academy, through which it provides greater coaching contact time and a structured educational pathway, as a shining example of best practice within the game.

Strategic report continued

For the year ended 30th June 2015

Community

The award-winning Watford FC Community Sports & Education Trust continues to stretch the reach and depth of its positive influence ever further in the areas local to the Club.

A self-financing registered charity, the Trust's principles remain strong in that all projects and activities fall under at least one or more of its five key themes: sports participation, education, health, social inclusion and community facilities.

Working primarily with and for those within the Watford Borough Council area, where building work is just about to commence on a new satellite hub site at the Meriden Community Centre site in north Watford, the Trust is also a burgeoning force for positive community impact in the nearby London boroughs of Harrow and Hillingdon.

Last year, the Trust ran more than 8,000 sessions for over 160,000 participants. It signifies, by action more than word, the commitment of the Club and of the Trust to the local community.

Stadium

Works completed during summer 2015 on a new 3,000-plus stand situated on the east side of Vicarage Road Stadium, taking the total capacity to just over 21,000.

Combined with extensive capital investment for other parts of the stadium, the Club's commitment to a prosperous future extends far beyond on-field matters, with over £8 million of expenditure progressing towards a New Year 2016 conclusion.

Principal risk and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Company's long term performance. These risks and uncertainties are monitored by the Board in a regular basis.

Income

The Club derives its income from three principal sources: gate receipts, television and commercial relationships.

All three sources of income are dependent on the performance of the first team and its appeal to football supporters. The performance of the first team is significantly influenced by the quality of the coaching staff and the players that the Club can attract in a highly competitive market both on the domestic and European levels.

Expenditure

In order to attract the talent which will continue to improve the performances of the first team the Club continually invests in the playing staff by way of both transfer and wages.

Regulatory environment

The Club is regulated by the rules of the FA, FAPL, UEFA and FIFA. These regulations have a direct impact of the Club as they cover areas such as the division of centrally negotiated television deals and the operation of the transfer market. The Club has staff whose roles include ensuring that the Club monitors the evolution of the rules and ensures compliance with them.

Funding

Funds are provided by the Club's parent company, Hornets Investment Limited. The Club reviews and updates its cash forecasts on a regular basis and keeps the owner aware of financial commitments going forwards.

Strategic report continued
For the year ended 30th June 2015

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 status. It has also considered the financing requirements of the business that may result and these are referred to in note 1a.

Future developments

The Club's owner continues to be committed to new investment into the business in respect of playing staff and updating the facilities at the Stadium. This strategy has been evident in the period since promotion to the Premier League.

Signed on behalf of the Board of Directors

P J Wastall
Company Secretary

Approved by the Board on 16th November 2015

Report of the directors For the year ended 30th June 2015

Principal activity

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

Business Review

The Company recorded a loss before taxation for the year of £4,783,000 (2014 - £344,000 loss).

The loss for the year has been added to the deficit brought forward as shown in note 17 to the accounts.

Directors and their interests

The directors at 30th June 2015, together with their beneficial interests in the shares of the Company and parent company, at the dates shown below, were as follows:

	Parent Company Hornets Investment Limited From 1 st July 2014 to 30 th June 2015		Company from 1 st July 2014 to 30 th June 2015	
	Ordinary £1 shares 2015	2014	Ordinary £1 shares 2015	2014
Mr. R. Riva	-	-	-	-
Mr S.I. Duxbury	-	-	-	-
Mr D.B Fransen	-	-	-	-
Professor S.R Timperley	-	-	-	-

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

Mr G.L. Nani resigned from the Board on 2nd September 2014. There are no other changes since the year end.

The Company has in place Directors' and Officers' Liability Insurance with a third party.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Report of the directors continued

For the year ended 30th June 2015

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Payments of suppliers

The Company 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 Company 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 Company transacts with many suppliers the group endeavours to meet the Government's 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 Company by its suppliers (excluding transfer fees payable) and the amount owed to its creditors at 30th June 2015 was 39 days.

Charitable and political donations

During the year the Company made charitable donations of £126,858 (2014 - £49,868). No political donations were made during the year.

Post balance sheet events

Details of the post balance sheet events are set out in note 22 to the financial statements.

