

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the Offer or as to what action you should take, you are recommended to seek your own personal independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Watford Leisure Shares, please forward this document (and the accompanying reply-paid envelope (for use within the UK only)) but not (where relevant) the personalised Form of Acceptance, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee. **However, these documents should not be distributed, forwarded or transmitted, in whole or in part, in, into or from any Restricted Jurisdiction.** If you have sold or otherwise transferred only part of your holding of Watford Leisure Shares, you should retain these documents.

This document should be read in conjunction with the accompanying Form of Acceptance (if you hold Watford Leisure Shares in certificated form).

Seymour Pierce, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively as financial adviser to WFCL and no-one else in connection with the Offer and will not be responsible to anyone other than WFCL for providing the protections afforded to clients of Seymour Pierce or for providing advice in relation to the Offer, the contents of this document or any other matter referred to herein. Neither Seymour Pierce nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Seymour Pierce in connection with this document, any statement contained herein or otherwise.

Strand Hanson, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively as financial adviser to Watford Leisure and no-one else in connection with the Offer and will not be responsible to anyone other than Watford Leisure for providing the protections afforded to clients of Strand Hanson or for providing advice in relation to the Offer, the contents of this document or any other matter referred to herein. Neither Strand Hanson nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Strand Hanson in connection with this document, any statement contained herein or otherwise.

CASH OFFER

by

Watford FC Limited

for

Watford Leisure PLC

Your attention is drawn to the letter from the Independent Directors of Watford Leisure which is set out on pages 6 to 13 (inclusive) of this document.

THE PROCEDURE FOR ACCEPTANCE OF THE OFFER IS SET OUT IN THE LETTER FROM THE CHAIRMAN OF WFCL IN THIS DOCUMENT AND IN ANY ACCOMPANYING FORM OF ACCEPTANCE. IF YOU HOLD WATFORD LEISURE SHARES IN CERTIFICATED FORM THEN, TO ACCEPT THE OFFER, THE FORM OF ACCEPTANCE MUST BE COMPLETED, SIGNED AND RETURNED TOGETHER WITH YOUR SHARE CERTIFICATE(S) OR OTHER DOCUMENTS OF TITLE AS SOON AS POSSIBLE AND, IN ANY EVENT, SO AS TO BE RECEIVED BY CAPITA REGISTRARS AT CAPITA REGISTRARS, CORPORATE ACTIONS, THE REGISTRY, 34 BECKENHAM ROAD, BECKENHAM, KENT BR3 4TU BY NO LATER THAN 1.00 P.M. (LONDON TIME) ON 15 APRIL 2011. IF YOU HOLD WATFORD LEISURE SHARES IN UNCERTIFICATED FORM (THAT IS, IN CREST) THEN, TO ACCEPT THE OFFER, YOU SHOULD COMPLY WITH THE PROCEDURE FOR ACCEPTANCE SET OUT IN THE LETTER FROM THE CHAIRMAN OF WFCL IN THIS DOCUMENT AND ENSURE THAT AN ELECTRONIC ACCEPTANCE IS MADE WHICH SETTLES NO LATER THAN 1.00 P.M. (LONDON TIME) ON 15 APRIL 2011.

The Offer is not being, and will not be, made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, South Africa or Japan and the Offer should not be accepted by any such use, means, instrumentality or facility or from within the United States, Canada, Australia, South Africa or Japan. Doing so may render invalid any purported acceptance. Accordingly, neither this document nor any accompanying Form of Acceptance is being, nor may they be, mailed or otherwise forwarded, distributed or sent in, into or from whether by use of the mails or any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, South Africa or Japan. All Watford Leisure Shareholders (including, without limitation, nominees, trustees or custodians) who would, or otherwise intend to or who may have a contractual or legal obligation to, forward this document and/or any accompanying Form of Acceptance to any jurisdiction outside the United Kingdom, should read the details in this regard which are contained in paragraph 10 of the letter from the Chairman of WFCL and in paragraph 6 of Part B of Appendix I to this document before taking any action.

The availability of the Offer to Watford Leisure Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions. Watford Leisure Shareholders who are not resident in the United Kingdom should inform themselves about and observe any applicable requirements.

This document has been prepared for the purposes of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom.

Neither the United States Securities and Exchange Commission nor any state securities commission has reviewed, approved or disapproved this document or any of the proposals described in this document.

Cautionary note regarding forward-looking statements

This document, including information included or incorporated by reference in this document, may contain “forward-looking statements” concerning Watford Leisure and WFCL. Generally, the words “anticipate”, “believe”, “continue”, “estimate”, “expect”, “forecast”, “intend”, “may”, “plan”, “project”, “should” and “will” or similar expressions identify forward-looking statements. Such statements reflect the relevant company’s current views with respect to future events and are subject to risks and uncertainties that could cause the actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the companies’ abilities to control or estimate precisely, such as changes in general economic and business conditions, changes in currency exchange rates and interest rates, lack of acceptance of new exchange rates and interest rates, introduction of competing products or services, lack of acceptance of new products or services, changes in business strategy and the behaviour of other market participants and therefore undue reliance should not be placed on such statements. Neither Watford Leisure nor WFCL nor their respective affiliates undertakes any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Disclosure requirements of the Code

The disclosure requirements are set out in more detail in Rule 8 of the Code. Under Rule 8.3(a) of the Code, any person who is interested in one per cent. or more of any class of relevant securities of Watford Leisure or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any paper offeror is first identified.

An Opening Position Disclosure must contain details of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) Watford Leisure and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of Watford Leisure or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in one per cent. or more of any class of relevant securities of Watford Leisure or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of Watford Leisure or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person’s interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) Watford Leisure and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of Watford Leisure or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by Watford Leisure and by any offeror and Dealing Disclosures must also be made by Watford Leisure, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel’s website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. If you are in any doubt

as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

Publication of this document

In accordance with Rule 19.11 of the Code, a copy of this document along with the information incorporated by reference into it and the Form of Acceptance will be made available, subject to certain restrictions relating to persons resident in any Restricted Jurisdiction, on Watford Leisure's website at www.watfordleisureplc.com and WFCL's website at www.watfordfcltd.co.uk, by no later than 12 noon on 28 March 2011 until the end of the Offer Period.

ACTION TO BE TAKEN TO ACCEPT THE OFFER

If you hold your Watford Leisure Shares in certificated form, please complete and sign the Form of Acceptance in accordance with the instructions contained in it and paragraph 10(a) of the letter from the Chairman of WFCL set out in Part II of this document and return the completed Form of Acceptance (together with your valid share certificate(s) and any other document(s) of title) by post or by hand (during normal business hours only) to Capita Registrars at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to be received by Capita Registrars by no later than 1.00 p.m. (London time) on 15 April 2011.

If you hold your Watford Leisure Shares in uncertificated form (that is, in CREST), please follow the procedures set out in paragraph 10(b) of the letter from the Chairman of WFCL set out in Part II of this document and ensure that an electronic acceptance is made by you or on your behalf and that settlement is made by no later than 1.00 p.m. (London time) on 15 April 2011.

You are advised to read this document carefully.

If you have any questions relating to this document and/or the completion and return of the Form of Acceptance, please telephone Capita Registrars on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' charges may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice in connection with the Offer.

THE FIRST CLOSING DATE OF THE OFFER IS 1.00 P.M. (LONDON TIME) ON 15 APRIL 2011.

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PART I

LETTER FROM THE INDEPENDENT DIRECTORS OF WATFORD LEISURE

Watford Leisure PLC

(Incorporated and registered in England with registered number 3335610)



Directors:

Graham Taylor (*Non-executive Chairman*)*
Julian Winter (*Chief Executive Officer*)*
David Bernard Fransen (*Non-executive Director*)
Stuart Read Timperley (*Non-executive Director*)*

**Independent Director*

Registered office:

Vicarage Road Stadium
Watford
Hertfordshire
WD18 0ER

25 March 2011

To Watford Leisure Shareholders and, for information purposes only, Warrantholders and Optionholders

Dear Watford Leisure Shareholder

CASH OFFER BY WFCL FOR WATFORD LEISURE

1. Introduction

On 10 March 2011, the boards of directors of WFCL and Watford Leisure announced the terms of a cash offer to be made by WFCL to acquire the entire issued and to be issued ordinary share capital of Watford Leisure. Watford Leisure is the holding company of the Club.

WFCL was formed, on 12 January 2011, specifically for the purpose of making the Offer. Its sole director is Mr Panos Thomas, and it is beneficially wholly-owned by Mr Laurence Bassini.

I am writing to you to explain the background to the Offer and to set out the views and opinion of the Independent Directors on the Offer. David Fransen, a non-executive director of Watford Leisure, owns approximately 20.21 per cent. of the outstanding Secured Bonds and Warrants. In light of Mr Fransen's substantial interest in the Secured Bonds and Warrants, which will be affected by the Offer as described in this document, it is deemed to be inappropriate for Mr Fransen to give his opinion to Watford Leisure Shareholders with regards to the Offer.

This document and, if you hold Watford Leisure Shares in certificated form, the accompanying Form of Acceptance, contains the formal Offer (including its terms and conditions) and also contains certain other information on Watford Leisure and WFCL.

2. Summary terms of the Offer

The Offer, which is subject to the conditions and further terms set out in Appendix I to this document and, in the case of certificated Watford Leisure Shares, the Form of Acceptance, is set out in the letter from the Chairman of WFCL in Part II of this document.

The Offer is being made by WFCL on the following basis:

for each Watford Leisure Share

1 pence in cash

On the basis of the information set out in paragraph 7 of Appendix V to this document, the Offer values the entire issued and to be issued ordinary share capital of Watford Leisure at approximately £0.44 million.

The Offer Price represents a discount of approximately 85.7 per cent. to the Closing Price of 7 pence per Watford Leisure Share on 2 December 2010, being the Business Day immediately prior to the announcement by Watford Leisure referring to media speculation referencing discussions between the largest shareholder in the Company and a potential buyer of his shares, an acquisition which would then require an offer to be made for the Company. The Offer Price also represents a discount of 75 per cent. to the Closing Price of 4 pence per Watford Leisure Share on 9 March 2011, being the last Business Day prior to the date of the Announcement.

The Offer is conditional, *inter alia*, upon the receipt of acceptances in respect of Watford Leisure Shares which, together with Watford Leisure Shares acquired or agreed to be acquired by WFCL or parties acting in concert with it before or during the Offer Period, will result in WFCL, and any persons acting in concert with it, holding Watford Leisure Shares carrying more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Watford Leisure. For further details of the conditions and further terms of the Offer, please refer to Parts A and B of Appendix I to this document.

The Watford Leisure Shares to which the Offer relates will be acquired by WFCL fully paid, or credited as fully paid, and free from all liens, equitable interests, mortgages, charges, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching to them, including, without limitation, all voting rights and the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid on or after the date of the Announcement.

WFCL has received irrevocable undertakings to accept, or procure the acceptance of, the Offer from certain substantial Watford Leisure Shareholders in respect of, in aggregate, 23,675,233 Watford Leisure Shares, representing approximately 53.95 per cent. of the existing issued ordinary share capital of Watford Leisure. The undertakings given by such Watford Leisure Shareholders will remain binding, even if a higher competing offer for Watford Leisure is announced, unless the Offer lapses or is withdrawn. Further details of these irrevocable undertakings are contained in paragraph 3 of the letter from the Chairman of WFCL in Part II of this document.

