

Company Registration No. 104194 (England and Wales)

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

COMPANY INFORMATION

Directors	S I Duxbury D B Fransen S R Timperley
Secretary	P J Wastall
Company number	104194
Registered office	Vicarage Road Stadium Watford Herts WD18 0ER
Auditor	Myers Clark Egale 1 80 St Albans Road Watford Hertfordshire WD17 1DL

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

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THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2021

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 30 June 2021.

Background

As at the year end, the Club's Board consists of three directors (as detailed in the Company information section on the first page), being the executive chairman and two independent non-executive directors.

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

Promoting Success of the Company

Section 172(1) (A) to (F) of the Companies Act 2006 require Directors to explain how they considered the interests of key stakeholders when performing their duty to promote the success of the Company. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the Company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement explains how Watford FC (WFC) Directors consider:

S172(1) (A) "The likely consequences of any decision in the long term"

The Directors understand the business and the evolving environment in which we operate, including from the footballing side, the challenges of identifying and scouting new talent. Based on WFC's purpose to scout young talent and develop them into professional athletes by providing a clear path to first team football, the strategy set by the Board is intended to strengthen our position as a club with one of the strongest scouting networks globally.

The Directors recognise how our operations are viewed by different parts of society and that some decisions they take today may not align with all stakeholder interests. However, the Directors have taken the decisions they believe best support WFC's strategic ambitions.

S172(1) (B) "The interests of the company's employees"

The Directors recognise that WFC employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the Directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

S172(1) (C) "The need to foster the company's business relationships with suppliers, customers and others"

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers, governments, other football clubs and regulatory bodies. WFC seeks the promotion and application of certain general principles in such relationships. The Club continuously assesses the priorities related to customers and those with whom we do business.

S172(1) (D) "The impact of the company's operations on the community and the environment"

This aspect is inherent in our strategic ambitions, most notably the Club has partnered with the local community in various projects including supporting the NHS, local schools and various charitable trusts. As such, the Board receives information on these topics to both provide relevant information for specific Board decisions.

S172(1) (E) "The desirability of the company maintaining a reputation for high standards of business conduct"

WFC aims to meet the world's growing need to be environmentally and socially responsible. The Board periodically reviews and approves clear frameworks. This, complemented by the ways the Board is informed and monitors compliance with relevant governance standards help assure its decisions are taken and that WFC act in ways that promote high standards of business conduct.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

Promoting the success of the company (cont.)

S172(1) (F) "The need to act fairly as between members of the company"

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of our strategy through the long-term, taking into consideration the impact on stakeholders.

Employee engagement

WFC has a number of effective workforce engagement mechanisms in place across the Club:

- Employees are kept informed of performance and strategy through regular appraisals and performance reviews
- The executive directors attend key business meetings throughout the year
- Employee engagement surveys are undertaken covering the vast majority of the workforce, and the results are reported to the Board

Business Review

2020/21 was a unique and challenging year for the Club, primarily due to the Covid-19 pandemic which continued from the previous campaign. The Club was relegated in the previous season but bounced back at the first time of asking and securing automatic promotion.

The impacts of the pandemic have extended into season 2020/21 and are ongoing. Matches continued to be played without fan attendance and consequently the Club was operating without one of its key revenue streams.

Principal Risks 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 on 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 1st 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 on both domestic and European levels.

Expenditure

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

Regulatory environment

The Club is regulated by the rules of the FA, EPL, EFL, UEFA and FIFA. These regulations have a direct impact on 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 owners aware of financial commitments going forwards.

The Board has 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. It has also considered the financing requirements of the business that may result and these are referred to in note 1.2.

Corporation tax

In April 2017 the government made a change to the corporation tax legislation. This change restricts the amount of previously accumulated corporation tax losses that a company can utilise against its taxable profits in any one period. For the Club this means that corporation tax will be due in earlier periods than if the change in legislation had not taken place.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Development and Performance

The Club's owners continue to be committed to new investment into the business and this ensured the quick promotion back to the Premier League. Investment continues in respect of playing staff and updating the facilities at the Stadium and the Club's Training Ground at London Colney. This strategy continues to be evident at the Vicarage Road Stadium as the Club continue to review options for further development of the stadium in order to increase capacities in both hospitality and general seating areas. The Club has also maintained investment in its playing squad, in order to sustain performance and remain in the top tier of English Football.

Key Performance Indicators

	2021	2020
	£'000	£'000
Turnover	57,061	119,985
Wages and salary costs	(68,066)	(96,201)
Other operating expenses	(27,981)	(29,736)
Amortisation and impairment of player registrations	(35,930)	(39,836)
Other operating income	2,908	63
Operating loss	(72,008)	(47,374)
Profit on disposal of player registrations	55,719	18,082
Net interest charges	(5,439)	(6,309)
Profit/ (Loss) on ordinary activities before taxation	(21,728)	(35,601)
Cash generated (absorbed) by operations	(32,778)	32,067
Wages to revenue ratio	119%	80%
League position (2021 Championship, 2020 Premier League)	2nd	19th

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Financial Review

The loss for the year was £20.9m compared to a loss of £31.6m for the prior year. Despite the Club playing in the EFL Championship in 20/21 and thus attracting considerably lower broadcasting revenues, the significant profit on disposal of players (2021: £55.7m 2020: £18.1m) helped reduce the financial impact of relegation.

Total turnover decreased by £63m from £120m to £57m. This was mainly due to the reduced broadcasting income as the Club was only entitled to the parachute payments as a relegated club from the Premier League and reduced Matchday revenues due to matches being played behind closed doors.

Salary costs have decreased overall from £96.2m to £68.1m.

Other operating expenses have decreased from £29.7m last year to £28m mainly due to a decrease in football costs.

The Football Club made a profit on disposal of player registrations of £55.7m (2020: £18.1m) principally due to the sale of Doucoure, Estupinan, Suarez and Pereyra.