Auditor

In accordance with the Company's articles, a resolution proposing that Myers Clark be re-appointed as auditors of the Company, will be put at the Annual General Meeting.

Report of the directors continued
For the year ended 30th June 2015

From the Board

The Board would like to acknowledge the Club's achievement in securing promotion to the Premier League. The chairman and directors wish to express their thanks for the commitment and sustained endeavours of the whole team at the Club – the players, football management, office staff and supporters, each and every one playing their part in that success.

Retention of Premier League status is now the key focus. The Board welcomes the appointment of Quique Sanchez Flores as head coach and trusts that the Club will continue to enjoy sustained progress during the coming year and beyond.

Signed on behalf of the Board of Directors

P J Wastall
Company Secretary

Approved by the Board on 16th November 2015

**Independent auditor's report
to the members of The Watford Association Football Club Limited**

We have audited the financial statements of The Watford Association Football Club Limited for the year ended 30th June 2015 set out on pages 12 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the Directors' Responsibilities Statement as set out on Page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30th June 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditor's report
to the members of The Watford Association Football Club Limited continued**

Emphasis of matter – Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. At 30th June 2015 the Company's liabilities exceeded its total assets by £8,895,000.

The validity of the going concern basis is dependent on the assumptions underlying the financial projections being accurate, the financial projections being substantially realised and the Company's ability to raise sufficient new capital to the extent it may be required.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Mr Paul Windmill FCA (Senior Statutory Auditor)
for and on behalf of Myers Clark**

16th November 2015

**Chartered Accountants
Statutory Auditor**
Egale 1
80 St Albans Road
Watford
Hertfordshire
WD17 1DL

Profit and loss account
For the year ended 30th June 2015

	Note	Operations excluding player trading £'000	Player trading (note 8) £'000	2015 £'000	2014 £'000
Turnover	2	18,393	-	18,393	16,690
Cost of sales		(25,201)	(493)	(25,694)	(14,802)
Gross profit/(loss)		(6,808)	(493)	(7,301)	1,888
Administrative expenses		(4,435)	-	(4,435)	(4,304)
		(11,243)	(493)	(11,736)	(2,416)
Other operating income	3	21	-	21	988
Operating loss		(11,222)	(493)	(11,715)	(1,428)
Profit on disposal of players' registrations		-	7,288	7,288	1,513
Interest receivable	4	6	-	6	4
Interest payable and similar charges	4	(362)	-	(362)	(433)
Profit/(loss) on ordinary activities before taxation	5	(11,578)	6,795	(4,783)	(344)
Tax on profit/(loss) on ordinary activities	7			-	-
Profit/(loss) for the financial year	16			£(4,783)	£(344)

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 results shown above and their historical cost equivalents.

The notes on page 15 to 27 form part of these financial statements.

Balance sheet
As at 30th June 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	1(c) & 8	4,894	408
Tangible assets	1(d) & 9	20,014	15,304
		<u>24,908</u>	<u>15,712</u>
Current assets			
Stocks	1(h) & 10	127	183
Debtors	11	4,171	3,843
Cash at bank and in hand		556	298
		<u>4,854</u>	<u>4,324</u>
Creditors amounts falling due within one year	12	<u>(26,742)</u>	<u>(11,943)</u>
Net current liabilities		<u>(21,888)</u>	<u>(7,619)</u>
Total assets less current liabilities		3,020	8,093
Creditors amounts falling due after more than one year	13	(11,907)	(12,193)
Deferred capital grants and contributions	14	(8)	(12)
		<u>£(8,895)</u>	<u>£(4,112)</u>
Capital and reserves			
Called up share capital	15	1,073	1,073
Profit and loss account – accumulated deficit	16	(9,968)	(5,185)
Shareholders' funds	17	<u>£(8,895)</u>	<u>£(4,112)</u>

Approved by the Board of Directors on 16th November 2015 and signed on its behalf

R. Riva
Chairman
Company registration number – 104194
The notes on pages 15 to 27 form part of these financial statements