WFCL has also entered into agreements with the Warrantholders, conditional on the Offer becoming or being declared wholly unconditional, to acquire all 202,840,000 of the issued Warrants for a nominal sum.

3. Information on Watford Leisure

Incorporated on 19 March 1997, Watford Leisure is a UK public company whose principal activity is to act as the holding company of the Club in which it has a 96 per cent. majority interest. The principal activity of the Club is the operation of a professional football league club and related commercial activities. The Club's first team currently plays in the Championship and its activities are regulated by the Football League and the Football Association. Watford Leisure's shares have been admitted to trading on AIM since July 2001. The market capitalisation of Watford Leisure, based on the Closing Price of 4 pence per Watford Leisure Share on 9 March 2011 (being the last Business Day prior to the date of the Announcement), was approximately £1.76 million.

The Watford Leisure Group's financial performance is largely dependent on the success of the Club's football team. For its latest financial year ended 30 June 2010, the Watford Leisure Group reported revenue of £11.26 million (2009: £23.08 million) and a loss before and after taxation of £4.06 million (2009: loss of £1.99 million). As at 31 December 2010, total assets were £16.45 million (2009: £19.54 million) with net liabilities of £2.52 million (2009: net assets of £3.88 million) and net debt of £13.16 million (2009: £9.77 million).

Current trading and prospects

As set out in the unaudited interim results released today, the Watford Leisure Group has continued to be loss making in the six month period to 31 December 2010. The Company last raised funding in mid-July 2010 by way of the issue of the Secured Bonds and the Warrants which were subscribed by certain substantial Watford Leisure Shareholders and a director of the Company. The subscription proceeds were

used to consolidate and replace £9.207 million of the Watford Leisure Group's existing indebtedness with the balance of £0.935 million providing essential working capital. It was announced last year that further material funding would be needed to cover the Company's cash requirements for the financial year ending 30 June 2011 with Watford Leisure remaining dependent on the continued financial support of certain substantial Watford Leisure Shareholders and Watford Leisure Directors and/or alternative funding sources (including media and TV income and player trading) to satisfy such funding requirement.

As the Company did not trade any player registrations in the recent transfer window in January 2011 and now cannot sell any players until the next window in the summer of 2011, there is a working capital requirement of approximately £3.5 million to cover the shortfall for the remainder of the Company's current financial year. Accordingly, WFCL has undertaken to provide £3.5 million for working capital purposes subject, *inter alia*, to the Offer becoming or being declared wholly unconditional. In the event that the Offer does not become wholly unconditional, the Company would have to secure alternative financing from existing Watford Leisure Shareholders, Watford Leisure Directors, (a) new strategic investor(s) or another source to cover its immediate working capital requirements.

4. Background to and reasons for the Offer and WFCL's future plans for Watford Leisure

On 3 December 2010, Watford Leisure released an announcement referring to media speculation referencing discussions between the largest shareholder in the Company and a potential buyer of his shares, which acquisition would then require an offer to be made for the Company.

Following this announcement, discussions have been held with Messrs Bassini and Thomas with a view to consummating a transaction which would be in the best interests of the Club and Watford Leisure Shareholders.

WFCL is confident in the overall prospects for Watford Leisure, but believes that it would be better suited to a private company environment, where management will be able to concentrate on the more efficient delivery of its business plan free from the requirement to meet the public equity market's expectations.

The Watford Leisure Directors have held extensive discussions with Mr Bassini and Mr Thomas regarding, *inter alia*, their short and longer term plans and future intentions for both Watford Leisure and the Club. In particular, the Watford Leisure Board has discussed with them three specific proposed ground improvement projects that it considers are important for the sensible development of the Club, namely (i) the fit out of the South West corner of the stadium, (ii) the re-laying of the pitch, and (iii) the redevelopment of the East Stand.

It is WFCL's current intention to support these plans, but the timing of their implementation and the preferred method of funding the improvements have yet to be confirmed or finalised.

WFCL believes that in order to make the Club a consistent competitor within the English league system, it must engender local support on multiple levels, including, *inter alia*, from traditional fans and supporters and the wider business community.

5. Proposed restructuring of the Secured Bonds

The Secured Bonds, which in aggregate represent total indebtedness of £10.142 million (exclusive of accrued interest payable), currently fall due for repayment on 12 July 2011. The Company does not presently have sufficient funds to satisfy such a repayment obligation.

Accordingly, as part of its discussions with WFCL and Messrs Bassini and Thomas, the Watford Leisure Board has reached agreement with WFCL and the Bondholders to restructure the Secured Bonds, conditional upon the Offer becoming or being declared wholly unconditional.

It is intended that following the Offer becoming or being declared wholly unconditional, the repayment date for the principal amount of the Secured Bonds will be varied such that the principal amount will be repaid in fixed instalments over a five year period as follows:

<i>Repayment date</i>	<i>Amount of principal to be repaid</i>
Date the Offer becomes wholly unconditional	£1,000,000
First anniversary of the Announcement	£1,500,000
Second anniversary thereof	£2,500,000
Third anniversary thereof	£3,182,000*
Fourth anniversary thereof	£1,055,000**
Fifth anniversary thereof	<u>£1,025,000</u>
TOTAL:	<u>£10,262,000</u>

* includes £90,000 of accrued interest due to Fordwat and Graham Simpson which is to be capitalised. The remaining accrued interest due to such Bondholders has been waived.

** includes £30,000 of accrued interest due to David Fransen which is to be capitalised. The remaining accrued interest due to such Bondholder has been waived.

The rate of interest, which is currently 4.5 per cent. above the base rate of Barclays Bank plc, is to be changed to a fixed rate of 5 per cent. for the first year and 3 per cent. thereafter, although one Bondholder, David Fransen, has agreed to accept a flat rate of interest of 3 per cent. throughout.

The Secured Bonds can be repaid early at Watford Leisure's election and must be repaid if the Club is promoted to the FA Premier League or there is a subsequent change of control of Watford Leisure.

The security granted to the Bondholders will remain unchanged, but there will be certain changes to the covenants contained in the terms and conditions of the Secured Bonds including restrictions on the funding of player purchases, certain asset disposals, loans from and to shareholders and the Club's ability to declare dividends and make distributions. Further details of the covenant changes and the full terms of the restructured Secured Bonds are set out in Appendix IV to this document.

For the purposes of the AIM Rules, the restructuring of the Secured Bonds is considered to be a "Related Party Transaction" in light of the interests in the Secured Bonds of Fordwat and Graham Simpson, who are substantial shareholders in the Company, and David Fransen who is a Watford Leisure Director. The Independent Directors consider, having consulted with Strand Hanson, that the terms of the restructured Secured Bonds are fair and reasonable insofar as Watford Leisure Shareholders are concerned.

For the purposes of Rule 16 of the Code, the Independent Directors also consider, having consulted with, and been so advised by, Strand Hanson, that the terms of the restructured Secured Bonds are fair and reasonable.

6. Working capital facility

WFCL has agreed, conditional, *inter alia*, on the Offer becoming or being declared wholly unconditional, to provide Watford Leisure with a £3.5 million Working Capital Facility. Further details of the Working Capital Facility are set out in paragraph 6(l) of Appendix V to this document.

WFCL is being funded with respect to the facility out of Mr Bassini's existing resources.

7. Watford Leisure Directors, management, employees and locations

WFCL has given assurances to the Watford Leisure Board that, following the Offer becoming or being declared wholly unconditional, the existing employment rights, including pension rights, of the directors, management and employees of the Watford Leisure Group will be fully safeguarded. There are currently no plans to significantly change any pre-existing incentivisation arrangements with the management of Watford Leisure.

WFCL intends to continue to run the Club as a football business, with operations remaining at the current principal locations. WFCL believes that as part of its strategy going forward, there is scope to enhance the Watford Leisure Group's current commercial operations.

The Watford Leisure Board notes and welcomes WFCL's intentions regarding Watford Leisure, its management, employees and locations.

WFCL does not have any immediate intentions to dispose of, redeploy or otherwise change the use of any fixed assets of the Watford Leisure Group to an extent that would have a material impact on the business of Watford Leisure.

WFCL intends to work closely with the existing executive management team of Watford Leisure and expects that existing members of senior management will continue to be involved in the ongoing business of Watford Leisure. No proposals currently exist to materially change the terms and conditions of employment of any of the Watford Leisure Group's employees.

Following the Offer becoming or being declared wholly unconditional, Julian Winter and David Fransen have agreed to step down from the Board of Watford Leisure. They will remain on the board of the Club. I will remain as Chairman of the Company and Stuart Timperley as a non-executive director of the Company.

Upon the Offer becoming or being declared wholly unconditional, Panos Thomas, Anthony Samuels and Sandra Parnell will be appointed to the board of Watford Leisure. Further details on these proposed appointees are contained in paragraphs 6 and 7 of the letter from the Chairman of WFCL set out in Part II of this document.

8. Watford Leisure share options and Warrants

The Offer extends to any Watford Leisure Shares which are unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as WFCL may, subject to the Code or with the consent of the Panel, determine) including any which are so unconditionally allotted or issued pursuant to the exercise of Share Options.

All Share Options have an exercise price per Watford Leisure Share that is greater than the Offer Price of 1 pence per Watford Leisure Share. Any Optionholder exercising any or all of their Share Options would therefore pay more to acquire Watford Leisure Shares than they could realise by doing so and accepting the Offer, thus incurring a loss. If, however, any Optionholder wishes to exercise an option they should contact Watford Leisure directly in accordance with the terms of the letter to Optionholders that is being sent to them separately.

There are 202,840,000 Warrants outstanding and WFCL has agreed with the Warrantheolders, conditional on the Offer becoming or being declared wholly unconditional, to purchase all of the outstanding Warrants for the aggregate sum of £1 in the case of each Warrantheolder. Each Warrant is exercisable at a price of 4 pence per Watford Leisure Share at any time up to 13 July 2015.

9. Views and opinion of the Independent Directors on the Offer

The board of Watford Leisure is cognisant of the fact that WFCL has secured irrevocable undertakings to accept the Offer from certain substantial Watford Leisure Shareholders holding, in aggregate, 23,675,233 Watford Leisure Shares, representing approximately 53.95 per cent. of the Company's existing issued share capital. In addition, WFCL has entered into agreements with Warrantheolders holding, in aggregate, 202,840,000 Warrants, representing all of the issued Warrants, to sell their Warrants to WFCL for a nominal sum, conditional upon the Offer becoming or being declared unconditional in all respects.

Mr Fransen, a non-executive director of Watford Leisure, owns approximately 20.21 per cent. of the outstanding Secured Bonds and Warrants. In light of Mr Fransen's substantial interests in the Secured Bonds and Warrants, it is deemed to be inappropriate for Mr Fransen to give his opinion to Watford Leisure Shareholders with regards to the Offer. The board of Watford Leisure has therefore appointed myself, Julian Winter and Stuart Timperley as a committee of Independent Directors to take responsibility for considering the Offer on behalf of Watford Leisure Shareholders and for reaching conclusions on the appropriate opinion to be provided to them.