Intangible assets have decreased from £111.6m to £82m mainly due to player disposals during the year.

As in previous years, the financial performance of the Club is reflective of its position in the League; despite growing commercial revenues and reducing operating costs, turnover declined overall this year due to the mitigating factors described earlier in the report.

Promotion into the Premier League for the 21/22 season was the goal we set ourselves which we achieved convincingly, and the shareholders are now committed to invest in the Club to support the goal to remain in the Premier League. The Club continues to enhance its value and performance on and off the pitch by investing in upgrades for both the stadium and the training ground, along with strengthening the squad in an effort to increase commercial revenues and diversify the revenue streams.

On behalf of the board



S1 Duxbury

Director

18 March 2022

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2021

The directors present their annual report and financial statements for the year ended 30 June 2021.

Principal activities

During the year, principal activity of the Company continues to be that of a Championship football club. At the end of the 2020/21 season the Club was promoted to the Premier League.

Results and dividends

The results for the year are set out on page 13.

The Company recorded a loss before taxation of £21,728,000 (2020: £35,601,000).

The results for the year, together with a review of the Company's business performance for the year, its future prospects and its approach to financial risk management, are considered in the Strategic Report.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

S I Duxbury
D B Fransen
S R Timperley

Directors' insurance

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

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

Employee involvement

Within the bounds of commercial confidentiality, the Company endeavours to keep staff at all levels informed of matters that affect the progress of the Company and are of interest to them as employees.

The Company operates an equal opportunities policy. The aim of the policy is to ensure that there should be equal opportunity for all and this applies to external recruitment, internal appointments, terms of employment, conditions of service and opportunity for training and promotion regardless of gender, ethnic origin or disability. Disabled persons are given full and fair consideration for all types of vacancy in as much as the opportunities available are constrained by the practical limitations of their disability. Should for whatever reason, an employee of the Company become disabled whilst in employment, every step, where appropriate, will be taken to assist with rehabilitation and suitable retraining.

The Company maintains its own health, safety and environmental policies covering all aspects of its operations. Regular meetings and inspections take place to ensure all legal requirements are adhered to and that the Company is responsive to the needs of its employees and the environment.

The Company has a number of effective workforce engagement mechanisms in place across the Club:

Employees are kept informed of performance and strategy through regular appraisals and performance reviews;

The executive directors attend key business meetings throughout the year;

Employee engagement surveys are undertaken covering the vast majority of the workforce, and the results are reported to the Board.

Post reporting date events

Details of the post balance sheet events are set out in note 27 to the financial statements.

Auditor

A resolution proposing that Myers Clark be reappointed as auditor of the Company will be put to a meeting of the Board of Directors.

Energy and carbon report

Methodology follows best practise and is based on HM Government Environmental Reporting Guidelines March 2019. All emissions factors are taken from UK Government GHG Conversion Factors for Company Reporting, version 1.0, 2020 factors. Scope 1 and Scope 2 consumption data (gas and electricity) taken from validated and verified Utility Suppliers invoices.

Scope 1 and 3 (transport) data taken from internal tracking systems, and applicable emissions factors applied; Company fleet classed as scope 1 emissions as defined in HM Government Environmental Reporting Guidelines March 2019.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

The table below summarises the GHG emissions for reporting year: 1st July 2020 to 30th June 2021

Energy Consumption (kWh)	FY21 (Jul20-Jun21)
Gas (Scope 1)	3,007,589
Other Fuels (Scope 1)	983,028
Electricity (Scope 2)	3,418,376
Transport Fuel (Scope 1 - Company Fleet)	204,491
Total	7,613,483
Emissions (tCO2e)	
Gas (Scope 1)	551
Other Fuels (Scope 1)	252
Electricity (Scope 2)	726
Electricity (Scope 3)	64
Transport Fuel (Scope 1 - Company Fleet)	48
Transport Fuel (Scope 3 - Grey Fleet)	21
Total (All Scopes)	1,642

Due to the diverse range of services offered by Watford F.C, including ground maintenance, sale of merchandise and sports management, the intensity metric of tCO2e / £M turnover was chosen.

	2020-2021	2019-2020
Normalisation Metric:	£57,100,000	£120,100,000
Intensity Ratio: (tCO2e/£M)	28.76	13.59

Energy Efficiency Action Plan

- 1) Continued replacing lights with high efficiency LED units.
- 2) Install lighting control system for new LED lights
- 3) Replaced undersoil heating system with new high efficiency equivalent

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the directors individually 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.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore they have continued to adopt the going concern basis in preparing the financial statements. Further details regarding the going concern basis can be found in the accounting policies in note 1 to the financial statements.

On behalf of the board



S I Duxbury
Director

18 March 2022

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

The directors are responsible for preparing the annual 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 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.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Opinion

We have audited the financial statements of The Watford Association Football Club Limited (the 'Company') for the year ended 30 June 2021 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2021 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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 returns adequate for our audit have not been received from branches not visited by us; 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following;

- the nature of the industry and sector, control environment and business performance including the design of the remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of Management about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and review the company's documentation of their policies and procedures relating to;
- identifying, evaluating and complying with laws and regulation and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
- the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included those set out by football industry specific organisations including the Football Association (the FA), UEFA, FIFA, the English Football League (the EFL) and the English Premier League (the EPL) and those set out by the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the Employment law and the Health and Safety Act.

As a result of performing the above, we identified the principal risk as management bias in relation to accounting estimates, revenue recognition, journal entries and recognition of liabilities. Our procedures to respond to risks identified included the following:

- testing the completeness of income from outside the accounting system to within;
- agreeing the financial statement disclosure to supporting documentation;
- making enquiries of management and the in-house legal team regarding actual and potential litigation and claims;
- review of minutes from meetings of those charged with governance;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reviewing correspondence with HMRC, relevant regulators such as the FA, FIFA, UEFA, EFL and the EPL, and the company's legal advisors;
- review of post year end payments and invoices;
- testing the appropriateness of journal entries and other adjustments and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- challenging assumptions and judgements made by management in their significant accounting estimates.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

Use of our report

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.