Cash flow statement
For the year ended 30th June 2015

	Note	£'000	2015 £'000	£'000	2014 £'000
Operating activities			-		
Net cash (out)/inflow from operating activities	18(a)		(2,587)		(1,136)
Returns on investments and servicing of finance					
Interest received		6		4	
Interest paid		(133)		(529)	
Net cash outflow from returns on investments and servicing of finance			(127)		(525)
Capital expenditure					
Payments to acquire intangible fixed assets		(329)		(363)	
Payments to acquire tangible fixed assets		(5,058)		(3,142)	
Receipts from sales of intangible fixed assets		8,387		1,719	
			(3,000)		(1,786)
Net cash inflow/(outflow) before financing			286		(3,447)
Financing	18(b)				
Advances/(Repayments) of group loans		491		2,637	
Repayments of directors' loans		-		-	
(Repayment)/Advances of other loans		172		-	
Net cash inflow/(outflow) from financing			663		2,637
Increase/(decrease) in cash in for the year	18(c)		£949		£(810)

The notes on pages 15 to 27 form part of these financial statements.

Notes to the financial statements

For the year ended 30th June 2015

1. Accounting policies

The principal accounting policies are as follows:

a) Basis of accounting

The financial statements are prepared under the cost convention and in accordance with applicable accounting standards.

The Company made a loss for the year of £4,783,000 and had net liabilities at 30th June 2015 of £8,895,000.

However, following promotion of the football club to the Premier League, the Company's income over the next twelve months, along with the continued support of the parent company, is sufficient to provide the necessary working capital for the Company and therefore it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Company's bankers have indicated that, so long as the Company continues to operate within its financial plan, regular renewal of the £1,250,000 million overdraft facility will be available and an increase considered following promotion.

The parent company has confirmed that they will not seek repayment of the loan of £2,864,326 if to do so would jeopardise the Club's ability to continue as a going concern. The Club's owners are committed to new investment into the business in respect of playing staff and in order to update the facilities at the stadium and the ultimate beneficial owners have entered into a financial commitment to financially support the Company for the next 12 months.

b) Turnover

Turnover represents income arising from sales to third parties and excludes transfer fees receivable (which are dealt with in the profit on disposal of players' registrations) and value added tax.

Season ticket and corporate hospitality income is recognised over the period of the football season as home matches are played.

Fixed elements of FA Premier League and Football League central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played and Football League appearance fees are accounted for as earned.

Sponsorship contracts are recognised over the duration of the contract, either on a straight-line basis, or over the period of the football season, as appropriate, based on the terms of the contract. Catering revenues are recognised on an earned basis. Income from the sale of branded products is recognised at the point of dispatch when significant risks and rewards of ownership are deemed to have transferred to the buyer.

Notes to the financial statements continued

For the year ended 30th June 2015

c) Intangible assets

i) Acquired players' registrations

The costs associated with the acquisition of players' registrations are initially recorded at the date of acquisition as intangible fixed assets. Part of the acquisition cost may be dependent upon the number of appearances and the directors exercise their judgement on the probability of the deferred consideration becoming payable and capitalising that cost as an intangible asset. These costs are fully amortised over the period of the relevant player's contract.

Intangible assets are tested for impairment at each balance sheet date. An impairment loss is recognised for the amount by which the assets carrying value exceeds its recoverable amount. The directors' valuation of a player's registration is arrived at by reference to market conditions and comparative data of recent transactions. Impairment losses are recognised in the profit and loss account.

ii) Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the length of each player's contract.

d) Tangible fixed assets, capital grants and depreciation

Tangible fixed assets are stated at their gross cost or valuation less accumulated depreciation and impairment losses. Assets under construction are not depreciated until they are brought into use.

Capital grants and contributions to capital expenditure are credited to deferred income and released to the profit and loss account over the expected useful lives of the assets to which they relate.

Depreciation is charged to the profit and loss account, to write off the cost of property, plant and equipment less estimated residual value, over their estimated useful lives as follows:

Freehold Buildings	- over 25 years and 10 years
Plant & equipment	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Leasehold improvements	- over the shorter of the unexpired term of lease and 20 years

e) Signing on fees

Signing on fees are charged to the profit and loss account on a straight line basis over the period of the player's contract. Prepayments/accruals arising at each period end are included within prepayments and accrued income or accruals within current assets and liabilities, as appropriate. Where a player's registration is transferred, any signing on fees payable in respect of future periods are charged against profit/(loss) on disposal of players' registrations in the period in which the disposal is recognised.

f) 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 were amortised on a straight line basis over the economic life, estimated at 10 years. The Company's supply agreement was renegotiated in a prior year. As a result the asset was fully written down in that year's financial statements.