The Offer Price of 1 pence per Watford Leisure Share represents a 75 per cent. discount to the Closing Price of a Watford Leisure Share of 4 pence on 9 March 2011 (the last Business Day prior to the date of

the Announcement) and approximately an 85.7 per cent. discount to the Closing Price of 7 pence per Watford Leisure Share on 2 December 2010 (being the last Business Day prior to the Company's announcement that it was aware of media speculation referencing discussions between the Company's largest shareholder and a potential purchaser of his shares, which acquisition would require an offer to be made for the Company).

In light of the value of the Offer representing a substantial discount of 75 per cent. and 85.7 per cent. to the Company's prevailing Closing Price on 9 March 2011 and 2 December 2010 respectively, the Independent Directors do not recommend acceptance of the Offer. However, the Independent Directors believe that Watford Leisure Shareholders may choose to consider accepting the Offer, after taking into account the following important factors:

1. The Secured Bonds, which in aggregate represent total indebtedness of £10.142 million (exclusive of accrued interest payable), fall due for repayment on 12 July 2011. The Company does not presently have sufficient funds to satisfy such a repayment obligation and, in all likelihood, would only be in a position to do so in the short term if the Club was to achieve promotion to the Barclays FA Premier League or a suitable longer term financing partner was identified. To date, WFCL is the only party that has offered new terms acceptable to the Bondholders to provide certainty to the Company that it will be able to remain a going concern into its new financial year commencing on 1 July 2011. The Bondholders have agreed new terms for the Secured Bonds with WFCL, including a new repayment schedule over the next 5 years, the material commercial points of which are set out in paragraph 5 above with further details set out in Appendix IV to this document. These terms are conditional on the Offer becoming or being declared wholly unconditional. In the event that the Offer does not become or is not declared wholly unconditional, the Company will have to obtain alternative financing to repay the Bondholders or re-negotiate terms with the Bondholders. Whilst the Bondholders have demonstrated in the past that they are supportive of Watford Leisure, there can be no guarantee that they will continue to be so and that any such negotiations would be successful;
2. WFCL has undertaken to provide a £3.5 million facility to Watford Leisure for working capital purposes subject, *inter alia*, to the Offer becoming or being declared wholly unconditional. In the event that the Offer does not become or is not declared wholly unconditional, the Company would have to secure alternative financing to cover its immediate working capital requirements. As the Club is loss making and cannot sell any of its players until the summer transfer window, the Company remains dependent on the continued support of Watford Leisure Shareholders and Bondholders. Whilst Watford Leisure Shareholders and Bondholders have shown in the past that they are supportive of Watford Leisure there can be no guarantee that they will continue to be so or that any such sufficient alternative financing can be obtained;
3. The Watford Leisure Directors have held extensive discussions with Messrs Bassini and Thomas regarding, *inter alia*, their short and longer term plans and future intentions for both Watford Leisure and the Club. In particular, the Watford Leisure Board has discussed with them three specific proposed ground improvement projects that it considers are important for the sensible development of the Club, namely (i) the fit out of the South West corner of the stadium, (ii) the re-laying of the pitch, and (iii) the redevelopment of the East Stand. Messrs Bassini and Thomas have stated that it is their and WFCL's current intention to support such development projects, but the timing of their implementation and the preferred method of funding the improvements to the Vicarage Road Stadium have yet to be confirmed or finalised. As such, there is no guarantee as to the timing of these improvements or that they will be made at all, and limited visibility as to WFCL's development plans for the Watford Leisure Group as a whole;
4. The Company is a small AIM quoted company with little market interest or liquidity in its shares;
5. WFCL has secured irrevocable undertakings to accept the Offer from Watford Leisure Shareholders holding in aggregate 53.95 per cent. of the Company's existing issued share capital. Accordingly, in light of the level of the acceptance condition to the Offer (being more than 50 per cent. of the issued Watford Leisure Shares inclusive of Watford Leisure Shares otherwise acquired by WFCL or its concert parties), Watford Leisure Shareholders can reasonably expect WFCL to declare its Offer wholly unconditional and succeed in achieving at least a 53.95 per cent. interest in the Company shortly following publication of this document. As a consequence, Watford Leisure Shareholders who elect not to accept the Offer are likely to, together, retain only a minority interest in the Company and WFCL will be able to exercise its resultant majority shareholding position to, *inter alia*, control the composition of the Watford Leisure Board and determine Watford Leisure's future strategy. In

addition, as WFCL would hold more than 50 per cent. of the Watford Leisure Shares, it would have the ability, under the Code, to acquire further Watford Leisure Shares and to increase its percentage interest in Watford Leisure's issued ordinary share capital without having to make any further offer to Watford Leisure Shareholders and subject only to limited restrictions under the Code;

6. WFCL has stated its intention that, should it achieve sufficient acceptances from Watford Leisure Shareholders and/or otherwise acquire sufficient Watford Leisure Shares to take its shareholding to 75 per cent. or more of the Watford Leisure Shares, it will procure the cancellation of the admission of Watford Leisure Shares to trading on AIM. Whilst there is no guarantee that WFCL will secure 75 per cent. or more of the Watford Leisure Shares under the Offer, WFCL has agreed with Warrantholders, holding in aggregate all of the issued Warrants, to purchase all of their 202,840,000 Warrants for a nominal sum conditional upon the Offer becoming or being declared wholly unconditional. The Warrants are exercisable at a price of 4 pence per Watford Leisure Share and will enable WFCL, even if no further acceptances of the Offer are received beyond the Watford Leisure Shares the subject of the irrevocable undertakings, to hold up to approximately 91.8 per cent. of the Company's fully diluted share capital should the Warrants be exercised in full at any time up to 13 July 2015. If the Company's admission to trading on AIM is cancelled, WFCL also intends to procure that Watford Leisure will be re-registered as a private limited company under the relevant provisions of the Companies Act 2006; and
7. If cancellation of the admission of Watford Leisure Shares to trading on AIM was to be procured by WFCL and Watford Leisure re-registered as a private company, Watford Leisure Shareholders who do not accept the Offer may find it difficult to trade their shares and opportunities for realising their shareholdings in the future will be uncertain. As minority shareholders in a private and unquoted company, although retaining the protections of the Code, non-accepting Watford Leisure Shareholders may not be afforded the same level of protection as was afforded to them whilst the Watford Leisure Shares were admitted to trading on AIM and the Company would no longer be subject to the constraints of the AIM Rules. Watford Leisure Shareholders may therefore decide that the certainty of the Offer Price is preferable to the uncertainty of retaining a minority shareholding in a potentially unquoted company. The Offer represents an opportunity for Watford Leisure Shareholders to realise their investment in Watford Leisure without incurring trading costs.

The Independent Directors believe that Watford Leisure Shareholders should carefully consider the abovementioned factors and their own personal circumstances in assessing the Offer and making a decision as to whether to accept it. The Independent Directors further consider that the exit opportunity and certainty of the cash amount represented by the Offer could be preferable to the uncertainty of maintaining a minority shareholding in an unquoted company and the Offer therefore merits consideration by Watford Leisure Shareholders. If Watford Leisure Shareholders are in any doubt about the action they wish to take in respect of the Offer they should consult an independent financial adviser without delay.

10. Compulsory acquisition, cancellation of AIM admission and re-registration

Your attention is drawn to paragraph 13 of the letter from the Chairman of WFCL set out in Part II of this document in relation to WFCL's intentions regarding the compulsory acquisition of Watford Leisure Shares, cancellation of the admission of the Watford Leisure Shares to trading on AIM and the re-registration of Watford Leisure as a private limited company, following the Offer becoming or being declared unconditional in all respects and sufficient acceptances being achieved and/or sufficient shares being acquired.

11. Action to be taken by Watford Leisure Shareholders to accept the Offer

In order to accept the Offer if you hold your Watford Leisure Shares in certificated form, complete the Form of Acceptance in accordance with the instructions contained in it and as set out in paragraph 10(a) of the letter from the Chairman of WFCL in Part II of this document and return the completed Form of Acceptance (together with your valid share certificate(s) and any other documents of title) by post or by hand (during normal business hours only) to Capita Registrars at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to be received by Capita Registrars no later than 1.00 p.m. (London time) on 15 April 2011.

In order to accept the Offer if you hold your Watford Leisure Shares in uncertificated form (that is, in CREST), you should follow the procedures set out in paragraph 10(b) of the letter from the Chairman of

WFCL in Part II of this document and ensure that an electronic acceptance is made by you or on your behalf and that settlement is made no later than 1.00 p.m. (London time) on 15 April 2011.

This document and, where appropriate, the Form of Acceptance is being posted to Watford Leisure Shareholders (with the exception of those resident or located in the United States, Canada, Australia, South Africa or Japan). Copies of this document and the Form of Acceptance are available from Capita Registrars at the address noted above, by telephoning Capita Registrars on the telephone numbers set out below.

If you are in any doubt about the Offer or as to the action you should take, you are recommended to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you have any questions relating to this document and/or the completion and return of the Form of Acceptance, please telephone Capita Registrars on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' charges may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

12. Taxation

Your attention is drawn to paragraph 9 of the letter from the Chairman of WFCL, set out in Part II of this document for a summary of certain United Kingdom taxation considerations. If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the United Kingdom, you are strongly recommended to consult your independent financial adviser immediately.

13. Overseas Shareholders

Overseas Shareholders should refer to paragraphs 10(a)(v) and 10(b)(iii) of the letter from the Chairman of WFCL set out in Part II of this document and paragraph 6 of Part B of Appendix I to this document which contain important information relevant to Overseas Shareholders.

14. Opinion of the Independent Directors

The Independent Directors, having been so advised by Strand Hanson, do not recommend acceptance of the Offer as the value of the Offer represents a substantial discount of 75 per cent. and 85.7 per cent. to the Company's prevailing Closing Price on 9 March 2011 and 2 December 2010 respectively.

However, the Independent Directors recognise that given the likely cancellation of the admission to trading on AIM of the Watford Leisure Shares (particularly if WFCL exercises sufficient of the Warrants to take its resultant holding to at least 75 per cent.), Watford Leisure Shareholders may choose to take advantage of the Offer to exit from their investment in the Company. In providing its advice, Strand Hanson has taken into account the Independent Directors' commercial assessments.

Yours faithfully,

Graham Taylor
Non-executive Chairman

PART II

LETTER FROM THE CHAIRMAN OF WFCL

Watford FC Limited

(Incorporated and registered in England with registered number 07489618)

Director:
Panagiotis Thomas

Registered office:
85 Oxford Road
High Wycombe
Buckinghamshire
HP11 2DX

25 March 2011

To Watford Leisure Shareholders and, for information purposes only, Warrantheolders and Optionholders

Dear Watford Leisure Shareholder

CASH OFFER BY WFCL FOR WATFORD LEISURE

1. Introduction

On 10 March 2011, the boards of directors of WFCL and Watford Leisure announced the terms of a cash offer to be made by WFCL to acquire the entire issued and to be issued ordinary share capital of Watford Leisure. Watford Leisure is the holding company of the Club.

The Offer is being made on the basis of 1 pence for each Watford Leisure Share and values all of the existing issued Watford Leisure Shares at approximately £0.44 million. The Offer is conditional, *inter alia*, upon the receipt of acceptances in respect of Watford Leisure Shares which, together with Watford Leisure Shares acquired or agreed to be acquired by WFCL or parties acting in concert with it before or during the Offer Period, will result in WFCL, and any persons acting in concert with it, holding Watford Leisure Shares carrying more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Watford Leisure.