Paul Windmill (Senior Statutory Auditor)
For and on behalf of Myers Clark

Date: 18.03.2022

Chartered Accountants
Statutory Auditor

Egale 1
80 St Albans Road
Watford
Hertfordshire
WD17 1DL

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2021

	Notes	Operations excluding player trading £'000	Player trading £'000	Year ended 30 June 2021 £'000	Operations excluding player trading £'000	Player trading £'000	Year ended 30 June 2020 £'000
Turnover							
Cost of sales	3	55,524 (79,535)	1,537 (35,930)	57,061 (115,465)	119,901 (111,274)	84 (39,836)	119,985 (151,110)
Gross loss		(24,011)	(34,393)	(58,404)	8,627	(39,752)	(31,125)
Administrative expenses		(16,512)	-	(16,512)	(16,312)	-	(16,312)
Other operating income		2,908	-	2,908	63	-	63
Operating loss	4	(37,615)	(34,393)	(72,008)	(7,622)	(39,752)	(47,374)
Interest receivable and similar income	8	12	-	12	29	-	29
Interest payable and similar expenses	9	(5,451)	-	(5,451)	(6,338)	-	(6,338)
Profit on disposal of player registrations		-	55,719	55,719	-	18,082	18,082
Loss before taxation		(43,054)	21,326	(21,728)	(13,931)	(21,670)	(35,601)
Tax on profit/(loss)	10	787	-	787	4,006	-	4,006
Loss for the financial year		(42,267)	21,326	(20,941)	(9,925)	(21,670)	(31,595)

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	2021 £'000	2020 £'000
Loss for the year	(20,941) <u> </u>	(31,595) <u> </u>
Other comprehensive income		
Revaluation of tangible fixed assets	-	62,085
Tax relating to other comprehensive income	(772) <u> </u>	(4,107) <u> </u>
Other comprehensive income for the year	(772) <u> </u>	57,978 <u> </u>
Total comprehensive income for the year	(21,713) <u> </u>	26,383 <u> </u>

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

BALANCE SHEET

AS AT 30 JUNE 2021

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	11		82,297		111,905
Tangible assets	12		96,578		101,891
			<u>178,875</u>		<u>213,796</u>
Current assets					
Stocks	13	173		125	
Debtors falling due after more than one year	14	17,259		2,666	
Debtors - deferred tax	20	10,169		9,008	
Debtors falling due within one year	14	35,419		16,528	
Cash at bank and in hand		4,776		18	
		<u>67,796</u>		<u>28,345</u>	
Creditors: amounts falling due within one year	15	<u>(173,555)</u>		<u>(111,163)</u>	
Net current liabilities			<u>(105,759)</u>		<u>(82,818)</u>
Total assets less current liabilities			<u>73,116</u>		<u>130,978</u>
Creditors: amounts falling due after more than one year	16		(79,861)		(117,567)
Provisions for liabilities	19		(5,724)		(4,107)
Deferred capital grants and contributions	21		(301)		(361)
Net (liabilities)/assets			<u>(12,770)</u>		<u>8,943</u>
Capital and reserves					
Called up share capital	23		1,073		1,073
Revaluation reserve			55,530		57,978
Profit and loss reserves			(69,373)		(50,108)
Total equity			<u>(12,770)</u>		<u>8,943</u>

The financial statements were approved by the board of directors and authorised for issue on 18 March 2022 and are signed on its behalf by:


S I Duxbury
Director

Company Registration No. 104194

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Share capital	Revaluation reserves	Profit and loss	Total
	£'000	£'000	£'000	£'000
Balance at 1 July 2019	1,073	-	(18,513)	(17,440)
Year ended 30 June 2020:				
Loss for the year	-	-	(31,595)	(31,595)
Other comprehensive income:				
Revaluation of tangible fixed assets	-	62,085	-	62,085
Tax relating to other comprehensive income	-	(4,107)	-	(4,107)
Total comprehensive income for the year	-	57,978	(31,595)	26,383
Balance at 30 June 2020	1,073	57,978	(50,108)	8,943
Year ended 30 June 2021:				
Loss for the year	-	-	(20,941)	(20,941)
Other comprehensive income:				
Tax relating to other comprehensive income	-	(772)	-	(772)
Total comprehensive income for the year	-	(772)	(20,941)	(21,713)
Transfers	-	(1,676)	1,676	-
Balance at 30 June 2021	1,073	55,530	(69,373)	(12,770)

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Notes	2021		2020	
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	31		(43,523)		32,067
Interest paid			(6,188)		(9,236)
Net cash (outflow)/inflow from operating activities			(49,711)		22,831
Investing activities					
Purchase of intangible assets		(29,600)		(38,940)	
Proceeds on disposal of intangibles		49,187		19,157	
Purchase of tangible fixed assets		(1,257)		(5,324)	
Interest received		12		29	
Net cash generated from/(used in) investing activities			18,342		(25,078)
Financing activities					
Proceeds from borrowings		66,361		-	
Proceeds of group loans		794		-	
Repayment of group loans		(5,000)		(10,000)	
Repayment of other loans		(11,199)		(16,800)	
Payment of finance leases obligations		(246)		(269)	
Advance of finance leases		-		857	
Net cash generated from/(used in) financing activities			50,710		(26,212)
Net increase/(decrease) in cash and cash equivalents			19,341		(28,459)
Cash and cash equivalents at beginning of year			(15,042)		13,417
Cash and cash equivalents at end of year			4,299		(15,042)
Relating to:					
Cash at bank and in hand			4,776		18
Bank overdrafts included in creditors payable within one year			(477)		(15,060)

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

Company information

The Watford Association Football Club Limited is a private company limited by shares incorporated in England and Wales. The registered office is Vicarage Road Stadium, Watford, Herts, WD18 0ER.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The Watford Association Football Club Limited is a wholly owned subsidiary of Hornets Investment Limited. The results of the Club are included in the consolidated accounts of Hornets Investment Limited which are available at 38 Craven Street, London, WC2N 5NG.