Notes to the financial statements continued

For the year ended 30th June 2015

g) Goodwill

Goodwill arising from the acquisition of Watford Catering Limited (which was dissolved on 22nd March 2011) is capitalised as an intangible fixed asset and is amortised on a straight line basis over the economic life, estimated at 10 years

h) Stocks

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

i) Deferred revenue

Deferred revenue arises principally from the advance sale of season tickets, executive boxes and players' loan fees and is recognised as an income in the period to which it relates.

j) Operating leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives are recognised in the profit and loss account as an integral part of the total lease expense.

Rental receipts are recognised in the profit and loss account on a straight line basis over the term of the lease.

k) 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 represent contributions payable by the Company during the year (see also note 21).

l) Deferred taxation

Deferred taxation 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.

m) Foreign currencies

The Company's accounting records are maintained in Pounds sterling. Monetary assets and liabilities denominated in foreign currencies are translated into Pounds sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

Notes to the financial statements continued
For the year ended 30th June 2015

2. Turnover

The Company has one main business segment, that of professional football operations. As a result, no additional business segment information is required to be provided. It operates in one geographical segment, the United Kingdom, and accordingly no additional geographical information is required to be provided.

Notwithstanding this, a voluntary analysis of the revenue streams is given below to assist with an understanding of the business:

	2015 £'000	2014 £'000
Matchday	5,144	4,588
Media	4,630	4,771
Commercial	8,066	7,171
Other	553	160
	<u>£18,393</u>	<u>£16,690</u>

Revenue streams comprise:

Matchday – season and matchday tickets, corporate hospitality and matchday catering income.

Media – television and broadcasting income, including distributions from the FA Premier League broadcasting agreements, Football League funding, cup competitions and local radio.

Commercial – sponsorship income, merchandising, conference and banqueting and other sundry income.

3. Other operating Income

	2015 £'000	2014 £'000
Rent receivable	-	-
Release of capital grants	4	2
Other	17	986
	<u>£21</u>	<u>£988</u>

4. Interest

	2015 £'000	2014 £'000
Interest receivable		
Bank deposit interest	<u>6</u>	<u>4</u>
Interest payable and similar charges		
Bank loan and overdraft interest	1	1
Other interest	<u>361</u>	<u>432</u>
	<u>£362</u>	<u>£433</u>

Notes to the financial statements continued
For the year ended 30th June 2015

5. Profit/(loss) on ordinary activities before taxation

	2015 £'000	2014 £'000
Amortisation of intangible fixed assets	510	268
Depreciation of tangible fixed assets	828	644
Loss on disposal of tangible fixed asset	4	34
Auditor's remuneration		
Audit fees	13	13
Taxation	-	-
Other	-	-
Operating leases – vehicles and equipment	57	40
Operating leases – property	411	495
	<u>411</u>	<u>495</u>

6. Employee information

	2015 £'000	2014 £'000
Staff Costs		
Wages and salaries	18,076	10,385
Social security costs	2,391	1,426
Other pension costs	222	85
	<u>£20,689</u>	<u>£11,896</u>

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

	2015 Number	2014 Number
Players	53	52
Coaching staff	46	38
Part-time coaching staff	18	14
Commercial staff	24	20
Part-time commercial staff	23	19
Administration	9	9
Ground staff	7	6
	<u>180</u>	<u>158</u>

In addition to the above the Company employed an average of 115 (2014 – 109) part-time match day staff during the year.

Directors' remuneration

	2015 £'000	2014 £'000
Directors' remuneration	401	350
Pension costs	20	20
	<u>421</u>	<u>370</u>
Highest paid director	<u>210</u>	<u>190</u>
Number of directors accruing benefits under money purchase schemes	<u>2</u>	<u>2</u>

Note to the financial statements continued
For the year ended 30th June 2015

7. Tax on profit/(loss) on ordinary activities

The tax position is reconciled as follows:

	2015 £'000	2014 £'000
(Loss)/profit before taxation	(4,783)	(344)
(Loss)/profit before taxation multiplied by the effective standard UK corporation tax rate of 20.75% (2014 – 21.5%)	(992)	(74)
Expenses not deducted for tax purposes	6	9
Depreciation in excess of capital allowances	136	27
Tax losses utilised	-	(62)
Other tax adjustments	850	100
	£Nil	£Nil

Tax losses at 30th June 2015 available for offset against future trading profits or transfer as group relief are in excess of £38 million.