This letter contains the formal Offer by WFCL and, where appropriate, is accompanied by, and should be read in conjunction with, the Form of Acceptance.

WFCL has received irrevocable undertakings to accept the Offer in respect of an aggregate of 23,675,233 Watford Leisure Shares, representing approximately 53.95 per cent. of Watford Leisure's issued share capital. Please refer to paragraph 3 of this letter for further details of the irrevocable undertakings given to WFCL.

Your attention is drawn to the letter from the Independent Directors of Watford Leisure set out in Part I of this document, which sets out the views and opinion of the Independent Directors on the Offer. Your attention is also drawn to the financial and other information on WFCL and Watford Leisure contained in Appendices II, III, IV and V to this document.

2. The Offer

WFCL hereby offers to acquire, on the terms and subject to the conditions set out or referred to in this document and (where relevant) in the accompanying Form of Acceptance, the entire issued and to be issued share capital of Watford Leisure on the following basis:

for each Watford Leisure Share

1 pence in cash

The Offer values the entire existing ordinary share capital of Watford Leisure at, in aggregate, approximately £0.44 million.

The Offer extends to all Watford Leisure Shares in issue or unconditionally allotted fully paid (or credited as fully paid) on the date of the Offer and to any further Watford Leisure Shares which are unconditionally allotted or issued fully paid (or credited as fully paid) while the Offer remains open for acceptance (or such earlier date as WFCL may, subject to the Code or with the consent of the Panel, determine).

The Watford Leisure Shares to which the Offer relates will be acquired by WFCL fully paid, or credited as fully paid, and free from all liens, equitable interests, mortgages, charges, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching to them, including, without limitation, all voting rights and the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid on or after the date of the Announcement.

For details of the conditions and further terms of the Offer, please refer to Parts A and B of Appendix I to this document and, where appropriate, the accompanying Form of Acceptance.

The procedure for acceptance of the Offer is set out in paragraph 10(a) of this letter for Watford Leisure Shareholders who hold Watford Leisure Shares in certificated form, and in paragraph 10(b) of this letter for Watford Leisure Shareholders who hold Watford Leisure Shares in uncertificated form (that is, in CREST).

For details of the tax effects of accepting the Offer for Watford Leisure Shareholders resident in the United Kingdom, please refer to paragraph 9 of this letter.

3. Irrevocable undertakings

WFCL has received irrevocable undertakings to accept, or procure the acceptance of, the Offer from the following substantial Watford Leisure Shareholders over the following holdings in Watford Leisure Shares:

<i>Shareholder</i>	<i>Number of Watford Leisure Shares</i>	<i>Percentage of issued Watford Leisure Shares</i>
Fordwat	16,306,437	37.16
Graham Simpson	3,616,917	8.24
Yianna Simpson	3,751,879	8.55

Accordingly, subject to such irrevocable undertakings not having lapsed in accordance with their terms and therefore ceasing to be binding, WFCL has received irrevocable undertakings to accept the Offer from holders of, in aggregate, 23,675,233 Watford Leisure Shares, representing approximately 53.95 per cent. of the existing issued share capital of Watford Leisure. These undertakings remain binding even if a higher competing offer for Watford Leisure is announced, unless the Offer lapses or is withdrawn. Accordingly, the acceptance condition to the Offer (as set out in paragraph (a) of Part A of Appendix I to this document) is most likely to be met shortly following the date of posting of this document.

The Watford Leisure Shareholders who have given irrevocable undertakings to WFCL have additionally agreed therein, *inter alia*, not to:

- sell, transfer, dispose of or grant security over any of their shareholdings;
- accept any other offer from any third-party in respect of their shareholdings; or
- withdraw their acceptance of the Offer.

4. Background to and reasons for the Offer and future plans for Watford Leisure

On 3 December 2010, Watford Leisure released an announcement referring to media speculation referencing discussions between the largest shareholder in the Company and a potential buyer of his shares, which acquisition would then require an offer to be made for the Company.

Following this announcement, discussions were held with Mr Bassini and I, with a view to consummating a transaction which would be in the best interests of the Club and Watford Leisure Shareholders.

WFCL is confident in the overall prospects for Watford Leisure, but believes that it would be better suited to a private company environment, where management will be able to concentrate on the more efficient delivery of its business plan free from the requirement to meet the public equity market's expectations.

WFCL has held extensive discussions with the Watford Leisure Directors regarding, *inter alia*, the short and longer term plans and future intentions for both Watford Leisure and the Club. In particular, we have discussed with the Watford Leisure Board three specific proposed ground improvement projects that it considers are important for the sensible development of the Club, namely (i) the fit out of the South West corner of the stadium, (ii) the re-laying of the pitch, and (iii) the redevelopment of the East Stand.

It is WFCL's current intention to support these plans, but the timing of their implementation and the preferred method of funding the improvements have yet to be confirmed or finalised.

WFCL believes that in order to make the Club a consistent competitor within the English Football League, it must engender local support on multiple levels, including, *inter alia*, from traditional fans and supporters and the wider business community.

5. Information on the Watford Leisure Group

Incorporated on 19 March 1997, Watford Leisure is a UK public company whose principal activity is to act as the holding company of the Club in which it has a 96 per cent. majority interest. The principal activity of the Club is the operation of a professional football league club and related commercial activities. The Club's first team currently plays in the Championship and its activities are regulated by the Football League and the Football Association. Watford Leisure's shares have been admitted to trading on AIM since July 2001. The market capitalisation of Watford Leisure, based on the Closing Price of 4 pence per Watford Leisure Share on 9 March 2011 (being the last Business Day prior to the date of the Announcement), was approximately £1.76 million.

The Watford Leisure Group's financial performance is largely dependent on the success of the Club's football team. For its latest financial year ended 30 June 2010, the Watford Leisure Group reported revenue of £11.26 million (2009: £23.08 million) and a loss before and after taxation of £4.06 million (2009: loss of £1.99 million). As at 31 December 2010, total assets were £16.45 million (2009: £19.54 million) with net liabilities of £2.52 million (2009: net assets of £3.88 million) and net debt of £13.16 million (2009: £9.77 million).

Your attention is drawn to the further financial and other information in respect of Watford Leisure contained in Appendices III, IV and V to this document.

6. Information on WFCL, Mr Thomas and Mr Bassini

WFCL, a private company incorporated in England and Wales, was formed on 12 January 2011 with registered number 07489618 and has its registered office at 85 Oxford Road, High Wycombe, HP11 2DX.

WFCL was formed specifically for the purpose of making the Offer and is beneficially wholly owned by Laurence Bassini. I am the sole registered shareholder of WFCL and hold the shares in WFCL on trust for Mr Bassini. WFCL has not traded since its date of incorporation, has paid no dividends and has not entered into any obligations other than in connection with the financing of the Offer.

I am the sole current director of WFCL. WFCL does not currently have any subsidiaries or subsidiary undertakings.

I am an experienced knee-surgeon, qualified from the Medical School, University of Athens, in 1984 and since 1996 have been practising as a Consultant Orthopaedic Surgeon at the Whittington Hospital NHS Trust, London.

I have been a Director of the MSc in Sports and Exercise Medicine, UCL from its launch in 1999 until 2010. I have taken part in the design of the Sports and Exercise Medicine Specialty and am also a member of the Specialty Training Committee in London for this specialty, leading the training of doctors in West London. In addition, I am the Academic Secretary of the British Orthopaedic Sports Trauma Arthroscopy Association ("BOSTA").

I have been heavily involved with the treatment of elite athletes. I advise Arsenal FC, Barnet FC, MK Dons FC, Brentford FC, Wycombe Wanderers FC, Leyton Orient FC, AFC Wimbledon, Crawley Town FC and Borehamwood FC and provide advice to British Fencing, the British Ski Federation, the British American Football League and other sports organisations.

The funding for the Offer is being provided to WFCL by Mr Laurence Bassini. Mr Bassini, aged 40, is an entrepreneur and lifelong football fan. He has a wide range of business interests, in both trading companies and property. He grew up and continues to live in north London, close to the Club's Vicarage Road Stadium.

Your attention is drawn to the further information in respect of WFCL, Mr Thomas and Mr Bassini contained in Appendices II and V to this document.

7. Watford Leisure Directors, management, employees and locations

WFCL has given assurances to the Watford Leisure Board that, following the Offer becoming or being declared wholly unconditional, the existing employment rights, including pension rights, of the directors, management and employees of the Watford Leisure Group will be fully safeguarded. There are currently no plans to significantly change any pre-existing incentivisation arrangements with the management of Watford Leisure.

WFCL intends to continue to run the Club as a football business, with operations remaining at the current principal locations. WFCL believes that as part of its strategy going forward, there is scope to enhance the Watford Leisure Group's current commercial operations.

WFCL does not have any immediate intentions to dispose of, redeploy or otherwise change the use of any fixed assets of the Watford Leisure Group to an extent that would have a material impact on the business of Watford Leisure.

WFCL intends to work closely with the existing executive management team of Watford Leisure and expects that existing members of senior management will continue to be involved in the ongoing business of Watford Leisure. No proposals currently exist to materially change the terms and conditions of employment of any of the Watford Leisure Group's employees.

Following the Offer becoming or being declared wholly unconditional, Julian Winter and David Fransen have agreed to step down from the Board of Watford Leisure. They will remain on the board of the Club. Graham Taylor will remain as Chairman of the Company and Stuart Timperley as a non-executive director of the Company.

Upon the Offer becoming or being declared wholly unconditional, Anthony Samuels, Sandra Parnell and I will be appointed to the board of Watford Leisure. Mr Samuels is a solicitor and is currently a business development consultant at solicitors Howard Kennedy. Mrs Parnell is a member of Hertsmere Borough Council, where she is a former mayor, and is the deputy mayor of Elstree and Borehamwood.

8. Watford Leisure share options and Warrants

The Offer extends to any Watford Leisure Shares which are unconditionally allotted or issued prior to the date on which the Offer closes (or such earlier date as WFCL may, subject to the Code or with the consent of the Panel, determine) including any which are so unconditionally allotted or issued pursuant to the exercise of Share Options.

All Share Options have an exercise price per Watford Leisure Share that is greater than the Offer Price of 1 pence per Watford Leisure Share. Any Optionholder exercising any or all of their Share Options would therefore pay more to acquire Watford Leisure Shares than they could realise by doing so and accepting the offer, thus incurring a loss. If, however, any Optionholder wishes to exercise an option they should contact Watford Leisure directly in accordance with the terms of the letter to share option holders that is being sent to them separately.

There are 202,840,000 Warrants outstanding and WFCL has agreed with the Warranholders, conditional on the Offer becoming or being declared wholly unconditional, to purchase all of the outstanding Warrants for the aggregate sum of £1 in the case of each Warranholder. Each Warrant is exercisable at a price of 4 pence per Watford Leisure Share at any time up to 13 July 2015.