1.2 Going concern

The Company has a loss before tax for the year of £21,728,000 (2020: £35,601,000) and had net liabilities at 30 June 2021 of £12,770,000 (2020: assets of £8,943,000).

The Company's income over the next twelve months, along with player disposals and 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 parent company has confirmed that they will not seek repayment of the balance outstanding to them of £46,679,000 (2020: £5,622,000) if to do so would jeopardise the Club's ability to continue as a going concern. The Club's owner is 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 owner has entered into a financial commitment to financially support the Company for the next 12 months.

1.3 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. Included in turnover are match day receipts and other match day income.

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

Fixed elements of English Premier League central broadcasting contracts are recognised over the period of the football season as league matches (home and away) are played.

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.

Deferred revenue

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

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.4 Intangible fixed assets other than goodwill

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.

The Company will perform an impairment review on player registrations if adverse events indicate that the amortised carrying value of its intangible assets may not be recoverable. Whilst no individual player can be separated from the cash generating unit (CGU), which is represented by the playing squad and the football operations of the Company as a whole, there may be certain circumstances where a player is taken out of the CGU. Such circumstances might include a player being excluded from the playing squad due to sustaining a career threatening injury or other events which mean it is highly unlikely a particular player will ever play for the club again. If such circumstances were to arise and be considered permanent, then the carrying value of the player would be assessed against management's best estimate of the fair value less any costs to sell and, if necessary, a provision would be made.

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

Software and website development costs

Software and website development costs (not research costs) are recognised as internally generated intangibles when the following can be demonstrated:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- b) its intention to complete the intangible asset and use or sell it.
- c) its ability to use or sell the intangible asset.
- d) how the intangible asset will generate probable future economic benefits.
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Amortisation is charged to the profit and loss account on a straight line basis over 10 years.

1.5 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any 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 life of the assets to which they relate.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

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

Freehold land and assets in the course of construction are not depreciated. Assets with a Net Book Value of less than £1,000 are written off.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Impairment of fixed assets

At each reporting period end date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.7 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes purchase price less discounts where applicable. Stock is valued on a FIFO basis. Net realisable value is based on estimated selling price. Provision is made for obsolete or slow moving stocks.

1.8 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.9 Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

If an arrangement constitutes a financing transaction, the financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

1.10 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.11 Derivatives

The Company enters into foreign exchange contracts in order to manage its exposure to foreign exchange risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Provisions

Provisions are recognised when the Company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

1 Accounting policies

(Continued)

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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.

1.15 Retirement benefits

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. Contributions payable are charged to the profit and loss account over the period to which they relate.

In addition the Company is making contributions in respect of its share of the deficit of the defined benefit section of The Football League Limited Pension and Life Assurance Scheme (the "Scheme"). A provision has been established for the Company's share of the deficit which exists in this section of the Scheme and this additional contribution is being charged to the profit and loss account over the remaining service life of those employees who are members of the Scheme.

Under the provisions of FRS 102 Section 28 the Scheme would be treated as a defined benefit multi-employer scheme. The Scheme's actuary has advised that the participating employer's share of the underlying assets and liabilities cannot be identified on a reasonable and consistent basis. Therefore in accordance with FRS 102 Section 28 the Scheme has been accounted for as if it were a defined contribution plan.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease.

Lease incentives are recognised in the profit and loss account on a straight-line basis over the term of the lease.

1.17 Grants

Capital grants are recognised at the fair value of the asset received when there is reasonable assurance that the grant conditions will be met and grants will be received.

Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

1.18 Foreign exchange

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.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Current and deferred taxation

The complex nature of the tax legislation under which the Company operates necessitates the use of estimates and assumptions in assessing the tax amounts provided in the financial statements. Actual tax payable may differ from the amounts provided.

Cost of intangible assets

Payments made to third parties in order to acquire a player's registration are initially capitalised at cost.

Contingent liabilities for player transactions

Creditors and provisions contain allowances for certain contingent amounts to players, agents and clubs which are based on management's best estimate of certain future events from information available to management at the reporting date, such as number of player appearances, and the amount that becomes payable as a result of this event. Actual future costs may differ from the amounts provided.

Impairment of intangible assets

Intangible assets within the single cash generating (CGU) unit are reviewed for potential impairment as a whole using estimates of the future economic benefits attributable to them. Such estimates involve assumptions in relation to future ticket income, media and sponsorship revenue and on pitch performance. Intangible assets outside of the CGU are reviewed for impairment individually and assessed against managements best estimate of their value taking into account recent market movements and post balance sheet events. Any estimates of future economic benefits made in relation to intangible assets may differ from benefits that ultimately arise, and materially affect, the recoverable value of the asset.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

3 Turnover and other revenue

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.

Revenue streams comprise:

Matchday - season and matchday tickets and corporate hospitality.

Media - television and broadcasting income, including distributions from the English Premier League broadcasting agreements, cup competitions and local radio.

Commercial - sponsorship income & merchandising.

Other - loan fee receivable and other sundry income.