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

8. Intangible fixed assets

	Goodwill £'000	Pouring rights £'000	Players' registrations £'000	Total £'000
Cost or valuation				
At 1 July 2014	177	752	1,024	1,953
Additions	-	-	4,996	4,996
Disposal	-	-	-	-
At 30 June 2015	177	752	6,020	6,949
Depreciation				
At 1 July 2014	89	752	704	1,545
Charge for the year	17	-	493	510
Disposal	-	-	-	-
At 30 June 2015	106	752	1,197	2,055
Net book value				
At 30 June 2015	£71	£Nil	£4,823	£4,894
At 30 June 2014	£88	£Nil	£320	£408

Notes to the financial statements continued
For the year ended 30th June 2015

9. Tangible fixed assets

	Assets under construction £'000	Freehold ground premises and improvements £'000	Leasehold property and improvements £'000	Motor vehicles, equipment, fixtures and fittings £'000	Total £'000
Cost					
At 1 July 2014	3,141	13,539	223	2,487	19,390
Additions	2,189	2,661	45	648	5,543
Transfers	(2,575)	2,164	411	-	-
Disposals	-	-	-	(18)	(18)
At 30 June 2015	<u>2,755</u>	<u>18,364</u>	<u>679</u>	<u>3,117</u>	<u>24,915</u>
Depreciation					
At 1 July 2014	-	2,227	204	1,656	4,087
Charge for the year	-	501	54	274	829
Disposals	-	-	-	(14)	(14)
At 30 June 2015	<u>-</u>	<u>2,728</u>	<u>258</u>	<u>1,916</u>	<u>4,902</u>
Net book value					
At 30 June 2015	<u>£2,755</u>	<u>£15,637</u>	<u>£421</u>	<u>£1,201</u>	<u>£20,014</u>
At 30 June 2014	<u>£3,141</u>	<u>£11,312</u>	<u>£19</u>	<u>£831</u>	<u>£15,303</u>

10. Stocks

	2015 £'000	2014 £'000
Goods for resale	<u>£127</u>	<u>£183</u>

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

Notes to the financial statements continued
For the year ended 30th June 2015

11. Debtors

	2015 £'000	2014 £'000
Trade debtors	1,983	693
Transfer fees receivable	241	1,230
Other debtor	2,125	2,125
Provision for non-repayment of other debtor	(2,125)	(2,125)
Rent deposit	-	-
Prepayments and accrued income	1,947	1,920
	<u>£4,171</u>	<u>£3,843</u>

The other debtor is due from Watford FC Limited and has been provided for in full during a prior year.

12. Creditors amounts falling due within one year

	2015 £'000	2014 £'000
Bank overdraft (secured)	-	691
Directors' loans	250	250
Other loans	1,086	974
Parent company	1,450	-
Trade creditors	2,541	1,909
Players' registration costs	4,855	219
Other taxes and social security	1,959	734
Accruals	6,690	1,892
Deferred revenue	7,911	5,274
	<u>£26,742</u>	<u>£11,943</u>

Other loans payable within one year of £1,085,800 (2014 - £973,776) include £668,961 (2014 - £668,961) secured loan from Watford FC Community Sports & Education Trust, £341,839 (2014 - £229,815) secured bond and an unsecured and interest free loan of £75,000 (2014 - £75,000).

Directors' loans represent a £250,000 (2014 - £250,000) unsecured loan, attracting interest at 3.5% above Barclays Bank base rate.

Notes to the financial statements continued
For the year ended 30th June 2015

13. Creditors amounts falling due after more than one year

	2015 £'000	2014 £'000
Other loans	5,810	5,750
Amount owed to parent company	4,664	5,623
Accruals and deferred revenue	1,433	820
	11,907	12,193
The maturity of total debt may be analysed as follows:		
	2015 £'000	2014 £'000
In one year or less	2,786	1,224
Between one and two years	2,501	1,350
Between two and five years	1,350	2,282
In more than five years	6,623	7,741
	£13,260	£12,597

Other loans represent £5,638,000 secured bonds, and a further loan of £171,891.