9. Taxation

United Kingdom Taxation

The following paragraphs, which are intended as a general guide only and not as a substitute for detailed tax advice, are based on current legislation and HM Revenue and Customs practice. They summarise certain limited aspects of the United Kingdom taxation consequences of acceptance of the Offer and relate only to the position of Watford Leisure Shareholders who: (a) are (in the case of individuals) resident or ordinarily resident or (in the case of corporate Watford Leisure Shareholders) resident in the United Kingdom for tax purposes; (b) are the absolute beneficial owners of their Watford Leisure Shares; and (c) hold their Watford Leisure Shares directly as an investment (otherwise than under an individual savings account). Certain Watford Leisure Shareholders, such as dealers in securities, insurance companies, collective investment vehicles and persons who have (or are deemed to have) acquired their Watford Leisure Shares by reason of their or another's office or employment may be taxed differently and are not considered. The position of non-resident shareholders is not considered save where express reference is made.

The descriptions of United Kingdom taxation contained in this document are necessarily general in character. If you are in any doubt as to your tax position or you are subject to tax in any jurisdiction other than the United Kingdom, you should consult an appropriate independent professional adviser without delay.

Taxation of chargeable gains

Liability to United Kingdom taxation of chargeable gains will depend on whether the Watford Leisure Shareholder is a corporate shareholder or an individual, and upon the Watford Leisure Shareholder's particular circumstances and the following assumes the shares have been held as absolute beneficial owner for investment purposes only (other than under an individual savings account), and that the shareholder is not subject to special tax rules (such as a dealer in securities).

Where a Watford Leisure Shareholder receives cash under the Offer, this will constitute the proceeds of a disposal, or part disposal, of the Watford Leisure Shareholder's Watford Leisure Shares for the purposes of United Kingdom taxation of chargeable gains. Such a disposal may give rise to a liability to United Kingdom tax on chargeable gains depending on the Shareholder's particular circumstances (including the availability of exemptions, reliefs or allowable losses).

For Watford Leisure Shareholders who are subject to United Kingdom corporation tax (but do not qualify for the substantial shareholdings exemption in respect of their Watford Leisure Shares) indexation allowance on the acquisition cost of the Watford Leisure Shares may be available until the date of disposal of the Watford Leisure Shares. Indexation allowance increases the acquisition cost of an asset for tax purposes in line with the rise in the retail prices index and thus reduces the amount of the chargeable gain on disposal of the asset. Indexation allowance cannot be used to create or increase any allowable loss.

For Watford Leisure Shareholders who are individuals, no indexation allowance is available and capital gains tax will be payable at up to 28 per cent. on any chargeable gain. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which presently exempts the first £10,100 of gains from tax) depending on their circumstances.

Stamp duty and stamp duty reserve tax

No stamp duty or stamp duty reserve tax will be payable by Watford Leisure Shareholders as a result of their accepting the Offer.

Non-United Kingdom resident Watford Leisure Shareholders

Watford Leisure Shareholders who are neither resident nor ordinarily resident in the United Kingdom will not normally be subject to United Kingdom tax on any gain accruing to them as a result of accepting the Offer unless: (a) the Watford Leisure Shareholder carries on a trade, profession or vocation in the United Kingdom through a branch or agency and, broadly, holds their Watford Leisure Shares for the purposes of the trade, profession, vocation, branch or agency; or (b) the Watford Leisure Shareholder falls within the anti-avoidance rules applying to temporary non-residents.

The tax treatment of non-United Kingdom resident Watford Leisure Shareholders may differ from that described in the preceding paragraphs.

Persons who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities.

10. Procedures for Acceptance of the Offer

This section should be read together, where appropriate, with the instructions and the notes on any accompanying Form of Acceptance which shall be deemed to be incorporated in, and form part of, the terms of the Offer.

Holders of Watford Leisure Shares in certificated form (i.e. not in CREST) may only accept the Offer in respect of such Watford Leisure Shares by completing and returning the enclosed Form of Acceptance together with share certificate(s) and/or other document(s) of title, in accordance with the procedure set out in paragraph (a) below. Holders of Watford Leisure Shares in certificated form, but under different designations should complete a separate Form of Acceptance for each designation. Additional Forms of Acceptance are available from Capita Registrars at the address set out below.

Holders of Watford Leisure Shares in uncertificated form (that is, in CREST) may only accept the Offer in respect of such shares by TTE instruction in accordance with the procedure set out in paragraph (b) below and, if those shares are held under different member account IDs, a separate TTE instruction should be sent for each member account ID.

You should note that if you hold Watford Leisure Shares in both certificated form and uncertificated form you should follow the procedures set out in (a) and (b) below for each type of holding separately.

(a) *Watford Leisure Shares held in certificated form (i.e. not in CREST)*

(i) *To accept the Offer in respect of your Watford Leisure Shares held in certificated form*

To accept the Offer in respect of Watford Leisure Shares held in certificated form, you should complete Boxes 1 and 3 and you must sign Box 2 of the enclosed Form of Acceptance. If you do not insert a number in Box 1, a valid acceptance will be deemed to be made in respect of all the Watford Leisure Shares held by you in certificated form.

In all cases, you must sign Box 2 on the Form of Acceptance in the presence of a witness, who should also sign in accordance with the instructions printed on the Form of Acceptance.

If you have any questions as to how to complete the Form of Acceptance or wish to receive additional Forms of Acceptance, please contact Capita Registrars (between 9.00 a.m. and 5.00 p.m. (London time) on business days) on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom.

Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

(ii) *Return of Form of Acceptance*

To accept the Offer in respect of Watford Leisure Shares in certificated form, the completed Form of Acceptance should be returned by post or by hand (during normal business hours only) to Capita Registrars at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU together with the relevant share certificate(s) and/or other document(s) of title for such Watford Leisure Shares, as soon as possible, but in any event so as to be received by no later than 1.00 p.m. (London time) on 15 April 2011.

A reply-paid envelope is enclosed for your convenience. No acknowledgement of receipt of any document(s) will be given.

Any Form of Acceptance received in an envelope postmarked in the United States, Canada, Australia, South Africa or Japan or otherwise appearing to have been sent from the United States, Canada, Australia, South Africa or Japan may be rejected as an invalid acceptance of the Offer.

For further information on overseas Watford Leisure Shareholder restrictions, please refer to paragraph 10(a)(v) below and paragraph 6 of Part B of Appendix I to this document.

(iii) *Share certificates not readily available or lost*

If your Watford Leisure Shares are in certificated form, the completed, signed and witnessed Form of Acceptance should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If for any reason the relevant share certificate(s) and/or the other document(s) of title is/are lost or is/are not readily available, you should nevertheless complete, sign and return the Form of Acceptance as stated in paragraph (ii) above so as to be received by no later than 1.00 p.m. (London time) on 15 April 2011.

You should send with the Form of Acceptance any share certificate(s) and/or other document(s) of title which you may have available and a letter stating that the remaining document(s) will follow as soon as possible or that you have lost one or more of your share certificate(s) and/or other document(s) of title. You should then arrange for the relevant share certificate(s) and/or other document(s) of title to be forwarded as soon as possible. No acknowledgement of receipt of any document(s) will be given.

If you have lost your share certificate(s) and/or other document(s) of title, you should telephone Capita Registrars (between 9.00 a.m. and 5.00 p.m. (London time) on business days) on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom for a letter of indemnity for lost share certificate(s) and/or other document(s) of title which, when completed in accordance with the instructions given, should be returned to Capita Registrars at the address set out in paragraph (ii) above.

Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

(iv) *Validity of Acceptances*

Without prejudice to Parts B and C of Appendix I to this document, WFCL reserves the right (subject to the provisions of the Code) to treat as valid in whole or in part any acceptance of the Offer in relation to Watford Leisure Shares in certificated form which is not entirely in order or which is not accompanied by the relevant share certificate(s) and/or other document(s) of title. In that event, no payment of cash under the Offer will be made until after (as applicable) the relevant share certificate(s) and/or other document(s) of title or indemnities satisfactory to WFCL have been received.

If you are in any doubt as to the procedure for acceptance, please contact Capita Registrars (between 9.00 a.m. and 5.00 p.m. (London time) on business days) on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom.

Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

(v) *Overseas Shareholders*

The attention of Watford Leisure Shareholders holding Watford Leisure Shares in certificated form and who are citizens or residents of jurisdictions outside the United Kingdom, or who are nominees of, or custodians or trustees for, any such person, or who intend to forward this document to any jurisdiction outside the United Kingdom is drawn to paragraph 6 of Part B of Appendix I to this document and to the relevant provisions of the Form of Acceptance, which they should read before taking any action.

The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the jurisdictions in which such persons are resident. Persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements.

The Offer is not being made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including, without limitation telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, South Africa or Japan. Copies of this document, the Form of Acceptance and any related offering documents are not being, and may not be, mailed or otherwise distributed in, into or from the United States, Canada, Australia, South Africa or Japan. Accordingly, any accepting Watford Leisure Shareholder who holds certificated shares who is unable to give the representations and warranties set out in Part C of Appendix I to this document may be deemed not to have accepted the Offer.

(b) ***Watford Leisure Shares in uncertificated form (that is, in CREST)***

If your Watford Leisure Shares are in uncertificated form (that is, in CREST), to accept the Offer you should take (or procure the taking of) the action set out below to transfer the Watford Leisure Shares in respect of which you wish to accept the Offer to the appropriate escrow balance(s), specifying Capita Registrars (in its capacity as a CREST participant under the Escrow Agent's participant ID referred to below) as the Escrow Agent, as soon as possible **and in any event so that the TTE Instruction settles no later than 1.00 p.m. (London time) on 15 April 2011.**

Note that settlement cannot take place on weekends or bank holidays (or any other times at which the CREST system is non-operational). You should therefore ensure you time the input of any TTE Instructions accordingly.

The input and settlement of a TTE Instruction in accordance with this paragraph (b) will (subject to satisfying the requirements set out in Parts B and D of Appendix I to this document) constitute an acceptance of the Offer in respect of the number of Watford Leisure Shares so transferred to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Only your CREST sponsor will be able to send the TTE Instruction(s) to Euroclear in relation to your Watford Leisure Shares.

After settlement of a TTE Instruction, you will not be able to access the Watford Leisure Shares concerned in CREST for any transaction or charging purposes. If the Offer becomes or is declared

unconditional in all respects, the Escrow Agent will transfer the Watford Leisure Shares concerned to itself in accordance with paragraph (d) of Part D of Appendix I to this document.

You are recommended to refer to the CREST manual published by Euroclear for further information on the CREST procedures outlined below.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Watford Leisure Shares to settle prior to 1.00 p.m. (London time) on 15 April 2011. You are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

(i) *To accept the Offer in respect of your Watford Leisure Shares held in uncertificated form*

To accept the Offer in respect of Watford Leisure Shares held in uncertificated form, you should send (or if you are a CREST sponsored member, procure that your CREST sponsor sends) to Euroclear a TTE Instruction in relation to such shares.

A TTE Instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and must contain the following details:

- the ISIN number for the Watford Leisure Shares. This is GB0034301217;
- the number of Watford Leisure Shares in respect of which you wish to accept the Offer in its basic form (i.e. the number of Watford Leisure Shares to be transferred to escrow);
- your member account ID;
- your participant ID;
- the participant ID of the Escrow Agent, Capita Registrars, in its capacity as a CREST receiving agent, which is RA10;
- the member account ID of the Escrow Agent for the Offer in its basic form. This is WATWAT01;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. on 15 April 2011;
- the corporate action number of the Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- input with a standard delivery instruction priority of 80; and
- the contact name and telephone number in the shared note field.