	2021	2020
	£'000	£'000
Turnover analysed by class of business		
Matchday	1,581	7,251
Media & Broadcasting	49,779	95,271
Commercial	4,102	17,209
Other	1,599	254
	<u>57,061</u>	<u>119,985</u>
	2021	2020
	£'000	£'000
Other significant revenue		
Interest income	12	29
Release of capital grants	60	60
Other	<u>2,848</u>	<u>-</u>

Included within other income in 2021 is £2,500,000 which relates to amounts receivable for a business interruption insurance claim due to Covid-19.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

4 Operating loss

	2021	2020
	£'000	£'000
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(1,063)	710
Government grants	(60)	(63)
Depreciation of owned tangible fixed assets	6,014	4,630
Depreciation of tangible fixed assets held under finance leases	163	218
(Profit)/loss on disposal of tangible fixed assets	-	2
Amortisation of intangible assets	35,982	39,886
Operating lease charges	184	342
	<u> </u>	<u> </u>

There is £2,539,000 impairment (2020: £1,971,000) included within the amortisation charge for the year.

5 Auditor's remuneration

	2021	2020
	£'000	£'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Company	40	40
	<u> </u>	<u> </u>
For other services		
Other services	37	33
Taxation compliance services	9	8
	<u> </u>	<u> </u>
	<u>46</u>	<u>41</u>

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

6 Employees

The average monthly number of persons (including directors) employed by the Company during the year was:

	2021	2020
	Number	Number
Players	71	74
Coaching staff	60	71
Part-time coaching staff	24	26
Commercial staff	49	61
Part-time commercial staff	32	44
Administration	62	18
Ground staff	28	34
	<u>326</u>	<u>328</u>

In addition to the above the Company employed an average of 106 (2020: 101) part-time match day staff during the year.

Their aggregate remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	60,008	85,546
Social security costs	7,687	10,232
Pension costs (defined contribution)	371	423
	<u>68,066</u>	<u>96,201</u>
Termination benefits made or committed	<u>2,236</u>	<u>6,718</u>

7 Directors' remuneration

	2021	2020
	£'000	£'000
Remuneration for qualifying services	881	883
Company pension contributions to defined contribution schemes	53	70
	<u>934</u>	<u>953</u>

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

7 Directors' remuneration

(Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2021 £'000	2020 £'000
Remuneration for qualifying services	878	878
Company pension contributions to defined contribution schemes	53	70
	<u> </u>	<u> </u>

8 Interest receivable and similar income

2021
£'000

2020
£'000

Interest income

Interest on bank deposits	12	29
	<u> </u>	<u> </u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	12	29
	<u> </u>	<u> </u>

9 Interest payable and similar expenses

2021
£'000

2020
£'000

Interest on financial liabilities measured at amortised cost:

Interest payable to group undertakings	3,513	5,024
Other interest	1,938	1,314
	<u> </u>	<u> </u>
	5,451	6,338
	<u> </u>	<u> </u>

10 Taxation

2021
£'000

2020
£'000

Current tax

Adjustments in respect of prior periods	-	(81)
	<u> </u>	<u> </u>

Deferred tax

Origination and reversal of timing differences	(787)	(277)
Tax losses carried forward	-	(3,648)
	<u> </u>	<u> </u>

Total deferred tax	(787)	(3,925)
	<u> </u>	<u> </u>

Total tax credit	(787)	(4,006)
	<u> </u>	<u> </u>

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

10 Taxation

(Continued)

The actual credit for the year can be reconciled to the expected credit for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£'000	£'000
Loss before taxation	(21,728)	(35,601)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	(4,128)	(6,764)
Tax effect of expenses that are not deductible in determining taxable profit	596	922
Unutilised tax losses carried forward	1,588	2,924
Adjustments in respect of prior years	-	(81)
Interest previously disallowed now allowable as paid	(348)	(540)
Capital allowances & depreciation	1,505	(467)
Taxation credit for the year	(787)	(4,006)

In addition to the amount credited to the profit and loss account, the following tax adjustment has been recognised directly in other comprehensive income:

	2021	2020
	£'000	£'000
Deferred tax arising on:		
Revaluation of property	772	4,107

Tax losses at 30 June 2021 available for offset against future trading profits are in excess of £85 million (2020: £65 million).

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

11 Intangible fixed assets

	Goodwill	Website	Players' registrations	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2020	177	504	223,528	224,209
Additions	-	19	21,211	21,230
Disposals	-	-	(57,708)	(57,708)
At 30 June 2021	177	523	187,031	187,731
Amortisation and impairment				
At 1 July 2020	177	187	111,940	112,304
Amortisation charged for the year	-	52	35,930	35,982
Disposals	-	-	(42,852)	(42,852)
At 30 June 2021	177	239	105,018	105,434
Carrying amount				
At 30 June 2021	-	284	82,013	82,297
At 30 June 2020	-	317	111,588	111,905

The figure for cost of player registrations are historic cost figures for purchased players only. Accordingly, the net book amount of player registrations will not reflect, nor is it intended to reflect, the current market value of these players nor does it take any account of players developed through the Club's youth system.

The directors consider the value of intangible assets to be significantly greater than their book value.

The amortisation of players' registration costs is included within cost of sales in the profit and loss account.

There is £2,539,000 impairment (2020: £1,971,000) included within the amortisation charge for the year.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

12 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold land and buildings £'000	Assets under construction £'000	Plant and equipment £'000	Total £'000
Cost or valuation					
At 1 July 2020	103,839	6,265	484	11,499	122,087
Additions	1	546	-	331	878
Disposals	(15)	-	-	-	(15)
Transfers	-	484	(484)	-	-
At 30 June 2021	103,825	7,295	-	11,830	122,950
Depreciation and impairment					
At 1 July 2020	11,799	1,851	-	6,546	20,196
Depreciation charged in the year	4,187	655	-	1,334	6,176
At 30 June 2021	15,986	2,506	-	7,880	26,372
Carrying amount					
At 30 June 2021	87,839	4,789	-	3,950	96,578
At 30 June 2020	92,040	4,414	484	4,953	101,891

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2021 £'000	2020 £'000
Fixtures and fittings	489	656

Capitalised under assets under construction are the improvement works being made to the Company's stadium and training ground facilities, which are to be transferred to the corresponding asset category on completion of the works.