During the financial year the loan to the Company by its immediate parent company Hornets Investment Limited increased in order to provide funding towards the cost of the new stand. The loan total includes £1,000,000 loan repayable on 30th September 2016 on which interest is accrued at 4.5% per annum and £2,250,000 which is repayable in 5 equal instalments commencing 31st December 2015 on which interest is accrued at 4.5% per annum. The balance of the loan is unsecured, carries no interest and has no fixed repayment date. Of the loans outlined above, £1,450,000 is due in less than one year with the balance due in more than one year.

14. Deferred capital grants and contributions

	Capital grants £'000	Contributions to capital expenditure £'000	Total £'000
At 1 st July 2014	10	2	12
Credited to the profit and loss account	(2)	(2)	(4)
At 30 th June 2015	8	-	8

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 continued
For the year ended 30th June 2015

15. Share capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
1,072,722 Ordinary shares of £1 each	1,073	1,073
13,000,000 Ordinary 'A' shares of £0.001 each	-	-
	£1,073	£1,073

The Ordinary 'A' shares rank pari-passu with the existing Ordinary shares. Hornets Investment Limited own 99.7% of the Company's issued share capital.

16. Reserves

	Profit and Loss account £'000
At 1 st July 2014	(5,185)
Loss for the year	(4,783)
At 30th June 2015	£(9,968)

17. Reconciliation of movements on shareholders' funds

	2015 £'000	2014 £'000
Profit/(loss) for the financial year	(4,783)	(344)
Opening shareholders' funds	(4,112)	(3,768)
Closing shareholders' funds	£(8,895)	£(4,112)

Shareholders' funds are fully attributable to equity interests.

Notes to the financial statements continued
For the year ended 30th June 2015

18. Notes to the cash flow statement

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

	2015 £'000	2014 £'000
Operating loss	(11,715)	(1,428)
Amortisation and impairment of intangible fixed assets	510	269
Depreciation and impairment of tangible fixed assets	828	644
Loss on disposal of tangible fixed assets	4	34
Capital grant released	(2)	(2)
Decrease/(increase) in stocks	56	(114)
(Increase)/decrease in debtors	(1,317)	1,270
Increase in creditors	9,049	(1,809)
Net cash in/(out)flow from operating activities	<u>£(2,587)</u>	<u>£(1,136)</u>

b) Analysis of changes in net debt

	At 1 st July 2014 £'000	Cash flows £'000	Other changes £'000	At 30 th June 2015 £'000
Cash at bank and in hand	298	258	-	556
Bank overdraft	(691)	691	-	-
Net cash at bank and in hand	<u>(393)</u>	<u>949</u>	<u>-</u>	<u>556</u>
Intergroup balance	(5,623)	(491)	-	(6,114)
Directors' loans within 1 year	(250)	-	-	(250)
Other loans due within 1 year	(974)	(172)	(112)	(1,258)
Directors' loans due after 1 year	-	-	-	-
Other loans due after 1 year	(5,750)	-	112	(5,638)
	<u>(12,597)</u>	<u>(663)</u>	<u>-</u>	<u>(13,260)</u>
	<u>£(12,990)</u>	<u>£286</u>	<u>-</u>	<u>£(12,704)</u>

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

	2015 £'000	2014 £'000
Increase/(Decrease) in cash in the year	949	(810)
Cash (inflow)/outflow from (increase)/decrease in debt	(663)	(2,637)
Change in net debt resulting from cash flows	<u>286</u>	<u>(3,447)</u>
Other non-cash changes	-	-
Movement in net debt in the year	<u>286</u>	<u>(3,447)</u>
Net debt at 1 st July 2014	<u>£(12,990)</u>	<u>£(9,543)</u>
Net debt at 30 th June 2015	<u>£(12,704)</u>	<u>£(12,990)</u>

d) Major non-cash transactions

During the year there were no major non-cash transactions. (2014 – None)

Notes to the financial statements continued
For the year ended 30th June 2015

19. Financial commitments

The maximum amount of payments due in respect of deferred signing on fees for playing staff under contract with the Company as at 30th June 2015, which has not been provided for in the financial statements, is as follows:

	£'000
On contracts expiring :	
Within one year	-
Between one and two years	171
	171

The Company's commitments for rental payments under operating leases payable during the year ended 30th June 2015 are as follows:

	Land and buildings £'000	Other £'000
On contracts expiring:		
Within one year	-	27
Between one and two years	-	26
Between two and five years	-	1
More than five years	411	3
	411	57

20. Contingent liabilities and assets

The Company has liabilities under transfer agreements to pay additional sums dependent on players' attainment and subsequent transfer value. The maximum that could be payable in respect of transfers made before 30th June 2015 is £502,500 (2014 - £8,534,000). Since the year end none of this has become payable. Of the contingent amount £85,000 (2014 - £8,117,000) relates to clauses linked to retention of Premier League status.

The maximum possible commitments in respect of signing-on-fees due to players under contracts at the year end, which are payable on future dates specified in their contracts and not provided for in the accounts, amounted to £171,000 (2014 - £179,000).

At 30th June 2015 the Club had sums receivable from other clubs in respect of players, dependent upon the number of first team appearances or percentage sell-on clauses. Due to the uncertainty of receipt of these contingent assets, it is not practical to disclose the amount likely to be received. Since the year end, £30,000 has become due.

21. Pension costs

Certain of the Company's ex-employees are members of the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. The Company is one of a number of participating employers in the FLLPLAS. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. Under the provisions of FRS 17 the scheme is accounted for as a defined contribution scheme. Based on an actuarial valuation as at 31st August 2014, the Company has calculated that its share of the actuarial deficit is £391,875 (of which £33,760 is payable in less than one year), included in accruals and that it is required to pay £5,256 per month until August 2016, with the monthly amount payable increasing by 5% per annum thereafter until 31st August 2022.

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

Notes to the financial statements continued

For the year ended 30th June 2015

22. Post balance sheet events

As outlined in note 20, subsequent to the year end, sums have been receivable from other clubs in respect of appearance and sell-on clauses in respect of players' previously sold. It is estimated that net income of at least £30,000 is to be reflected in the financial statement for the current year. Since the year end various players' registration have been sold or terminated and in respect of those it is estimated that net income of £2,100,000 is to be reflected in the financial statement for the current year.

Since the year end there have been several new player registrations. The net payments which the Club is committed in respect of those transactions is estimated to be £22,799,240 (dependent upon certain exchange rates at the date of payment), with further potential amounts of £13,580,000 due dependent upon Club and / or player performance.

The Company has also entered into various loan transactions in relation to players, and it is expected that net income generated from loan fees of at least £3,845,000 will be reflected in the financial statement for the current year, with an estimated net cost of £1,480,000 in relation to loan acquisitions.

The Company also agreed a new £15,000,000 loan facility as at the 30th June 2015 which has been fully drawn subsequent to the year end and has agreed an extended repayment date on a £1,000,000 loan.

23. Parent Company and control

The immediate parent company is Hornets Investment Limited, a company registered in England and Wales. The ultimate parent company and controlling party is Hornets Management S.a.r.l. a company registered in Luxembourg. The majority shareholder and therefore the ultimate controlling party is Mr Gino Pozzo.

24. Related party and directors' transactions

At 30th June 2015 the Company owed £6,114,236 (2014 - £5,632,376) to Hornets Investment Ltd, the immediate parent company. The loan includes an unsecured £1,000,000 loan repayable on 30th September 2015 (although subsequent to the year end the repayment terms on this loan have been extended to 30th September 2016), on which interest is accrued at 4.5% per annum. A further unsecured loan of £2,250,000 is also included which is repayable in five instalments commencing 31st December 2015, with interest accruing at 4.5% per annum. The balance of the loan is unsecured, carries no interest and has no fixed repayment date. The total interest accrued for the year was £143,599 of which £101,441 was paid and £42,158 remains outstanding as at the year end date.

As at the 30th June 2015 the Company had loan notes of £1,590,996 (2014 - £1,590,996) owed to David Fransen, a director of the Company, which accrue interest at 3% per annum. Interest owed as at 30th June 2015 amount to £122,398 (2014 - £74,668).