(ii) *Validity of acceptances in respect of Watford Leisure Shares in uncertificated form*

A Form of Acceptance which is received in respect of Watford Leisure Shares held in uncertificated form will not constitute a valid acceptance and will be disregarded. Holders of Watford Leisure Shares in uncertificated form who wish to accept the Offer should note that a TTE Instruction will only be a valid acceptance of the Offer as at the relevant closing date if it has settled on or before that date. A TTE Instruction which settles after 1.00 p.m. (London time) on 15 April 2011 but before the relevant closing date of the Offer will be taken to constitute an acceptance of the Offer.

(iii) *Overseas Shareholders*

The attention of Watford Leisure Shareholders holding Watford Leisure Shares in uncertificated form and who are citizens or residents of jurisdictions outside the United Kingdom, or who are nominees of, or custodians or trustees for, any such person, or who intend to forward this document to any jurisdiction outside the United Kingdom is drawn to paragraph 6 of Part B and paragraph (c) of Part D of Appendix I to this document, which they should read before taking any action.

The availability of the Offer to persons not resident in the United Kingdom may be affected by the laws of the jurisdictions in which such persons are resident. Persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements.

The Offer is not being made, directly or indirectly, in or into, or by the use of the mails or any means or instrumentality (including, without limitation telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of the United States, Canada, Australia, South Africa or Japan. Copies of this document, the Form of Acceptance and any related offering documents are not being, and may not be, mailed or otherwise distributed in, into or from the United States, Canada, Australia, South Africa or Japan. Accordingly, any accepting Watford Leisure Shareholder who holds uncertificated shares who is unable to give the representations and warranties set out in Part D of Appendix I to this document may be deemed not to have accepted the Offer.

(c) **General**

WFCL will make an appropriate announcement if any of the details contained in paragraphs (a) or (b) above alter for any reason.

Normal CREST procedures (including timings) apply in relation to any Watford Leisure Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Offer (whether any such conversion arises as a result of a transfer of Watford Leisure Shares or otherwise). Holders of Watford Leisure Shares who are proposing to convert any such Watford Leisure Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Watford Leisure Shares as a result of the conversion to take all necessary steps in connection with an acceptance of the Offer (in particular, as regards delivery of share certificate(s) or other documents of title or transfers to an escrow balance as described above) prior to **1.00 p.m. (London time) on 15 April 2011**.

If you are in any doubt as to the procedure for acceptance, please contact Capita Registrars (between 9.00 a.m. and 5.00 p.m. (London time) on Business Days) on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls made from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Capita Registrars cannot provide any advice on the merits of the Offer nor give any financial, legal or tax advice in connection with the Offer.

You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

11. Settlement

Subject to the Offer becoming or being declared unconditional in all respects (and except as provided in paragraph 6 of Part B of Appendix I to this document in the case of certain Overseas Shareholders) settlement of the consideration to which any Watford Leisure Shareholder is entitled under the Offer will be effected: (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date; or (ii) in the case of acceptances received, complete in all respects, after such date but while the Offer remains open for acceptance, within 14 days of such receipt, in the following manner:

(a) **Watford Leisure Shares in certificated form (i.e. not in CREST)**

Where an acceptance relates to Watford Leisure Shares in certificated form, settlement of any cash due will be dispatched by first class post (or by such other method as the Panel may approve) to accepting Watford Leisure Shareholders or their appointed agents. All such cash payments will be made in pounds sterling by cheque drawn on a branch of a United Kingdom clearing bank.

(b) **Watford Leisure Shares in uncertificated form (that is, in CREST)**

Where an acceptance relates to Watford Leisure Shares in uncertificated form, the cash consideration to which the accepting Watford Leisure Shareholder is entitled will be paid by means of a CREST payment in favour of the accepting Watford Leisure Shareholder's payment bank in respect of the cash consideration due, in accordance with the CREST payment arrangements.

WFCL reserves the right to settle all or any part of the consideration referred to in this paragraph 11(b), for all or any accepting Watford Leisure Shareholder(s), in the manner referred to in paragraph 11(a) above, if, for any reason, it wishes to do so.

(c) **General**

If the Offer does not become or is not declared unconditional in all respects: (i) completed Form(s) of Acceptance, the relevant share certificate(s) and/or other document(s) of title will be returned by post (or by such other method as may be approved by the Panel) within 14 days of the Offer lapsing, to the person or agent whose name and address (outside the United States, Canada, Australia, South Africa and Japan) is set out in Box 3 of the Form of Acceptance or, if none is set out, to the first named or sole holder at his registered address (outside the United States, Canada, Australia, South Africa and Japan); and (ii) the Escrow Agent will, immediately after the lapsing of the Offer (or within such longer period, not exceeding 14 days after the Offer lapses, as the Panel may approve), give TFE Instructions to Euroclear to transfer all Watford Leisure Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the Watford Leisure Shareholders concerned.

All remittances, communications, notices, certificates and/or documents of title sent by, to or from Watford Leisure Shareholders or their appointed agents will be sent at their own risk.

12. Financing arrangements

The cash consideration payable by WFCL under the terms of the Offer will be funded from the existing cash resources of Laurence Bassini who has provided the requisite funds to WFCL by way of a loan facility. Seymour Pierce confirms that it is satisfied that sufficient financial resources are available to WFCL to satisfy full acceptance of the Offer. Full acceptance of the Offer would require a maximum cash payment of approximately £0.44 million by WFCL.

13. Compulsory acquisition, cancellation of AIM admission and re-registration

If WFCL receives acceptances under the Offer in respect of, and/or otherwise acquires, 90 per cent. or more in value of the Watford Leisure Shares to which the Offer relates (and not less than 90 per cent. of the voting rights carried by Watford Leisure Shares), WFCL currently intends to exercise its rights pursuant to the provisions of sections 979 to 982 (inclusive) of the Companies Act 2006 to compulsorily acquire any remaining Watford Leisure Shares to which the Offer relates on the same terms as the Offer.

Furthermore, if the Offer becomes, or is declared, wholly unconditional, and WFCL receives sufficient acceptances from Watford Leisure Shareholders, and/or otherwise acquires sufficient Watford Leisure Shares, to take its shareholding to 75 per cent. or more of the Watford Leisure Shares, WFCL intends to procure the making of an application by Watford Leisure to the London Stock Exchange for the cancellation of the admission of the Watford Leisure Shares to trading on AIM. It is anticipated that, subject to any applicable requirements of the London Stock Exchange, such cancellation will take effect no earlier than 20 Business Days after the date on which the Offer becomes, or is declared, wholly unconditional and WFCL receives sufficient acceptances from Watford Leisure Shareholders, and/or otherwise acquires sufficient Watford Leisure Shares, to take its shareholding to 75 per cent. or more.

It is further proposed that following the Offer becoming, or being declared, wholly unconditional and after the Watford Leisure Shares are no longer admitted to trading on AIM, Watford Leisure will be re-registered as a private limited company under the relevant provisions of the Companies Act 2006.

Cancellation of the admission of Watford Leisure Shares to trading on AIM and re-registration as a private limited company will significantly reduce the liquidity and marketability of any

Watford Leisure Shares not assented to the Offer at that time and the value of any such Watford Leisure Shares may be adversely affected as a consequence.

14. Further information

Your attention is drawn to the further information contained in the Appendices to this document, in particular Appendix I to this document which sets out the conditions and further terms that apply to the Offer, and, if your Watford Leisure Shares are held in certificated form, to the accompanying Form of Acceptance which should be read in conjunction with this document.

15. Action to be taken to accept the Offer

To accept the Offer in respect of Watford Leisure Shares held in certificated form, please complete the Form of Acceptance in accordance with the instructions contained in it and as set out in paragraph 10(a) of this letter and return the completed Form of Acceptance (together with your valid share certificate(s) and any other document(s) of title) by post or by hand (during normal business hours only) to Capita Registrars at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to be received by Capita Registrars no later than 1.00 p.m. (London time) on 15 April 2011.

If you hold your Watford Leisure Shares in uncertificated form (that is, in CREST), please follow the procedures set out in paragraph 10(b) of this letter and ensure that an electronic acceptance is made by you or on your behalf and that settlement is made by no later than 1.00 p.m. (London time) 15 April 2011.

You are advised to read this document carefully.

If you have any questions relating to this document and/or the completion and return of the Form of Acceptance, please telephone Capita Registrars on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' charges may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice in connection with the Offer.

THE FIRST CLOSING DATE OF THE OFFER IS 1.00 P.M. (LONDON TIME) ON 15 APRIL 2011.

Yours faithfully,

Panos Thomas
Chairman

APPENDIX I

CONDITIONS AND FURTHER TERMS OF THE OFFER

PART A

CONDITIONS OF THE OFFER

The Offer is subject to the following conditions:

Minimum acceptance condition

- (a) valid acceptances being received (and not, where permitted, withdrawn) by no later than 1.00 p.m. (London time) on the first closing date of the Offer (or, subject to the Code, such later time(s) and/or date(s) as WFCL may, subject to the rules of the Code, or with the consent of the Panel, decide) in respect of such number of Watford Leisure Shares which, together with Watford Leisure Shares acquired or agreed to be acquired by WFCL or parties acting in concert with it before or during the Offer Period, will result in WFCL, and any persons acting in concert with it, holding Watford Leisure Shares which together carry more than 50 per cent. of the voting rights then normally exercisable at general meetings of Watford Leisure, including for this purpose, to the extent (if any) required by the Code or the Panel, any such voting rights attaching to any Watford Leisure Shares that may be unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances whether pursuant to the exercise of any outstanding conversion or subscription rights or otherwise, and for this purpose:
- (i) the expression "Watford Leisure Shares to which the Offer relates" shall be construed in accordance with sections 974 to 991 (inclusive) of the Companies Act 2006;
 - (ii) Watford Leisure Shares which have been unconditionally allotted but not issued shall be deemed to carry the voting rights which they will carry on being entered into the register of members of Watford Leisure; and
 - (iii) valid acceptances shall be deemed to have been received in respect of any Watford Leisure Shares which are treated for the purposes of section 978(8) and, if applicable, section 979(9) of the Companies Act 2006 as having been acquired or contracted to be acquired by WFCL by virtue of acceptances of the Offer;

General conditions

- (b) no Third Party (as defined below) having intervened and there not continuing to be outstanding any statute, regulation or order of any Third Party in each case which would or might reasonably be expected, to an extent which is material to the Wider Watford Leisure Group taken as a whole, to:
- (i) make the Offer, its implementation or the acquisition or proposed acquisition by WFCL of any shares or other securities in, or control or management of, Watford Leisure or any member of the Wider Watford Leisure Group void, illegal or unenforceable in any relevant jurisdiction, or otherwise directly or indirectly restrain, prevent, prohibit or restrict the same or impose additional material conditions or obligations with respect to the Offer or such acquisition, or otherwise impede, challenge or interfere with the Offer or such acquisition, or require amendment to the terms of the Offer or the acquisition or proposed acquisition of any Watford Leisure Shares or the acquisition of control or management of Watford Leisure or the Wider Watford Leisure Group by WFCL;
 - (ii) limit or impose any material limitations on, the ability of WFCL or any member of the Wider Watford Leisure Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities in, or to exercise voting or management control over, any member of the Wider Watford Leisure Group;
 - (iii) require or prevent the divestiture by WFCL of any shares or other securities in Watford Leisure;
 - (iv) require or prevent the divestiture either by WFCL or by any member of the Wider Watford Leisure Group of all or any material portion of their respective businesses, assets or properties or limit