The Company's freehold land and buildings were revalued as at 30 June 2020 to a value of £92,040,000. The valuation was carried out by CBRE Ltd, independent external valuers, on a depreciated replacement cost basis in accordance with the current RICS Valuation – Global Standards (incorporating the International Valuation Standards) and the UK national supplement (the Red Book). In preparing their valuation CBRE have made various assumptions as to tenure, letting, taxation, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination, as is common with any Red Book valuation. At the balance sheet date the directors consider that the value of the freehold land and buildings is not materially different to the value in the accounts.

If revalued assets were stated on an historical cost basis rather than a depreciated replacement cost value basis, the total amounts included would have been as follows:

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

12 Tangible fixed assets	(Continued)	
	Freehold 2021 £'000	2020 £'000
Cost	41,739	41,754
Accumulated depreciation	(14,311)	(11,799)
Carrying value	<u>27,428</u>	<u>29,955</u>
13 Stocks	2021 £'000	2020 £'000
Goods for resale	<u>173</u>	<u>125</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 (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

14 Debtors

	2021	2020
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	6,745	862
Transfer fees receivable	23,165	13,092
Prepayments and accrued income	5,509	2,574
	<u>35,419</u>	<u>16,528</u>
Amounts falling due after more than one year:		
Transfer fees receivable	16,553	1,833
Prepayments and accrued income	706	833
	<u>17,259</u>	<u>2,666</u>
Deferred tax asset (note 20)	10,169	9,008
	<u>27,428</u>	<u>11,674</u>
Total debtors	<u>62,847</u>	<u>28,202</u>

15 Creditors: amounts falling due within one year

	Notes	2021	2020
		£'000	£'000
Bank loans and overdrafts	17	477	15,060
Obligations under finance leases	18	213	213
Other borrowings	17	82,328	15,934
Trade creditors		4,990	4,785
Player registration costs		38,336	30,352
Corporation tax		1	1
Other taxation and social security		18,421	22,529
Other creditors		8,903	7,632
Directors' loans	17	965	965
Accruals and deferred income		18,921	13,692
		<u>173,555</u>	<u>111,163</u>

In the prior year, other creditors of £10,000,000 has been reclassified to other borrowings.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

16 Creditors: amounts falling due after more than one year

	Notes	2021 £'000	2020 £'000
Obligations under finance leases	18	249	463
Other borrowings	17	54,827	70,269
Player registration costs		24,074	38,465
Other creditors		-	7,200
Accruals and deferred income		711	1,170
		<u>79,861</u>	<u>117,567</u>

17 Loans and overdrafts

	2021 £'000	Restated 2020 £'000
Bank overdrafts	477	15,060
Loans from group undertakings	71,679	75,809
Other loans	66,441	11,359
	<u>138,597</u>	<u>102,228</u>
Payable within one year	83,770	31,959
Payable after one year	54,827	70,269

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

17 Loans and overdrafts

(Continued)

Loans from group undertakings

Loans from group undertakings includes the following loans with the immediate parent company, Hornets Investment Limited:

A £65,000,000 loan, attracting an effective interest rate over the year of 4.72%. The opening balance on this loan was £70,000,000. During the year a repayment of £5,000,000 was made. The amount payable within one year is £25,000,000 (2020: £nil). Total interest charged in the year is £3,259,000 (2020: £4,830,000). Unpaid interest at the year end amounted to £1,475,000 (2020: £46,000).

An unsecured interest free loan of £1,035,000 (2020: £981,000). This is repayable on demand and is therefore due within one year.

An unsecured loan of £794,000 (2020: £nil) which attracts an interest rate of 2.5% and has no fixed repayment date. Total interest charged in the year was £11,000 (2020: £nil). Unpaid interest at the year end was £11,000 (2020: £nil).

A £2,250,000 loan, attracting interest of 4.5% per annum. The total amount is due in less than one year (2020: £2,250,000). Total interest charged in the year is £101,000 (2020: £101,000). Unpaid interest at the year end amounted to £152,000 (2020: £76,000).

A £1,000,000 loan, fully repayable in less than one year (2020: £1,000,000). The loan attracts interest of 4.5% per annum. Total interest charged in the year was £45,000 (2020: £45,000). Unpaid interest at the year end amounted to £328,000 (2020: £283,000).

A £1,600,000 loan, fully repayable in less than one year (2020: £1,600,000). The loan attracts interest of 6% per annum. Total interest charged during the year was £96,000 (2020: £96,000). Unpaid interest at the year end amounted to £532,000 (2020: £436,000).

Other loans

Other loans includes the following:

A secured loan from Watford FC's Community Sports & Education Trust of £319,000 (2020: £319,000), attracting interest of 1.5% above Barclays Bank base rate. The balance due in less than one year is £50,000 (2020: £50,000). The balance due in more than one year is £269,000 (2020: £269,000). The total interest charged for the year is £7,000 (2020: £7,000).

An unsecured interest free loan of £75,000 (2020: £75,000) due within one year.

An unsecured directors loan of £965,000 (2020: £965,000), attracting interest at 3% per annum. The total amount of the loan is due in less than one year (2020: £965,000). Total interest charged in the year totals £29,000 (2020: £29,000). Unpaid interest at the year end amounted to £58,000 (2020: £29,000). The total balance including accrued interest has been repaid post year end.

The company introduced a secured loan from Close Leasing Limited of £9,521,000 during the year, attracting an interest rate of 5.51% per annum. The amounts due less than one year for each loan is £4,760,000. Total interest released to the P&L during the year is was £307,000. The total interest prepaid at the year end was £460,000.