- the ability of any of them to conduct any of their respective businesses or to own or control their respective assets or properties or any part thereof;
- (v) require WFCL or any member of the Wider Watford Leisure Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in WFCL or any member of the Wider Watford Leisure Group owned by any third party; or
 - (vi) materially limit the ability of WFCL or any member of the Wider Watford Leisure Group to conduct or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Watford Leisure Group.
- (c) all authorisations which are necessary in any relevant jurisdiction for or in respect of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control or management of, Watford Leisure or any other member of the Wider Watford Leisure Group by WFCL or the carrying on by any member of the Wider Watford Leisure Group of its business having been obtained, in terms and in a form reasonably satisfactory to WFCL, from all appropriate Third Parties or from any persons or bodies with whom any member of the Wider Watford Leisure Group has entered into contractual arrangements in each case where the absence of such Authorisation would have a material adverse effect on the Wider Watford Leisure Group taken as a whole and all such Authorisations remaining in full force and effect and no notice of any intention to revoke, suspend, restrict, modify or not to renew any of the same having been received by Watford Leisure;
- (d) except as publicly disclosed in the annual report and financial statements of Watford Leisure for the financial year ended 30 June 2010 or as publicly announced by Watford Leisure prior to the date of the Announcement by the delivery of an announcement to a Regulatory Information Service or as fairly disclosed prior to the date of the Announcement to WFCL by or on behalf of Watford Leisure, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider Watford Leisure Group is a party, or by or to which any such material member or any of its assets is or are bound, entitled or subject or any circumstance which, in each case as a consequence of the Offer or the acquisition or proposed acquisition of any shares or other securities in, or control of, Watford Leisure or any other member of the Wider Watford Leisure Group by WFCL could or might reasonably be expected (to an extent which is material to the Wider Watford Leisure Group taken as a whole) to result in:
- (i) any material monies borrowed by or any other material indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider Watford Leisure Group being or becoming repayable immediately or prior to its stated repayment date or the ability of any member of the Wider Watford Leisure Group to borrow monies or incur any indebtedness being withdrawn or inhibited;
 - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider Watford Leisure Group or any such mortgage, charge or other security interest (wherever created, arising or having arisen) becoming enforceable;
 - (iii) any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider Watford Leisure Group thereunder, being terminated or adversely modified or any adverse action being taken or any obligation or liability arising thereunder;
 - (iv) any material asset or interest of any member of the Wider Watford Leisure Group being or falling to be disposed of or ceasing to be available to any member of the Wider Watford Leisure Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider Watford Leisure Group otherwise than in the ordinary course of business;
 - (v) the creation of any material liabilities (actual or contingent) by any member of the Wider Watford Leisure Group other than in the ordinary course of business;
 - (vi) the rights, liabilities, obligations or interests of any member of the Wider Watford Leisure Group under any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified; or
 - (vii) the financial or trading position of any member of the Wider Watford Leisure Group being materially adversely affected; and

- (viii) no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, would, or might reasonably be expected to, result in any of the events or circumstances which are referred to in paragraphs (i) to (vii) of this condition (d);
- (e) since 30 June 2010 and except as disclosed in Watford Leisure's or the Club's annual report and financial statements for the year then ended or as otherwise publicly announced by Watford Leisure prior to the date of the Announcement by the delivery of an announcement to a Regulatory Information Service or as otherwise disclosed prior to the date of the Announcement to WFCL by or on behalf of Watford Leisure, no member of the Wider Watford Leisure Group having (to an extent which is material to the Wider Watford Leisure Group taken as a whole):
- (i) issued or agreed to issue, or authorised the issue of, additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold any shares out of treasury, other than as between Watford Leisure, the Club and wholly-owned subsidiaries of Watford Leisure and other than any shares issued or shares transferred from treasury upon the exercise of any options granted under any share scheme;
 - (ii) purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital;
 - (iii) recommended, declared, paid or made any dividend or other distribution whether payable in cash or otherwise or made any bonus issue (other than to Watford Leisure, the Club or a wholly-owned subsidiary of Watford Leisure);
 - (iv) except as agreed by WFCL or as between Watford Leisure, the Club and its wholly-owned subsidiaries or between the Club and such wholly-owned subsidiaries, made, committed to make, authorised or announced any change in its loan capital;
 - (v) (other than any acquisition or disposal in the ordinary course of business or a transaction between Watford Leisure and the Club or a wholly-owned subsidiary of Watford Leisure or between the Club and such wholly-owned subsidiaries) merged with, demerged or acquired any body corporate, partnership or business or acquired or disposed of or transferred, mortgaged, charged or created any material security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same;
 - (vi) except as agreed by WFCL, issued, authorised or approved the issue of, or authorisation of or made any change in or to any debentures;
 - (vii) except as agreed by WFCL entered into, varied, or authorised any agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:
 - (1) is of an unusually long term or unusually onerous nature or could involve an obligation of such nature or magnitude; or
 - (2) would or might reasonably be expected to prevent any member of the Wider Watford Leisure Group from conducting its business in the ordinary course; or
 - (3) is other than in the ordinary course of business and on an arm's length basis;
 - (viii) entered into, implemented, effected or authorised any merger, demerger, reconstruction, amalgamation, scheme, commitment or other transaction or arrangement in respect of itself or another member of the Wider Watford Leisure Group otherwise than in the ordinary course of business;
 - (ix) entered into or materially varied the terms of, any contract, agreement or arrangement with any of the directors or senior executives of Watford Leisure or (to the extent it is material in the context of the Wider Watford Leisure Group taken as a whole) any director or senior executive of any other member of the Watford Leisure Group;
 - (x) taken any corporate action or had any legal proceedings instituted against it or petition presented or order made for its winding-up (voluntarily or otherwise) or dissolution or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of or over all or any material part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction;

- (xi) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business save for debts in respect of which a *bona fide* dispute exists;
 - (xii) knowingly waived or compromised any claim, otherwise than in the ordinary course of business which is material in the context of the Wider Watford Leisure Group taken as a whole;
 - (xiii) made any material alteration to its memorandum or articles of association;
 - (xiv) made or agreed or consented to:
 - (1) any material change:
 - (a) to the terms of any trust deeds constituting any pension scheme(s) established for its directors, employees or their dependants; or
 - (b) to any benefits which accrue or to any pensions which are payable thereunder; or
 - (c) to the basis on which qualification for, or accrual or entitlement to any such benefits or pensions are calculated or determined; or
 - (d) to the basis upon which the liabilities (including pensions) of any such pension schemes are funded or made; or
 - (2) any change to the trustees including the appointment of a trust corporation but excluding any appointment of a member nominated trustee in accordance with existing nomination arrangements or one company appointment to fill a trustee vacancy;
 - (xv) proposed, agreed to provide or modified the terms of any share option scheme or incentive scheme of the Wider Watford Leisure Group;
 - (xvi) save as between Watford Leisure, the Club and its wholly-owned subsidiaries, granted any material lease in respect of any of the leasehold or freehold property owned or occupied by it or transferred or otherwise disposed of any such property; or
 - (xvii) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this condition (e);
- (f) except as disclosed in the annual report and financial statements for the financial year ended 30 June 2010 or as publicly announced by Watford Leisure prior to the date of the Announcement by the delivery of an announcement to a Regulatory Information Service or as otherwise disclosed prior to the date of the Announcement to WFCL by or on behalf of Watford Leisure:
- (i) there having been no material adverse change or deterioration in the business, assets, financial or trading positions or profit or prospects of any member of the Wider Watford Leisure Group which in any case is material in the context of the Wider Watford Leisure Group taken as a whole;
 - (ii) no contingent or other liability of any member of the Wider Watford Leisure Group having arisen or materially increased which in any case is material in the context of the Wider Watford Leisure Group taken as a whole;
 - (iii) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Watford Leisure Group is or is reasonably likely to become a party (whether as claimant, defendant or otherwise) having been instituted by or against or remaining outstanding against or in respect of any member of the Wider Watford Leisure Group which in any case is material in the context of the Wider Watford Leisure Group taken as a whole; and
 - (iv) (other than as a result of the Offer) no enquiry or investigation by, or complaint or reference to, any Third Party having been instituted by or against or remaining outstanding against or in respect of any member of the Wider Watford Leisure Group which in any case is material in the context of the Wider Watford Leisure Group taken as a whole;
- (g) except as disclosed prior to the date of the Announcement to WFCL by or on behalf of Watford Leisure, WFCL not having discovered after the date of the Announcement:
- (i) that any financial or business or other information concerning the Wider Watford Leisure Group disclosed at any time by or on behalf of any member of the Wider Watford Leisure Group,

whether publicly, to WFCL or otherwise, is materially misleading or contains any misrepresentation of fact or omits to state a material fact necessary to make any information contained therein not materially misleading and which was not subsequently corrected before the date of the Announcement by disclosure either publicly or otherwise to WFCL to an extent which in any case is material in the context of the Wider Watford Leisure Group taken as a whole; or

- (ii) that any member of the Wider Watford Leisure Group is subject to any liability (actual or contingent) which is not disclosed in Watford Leisure's annual report and financial statements for the financial year ended 30 June 2010 or has not otherwise been publicly announced and which in any case is material in the context of the Wider Watford Leisure Group taken as a whole;
- (h) except to the extent disclosed in the annual report and financial statements of Watford Leisure for the financial year ended 30 June 2010 or as publicly announced by Watford Leisure prior to the date of the Announcement by the delivery of an announcement to a Regulatory Information Service or as fairly disclosed to WFCL by or on behalf of Watford Leisure before the date of the Announcement, WFCL not having discovered after the date of the Announcement:
- (i) that any past or present member of the Wider Watford Leisure Group has not complied with any material applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place) which, in any case, give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Watford Leisure Group which is material in relation to the Wider Watford Leisure Group taken as a whole; or
 - (ii) that there is any liability, whether actual or contingent, to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the Wider Watford Leisure Group or any other property or any controlled waters under any environmental legislation, regulation, notice, circular, order or other lawful requirement of any relevant authority or third party or otherwise which is material in relation to the Wider Watford Leisure Group taken as a whole.
 - (iii) For the purpose of these conditions:
 - (1) "Third Party" means any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory or investigative body, authority, court, trade agency, association, institution or professional or environmental body or any other similar person or body whatsoever in any relevant jurisdiction;
 - (2) a Third Party shall be regarded as having "intervened" if it has decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided and "intervene" shall be construed accordingly; and
 - (3) "Authorisations" means authorisations, orders, grants, recognitions, determinations, certificates, confirmations, consents, licences, clearances, provisions and approvals.

WFCL reserves the right to waive, in whole or in part, all or any of conditions (b) to (h) above inclusive. WFCL also reserves the right, subject to the consent of the Panel, to extend the time allowed under the Code for satisfaction of condition (a) until such time as conditions (b) to (h) have been satisfied, fulfilled or, to the extent permitted, waived. If WFCL is required by the Panel to make an offer for Watford Leisure Shares under the provisions of Rule 9 of the Code, WFCL may make such alterations to the above conditions, including condition (a) above, as are necessary to comply with the provisions of that Rule.