The company introduced two secured loans from Macquarie Bank Limited of £6,940,000 and £16,738,000 during the year, attracting an interest rate of 6% and 7.1% respectively per annum. The amounts due less than one year for each loan is £6,940,000 and £6,940,000 respectively. Total interest charged during the year is was £289,000. The total interest prepaid at the year end was £1,425,000.

An unsecured loan of £31,883,360 from Close Leasing Limited was introduced during the year, attracting an interest rate of 6.675% per annum. The total amount of the loan is due less than one year. Total interest charged during the year was £366,000. The total interest prepaid at the year end was £1,005,000.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

17 Loans and overdrafts

(Continued)

Security

XXIII Capital hold a fixed and floating charge secured over all assets and undertakings of the Company. Since the year end the loan has been repaid and the charge satisfied.

Hornets Investment Limited hold a fixed and floating charge secured over all assets and undertakings of the Company.

Barclays Bank PLC hold a first legal charge over the freehold property at Vicarage Road. Barclays also hold a debenture granted by the Company in their favour. They also have security over the Premier League Basic Award for the 2020/21 season. Since the year end this charge has been satisfied.

Watford FC's Community Sports & Education Trust hold a legal charge secured on the Vicarage Road Stadium. Since the year end this charge has been satisfied.

Macquarie Bank Limited hold a fixed and floating charge secured over all assets and undertakings of the Company.

Transfer advances owed to Close Leasing Ltd are secured by way of promissory note with The Football League over future transfer fees receivable.

The carrying amount of the total assets of the Company is £246,671,000 (2020: £242,141,000) and the carrying amount of the Vicarage Road Stadium is £87,839,000 (2020: £92,040,000).

18 Finance lease obligations

	2021	2020
	£'000	£'000
Future minimum lease payments due under finance leases:		
Within one year	213	214
In two to five years	249	462
	<u>462</u>	<u>676</u>

Finance lease payments represent rentals payable by the Company for a certain item of plant and machinery. The finance lease liability is secured by the asset held under the lease. The lease agreement includes fixed lease payments, and no restrictions are placed on the use of the asset.

The term of the lease is 26 monthly repayments, due to end in August 2023.

19 Provisions for liabilities

		2021	2020
		£'000	£'000
Pension provision		472	-
Deferred tax liabilities	20	5,252	4,107
		<u>5,724</u>	<u>4,107</u>

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

19 Provisions for liabilities

(Continued)

Movements on provisions:

	Pension provision £'000
Additional provisions in the year	472

At the year end the amount due in relation to the defined benefit scheme was reclassified from being a liability to being a provision. The movement in the year is shown in note 22.

20 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon:

	Liabilities 2021 £'000	Liabilities 2020 £'000	Assets 2021 £'000	Assets 2020 £'000
Balances:				
Decelerated capital allowances	373	-	-	100
Tax losses	-	-	10,169	8,908
Revaluations	4,879	4,107	-	-
	<u>5,252</u>	<u>4,107</u>	<u>10,169</u>	<u>9,008</u>
Movements in the year:				2021 £'000
Asset at 1 July 2020				(4,901)
Charge to profit or loss				3,632
Credit to other comprehensive income				(2,068)
Effect of change in tax rate - profit or loss				(2,877)
Effect of change in tax rate - other comprehensive income				1,297
Asset at 30 June 2021				<u>(4,917)</u>

The substantively enacted tax rate remains at 19% as at the balance sheet date. It was announced on 3rd March 2021 that the main rate of corporation tax will increase from 19% to 25% from 1st April 2023. The new rate was officially became law in the Finance Bill 2021 which received royal assent in June 2021. Deferred tax assets and liabilities have therefore been estimated using the new enacted rate of 25%.

The value of the deferred tax asset is based on expected future profits, taking into account various assumptions including profits on disposal of player registrations.

The Club is not able to reliably estimate the amount of deferred tax asset and liability that will reverse in the next 12 month period.

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2021

21 Deferred income

	2021 £'000	2020 £'000
Arising from deferred capital grants and contributions	301	361

Capital grants include a balance of £675 (2020: £675) relating to the grant received principally from the Football Stadium Improvement Fund, formerly the Football Trust, towards the cost of stadium re-development.

Also included is a grant received towards the cost of catering equipment. At the balance sheet date £300,000 (2020: £360,000) of this remains within deferred income.

22 Retirement benefit schemes

	2021 £'000	2020 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	425	425

Defined benefit scheme

	2021	2020
	£'000	£'000
Liability at start of the year	80	192
Payments in year	(44)	(1.12)
Increase in provision	436	-
Liability at end of year	472	80

As one of a number of participating employers in the defined benefit scheme, the Company has only been advised of its share of the deficit of the Scheme and as such the Company has only recognised their share as a liability.

As a result, the contributions paid to the scheme reduce the provision. The Company is unable to identify its share of underlying assets and liabilities within the Scheme on a consistent and reliable basis and therefore accounts for the Scheme as if it were a defined contribution scheme.

The most recent actuarial valuation of the Scheme was at August 2020 and indicated that contributions required from the Company towards making good of the deficit was £533,592 at 1 September 2020 (the total deficit in the Scheme at this date was £27.5 million). The Company's share of the deficit is being paid over a period of five years and 10 months commencing September 2020.

Additional contributions are being charged to the profit and loss account over the remaining life of those employees who are members of the Scheme. The amount charged to the profit and loss account during the year was £436,000 (2020: £nil).

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

23 Share capital

	2021	2020
	£'000	£'000
Issued and fully paid		
1,072,722 ordinary shares of £1.00 each	1,073	1,073
13,000,000 ordinary 'A' shares of £0.001 each	-	-
	<u>1,073</u>	<u>1,073</u>

The Ordinary 'A' shares rank pari-passu with the existing Ordinary shares. The shares have attached to them full voting rights, dividend and capital distribution (including on winding up). Any capital distribution shall be applied amongst the holders of the A ordinary shares and ordinary shares pari-passu as though the same constituted one class of shares pro rata to their numerical holdings notwithstanding they are of different nominal values. They do not confer any rights of redemption. Hornets Investment Limited own 99.7% of the Company's issued share capital.

24 Financial commitments, guarantees and contingent liabilities

Contingent liabilities and assets

The Company has liabilities under transfer agreements to pay additional sums dependent upon players' attainment and subsequent transfer value. The maximum that can be calculated and could be payable in respect of transfers made before 30 June 2021 is £20,574,000 (2020: £29,236,000). Since the year end £1,322,000 has become payable (2020: £1,106,000).

At 30 June 2021, 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 calculate the amount likely to be received. Since the year end £1,838,000 (2020: £91,000) has become due.

In two unrelated situations, prior to the year end, the Club terminated the employment contracts of two individuals. The individuals have disputed the amounts due to them on termination. The Club are contesting the disputes through the Court of Arbitration for Sport. At the point of approving the accounts it is unknown if the Club will be required to make any additional payments in relation to the claims. The directors are not able to reliably measure the financial effect of any potential liability in relation to these claims. The Club hopes that both situations will be resolved before the end of the next financial period.

25 Operating lease commitments

Lessee

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£'000	£'000
Within one year	383	418
Between two and five years	893	1,275
In over five years	7,379	7,729
	<u>8,655</u>	<u>9,422</u>

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021	2020
	£'000	£'000
Acquisition of tangible fixed assets	75	210
	<u> </u>	<u> </u>

27 Events after the reporting date

As outlined in note 24, 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 £1,838,000 is to be reflected in the financial statements 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 £7,241,000 is to be reflected in the financial statement for the current year.

In addition, there has been £nil received in respect of players out on loan.

Since the year end there have been several new player registrations. The net payments to which the Club is committed in respect of those transactions is estimated to be £11,217,000 (dependent upon certain exchange rates at the date of payment).

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

28 Related party transactions

Entities with control over the entity

As at 30 June 2021 the Company owed a total of £71,679,000 (2020: £75,809,000) in loans and a total of £2,498,000 (2020: £795,000) of unpaid interest to Hornets Investment Limited, its immediate parent company. Details of the loans are included in further detail in note 17.

During the year, management fees of £94,000 (2020: £62,000) were charged to the profit and loss account, payable to Hornets Investment Limited, the Company's immediate parent company.

Key management personnel of the entity

Other than the directors there are no other members of key management. Directors' remuneration is reported in note 7.

Other related parties

During the year, the Company was charged £nil (2020: £7,183,000) in respect of transfer fees in relation to the purchase of player registrations from Udinese Calcio SpA, a company under common control. Three player registrations were transferred to the Company from Udinese at £nil consideration (2020: No players at £nil). The Company charged Udinese £26,049,000 (2020: £446,000) in relation to the sale of player registrations. No player registrations were transferred from the Company to Udinese at £nil consideration (2020: One player at £nil). There is a balance of £23,653,000 (2020: £457,000) included in debtors and £7,535,000 (2020: £7,999,000) included in creditors at the balance sheet date relating to these transactions.

29 Ultimate controlling party

The immediate parent company is Hornets Investment Limited, a company registered in England and Wales. Copies of the group accounts can be obtained from their registered office as follows, 38 Craven Street, London, England, WC2N 5NG.

The ultimate parent company and controlling party is Diversify Sport Investment S.a.r.l., a company registered in Luxembourg. The sole shareholder and therefore the ultimate controlling party is Gino Pozzo.

30 Covid 19

The COVID-19 pandemic brought unprecedented challenges both for businesses and society around the globe. The impact of Covid-19 continued from the previous season with the majority of games being played behind closed doors and without spectators. The biggest losses for the Club in the 20/21 season are arising from matchday and commercial revenue streams.

With the exception of the broadcaster rebate, the figures below are best estimates of lost revenues based on historic trends and fixture-specific data.

Matchday	£4,433,000
Commercial	£846,000
Total lost revenue	£5,279,000

THE WATFORD ASSOCIATION FOOTBALL CLUB LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2021

31 Cash (absorbed by)/generated from operations

	2021 £'000	2020 £'000
Loss for the year after tax	(20,941)	(31,595)
Adjustments for:		
Finance costs	5,451	6,338
Investment income	(12)	(29)
(Gain)/loss on disposal of tangible fixed assets	-	2
Amortisation and impairment of intangible assets	35,982	39,886
Depreciation and impairment of tangible fixed assets	6,176	4,848
Foreign exchange gains on cash equivalents	(1,580)	(428)
Profit on disposal of player registrations	(55,719)	(18,082)
Tax	(787)	-
Decrease in deferred income	(60)	(60)
Movements in working capital:		
(Increase)/decrease in stocks	(48)	19
(Increase)/decrease in debtors	(10,872)	20,532
(Decrease)/increase in creditors	(1,113)	10,636
Cash (absorbed by)/generated from operations	<u>(43,523)</u>	<u>32,067</u>

32 Analysis of changes in net debt

	1 July 2020 £'000	Cash flows £'000	Other non-Exchange rate cash changes £'000	Exchange rate movements £'000	30 June 2021 £'000
Cash at bank and in hand	18	4,758	-	-	4,776
Bank overdrafts	(15,060)	14,583	-	-	(477)
	<u>(15,042)</u>	<u>19,341</u>	<u>-</u>	<u>-</u>	<u>4,299</u>
Directors' loans	(965)	-	-	-	(965)
Finance leases	(677)	246	(32)	-	(463)
Other loans	(10,393)	(55,162)	-	80	(65,475)
Loans from Parent company	(75,809)	4,206	(76)	-	(71,679)
	<u>(102,886)</u>	<u>(31,369)</u>	<u>(108)</u>	<u>80</u>	<u>(134,283)</u>