The Offer will lapse unless the conditions set out above (other than condition (a)) are fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by WFCL in its

reasonable opinion to be or to remain satisfied by no later than 21 days after the later of the first closing date of the Offer or the date on which the Offer becomes or is declared unconditional as to acceptances, or such later date as WFCL may, with the consent of the Panel, decide. WFCL shall be under no obligation to waive or treat as satisfied any of conditions (b) to (h) inclusive by a date earlier than the latest date specified above for the satisfaction thereof notwithstanding that the other conditions of the Offer may at such earlier date have been waived or fulfilled or satisfied and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment or satisfaction.

The Offer will extend to all Watford Leisure Shares unconditionally allotted or issued on the date on which the Offer is made, and any further Watford Leisure Shares unconditionally allotted or issued, and any treasury shares unconditionally sold or transferred by Watford Leisure, in each case, while the Offer remains open for acceptance (or such earlier date or dates as WFCL may decide), except that the Offer will not be made, directly or indirectly, in or into, or by the use of the mails or any means of instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facilities of a national securities exchange of the United States, Canada, Australia, South Africa or Japan, or any other jurisdiction where it would be unlawful to do so and the Watford Leisure Shares will not be accepted for purchase from or on behalf of any shareholder, in the United States, Canada, Australia, South Africa, Japan, or any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities or other laws or regulations of such jurisdiction or would require any registration, approval or filing with any regulatory authority not expressly contemplated by the terms of this document.

The Watford Leisure Shares which are the subject of the Offer are to be acquired by WFCL fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including the right to receive and retain in full all dividends or other distributions (if any) declared, paid or made after the date of the Announcement.

PART B

FURTHER TERMS OF THE OFFER

The conditions in Part A of this Appendix I and the following further terms apply, unless the context otherwise requires, to the Offer.

Except where the context requires otherwise, any reference in this document and in the Form of Acceptance:

- (i) to the **“Offer”** will mean the Offer and will include any revision, variation or renewal thereof or extension thereto and any election in connection therewith;
- (ii) to the Offer **“becoming unconditional”** will include the Offer being or becoming or being declared unconditional;
- (iii) to the Offer being or becoming or being declared **“unconditional”** will be construed as the Offer being or becoming or being declared unconditional as to acceptances whether or not any other condition of the Offer remains to be fulfilled;
- (iv) to the **“acceptance condition”** means the condition as to acceptances of the Offer set out in paragraph (a) of Part A of this Appendix I and references to the Offer becoming unconditional as to acceptances will be construed accordingly; and
- (v) to the **“Offer Document”** will mean this document and any other document containing details of the Offer.

1. Acceptance Period and Acceptance Condition

- (a) The Offer will initially be open for acceptance until 1.00 p.m. (London time) on 15 April 2011. Although no revision is envisaged, if the Offer is revised it will remain open for acceptance for a period of at least 14 days (or such other period as may be permitted by the Panel) following the date on which the revised Offer is sent to Watford Leisure Shareholders. Except with the consent of the Panel, no revision of the Offer may be made or sent to Watford Leisure Shareholders after 10 May 2011 or, if later, the date which is 14 days before the last date on which the Offer can become unconditional.
- (b) The Offer, whether revised or not, shall not (without the consent of the Panel) be capable of becoming unconditional after midnight on 24 May 2011 (or any other time and/or date beyond which WFCL has stated (and not withdrawn such statement) that the Offer will not be extended), nor of being kept open for acceptance after that time and/or date, unless it has previously become unconditional, provided that WFCL reserves the right, with the permission of the Panel, to extend the time for the Offer to become unconditional to any later time(s) and/or date(s).

Except with the consent of the Panel, WFCL may not, for the purpose of determining whether the acceptance condition has been satisfied, take into account acceptances received or purchases of Watford Leisure Shares made after 1.00 p.m. (London time) on 24 May 2011 (or any other time(s) and/or date(s) beyond which WFCL has stated (and not withdrawn such statement) that the Offer will not be extended) or such later time(s) and/or date(s) as WFCL, with the permission of the Panel, may determine. If the latest time at which the Offer may become unconditional is extended beyond midnight on 24 May 2011, acceptances received and purchases made in respect of which the relevant documents are received by Capita Registrars after 1.00 p.m. (London time) on the relevant date may (except where the Code permits) only be taken into account with the agreement of the Panel.

- (c) If the Offer becomes unconditional, it will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired. If the Offer has become unconditional and it is stated that the Offer will remain open until further notice, then not less than 14 days' notice in writing will be given to those Watford Leisure Shareholders who have not accepted the Offer prior to the closing of the Offer.
- (d) If a competitive situation arises (as determined by the Panel) after a “no increase” and/or a “no extension” statement has been made by or on behalf of WFCL in relation to the Offer, WFCL may, if it has specifically reserved the right to do so at the time such statement is made, or otherwise with

the consent of the Panel, choose not to be bound by or withdraw such statement and be free to revise or extend the Offer provided it complies with the requirements of the Code and in particular that: (i) it makes an announcement to such effect as soon as possible and in any event within four business days after the firm announcement of the competing offer or other competitive situation and notifies Watford Leisure Shareholders to that effect in writing at the earliest opportunity or, in the case of Watford Leisure Shareholders with registered addresses outside the United Kingdom or whom WFCL reasonably believes to be nominees, custodians or trustees holding Watford Leisure Shares for such persons, by announcement in the United Kingdom at the earliest opportunity; and (ii) any Watford Leisure Shareholders who accepted the Offer after the date of the “no increase” or “no extension” statement are given a right of withdrawal as described in paragraph 3(c) of this Part B.

WFCL may choose not to be bound by a “no increase” or “no extension” statement if, having reserved the right to do so, it announces an increased or improved Offer which is recommended for acceptance by the board of directors of Watford Leisure, or in any other circumstances permitted by the Panel.

- (e) If a competitive situation arises (as determined by the Panel) and is continuing on 24 May 2011, WFCL will enable holders of Watford Leisure Shares in uncertificated form who have not already validly accepted the Offer but who have previously accepted the competing offer to accept the Offer by special form of acceptance to take effect on 24 May 2011. It shall be a condition of such special form of acceptance being a valid acceptance of the Offer that: (i) it is received by Capita Registrars on or before 24 May 2011; (ii) the relevant Watford Leisure Shareholder shall have applied to withdraw his acceptance of the competing offer but that the Watford Leisure Shares to which such withdrawal relates shall not have been released from escrow before 24 May 2011 by the escrow agent to the competing offer; and (iii) the Watford Leisure Shares to which the special form of acceptance relates are not transferred to escrow in accordance with the procedure for acceptance set out in the letter from the Chairman of WFCL contained in this document on or before 24 May 2011, but an undertaking is given that they will be so transferred as soon as possible thereafter. Watford Leisure Shareholders wishing to use such special forms of acceptance should contact Capita Registrars on 0871 664 0321 from within the United Kingdom or on +44 20 8639 3399 if calling from outside the United Kingdom between 9.00 a.m. and 5.30 p.m. (London time) on the business day preceding 24 May 2011 in order that such forms can be despatched. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers’ costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice. Notwithstanding the right to use such special form of acceptance, holders of Watford Leisure Shares in uncertificated form may not use a Form of Acceptance (or any other purported acceptance form) for the purpose of accepting the Offer in respect of such shares.
- (f) For the purposes of determining at any particular time whether the acceptance condition has been fulfilled, WFCL shall not be bound (unless otherwise required by the Panel) to take into account any Watford Leisure Shares normally carrying voting rights which have been issued or unconditionally allotted or which arise as the result of the exercise of conversion rights or which have ceased to be Treasury Shares before such time unless Watford Leisure has notified Capita Registrars on behalf of WFCL, before that time in writing, of the relevant details of such issue, allotment, conversion or sale or transfer of Treasury Shares prior thereto at the address and by the methods of delivery referred to in paragraph 10 of the letter from the Chairman of WFCL in this document. Notification by telex, facsimile or other electronic transmission will not be sufficient.
- (g) WFCL reserves the right to treat as valid, in whole or in part, acceptances of the Offer which are not entirely in order or which are not accompanied by the relevant share certificate(s) and/or other relevant document(s) of title or not accompanied by the relevant TTE instruction (subject to paragraphs 6(c)(i) and (ii) of this Part B).

2. Announcements

- (a) Without prejudice to paragraph 3(a) of this Part B, by 8.00 a.m. on the next Business Day (the “**relevant day**”) following the day on which the Offer is due to expire or becomes or is declared

unconditional or is revised or extended (or such later time or date as the Panel may agree), WFCL will make an appropriate announcement to a Regulatory Information Service of the position. Such announcement will also state (unless otherwise permitted by the Panel) the total number of Watford Leisure Shares and rights over Watford Leisure Shares (as nearly as practicable):

- (i) for which acceptances of the Offer have been received (showing the extent, if any, to which such acceptances have been received from any person acting in concert or deemed to be acting in concert with WFCL for the purposes of the Offer or in respect of Watford Leisure Shares which were subject to an irrevocable commitment to accept the Offer procured by WFCL or any of its concert parties);
- (ii) acquired or agreed to be acquired by or on behalf of WFCL or any person acting in concert or deemed to be acting in concert with WFCL for the purposes of the Offer during the course of the Offer Period; and
- (iii) held by or on behalf of WFCL or any person acting in concert or deemed to be acting in concert with WFCL for the purposes of the Offer prior to the Offer Period, and will specify the percentage of the Watford Leisure Shares represented by each of these figures.

Any such announcement shall include a prominent statement of the total number of Watford Leisure Shares which WFCL may count towards the satisfaction of the acceptance condition and the percentage of Watford Leisure Shares represented by this figure.

Any decision to extend the time and/or date by which the acceptance condition has to be fulfilled may be made at any time up to, and will be announced not later than, 8.00 a.m. on the relevant day (or such later time and/or date as the Panel may agree) and the announcement will state the next expiry date (unless the Offer is unconditional in which case the announcement may state that the Offer will remain open until further notice). In computing the number of Watford Leisure Shares represented by acceptances and/or purchases, there may be included or excluded for announcement purposes, subject to paragraph 6(c) of this Part B, acceptances and purchases not in all respects in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title or not accompanied by the relevant TTE instruction or which are subject to verification.

- (b) In this Appendix I, references to the making of an announcement or the giving of notice by or on behalf of WFCL include the release of an announcement by public relations consultants or by Seymour Pierce in each case on behalf of WFCL and the delivery by hand or telephone, telex or facsimile or other electronic transmission of an announcement to a Regulatory Information Service. An announcement made otherwise than to a Regulatory Information Service shall be notified simultaneously (unless the Panel agrees otherwise) to a Regulatory Information Service.

3. Rights of Withdrawal

- (a) If WFCL, having announced the Offer to be unconditional, fails to comply by 3.30 p.m. (London time) on the relevant day (or such later time(s) and/or date(s) as the Panel may agree) with any of the other requirements specified in paragraph 2(a) of this Part B, an accepting Watford Leisure Shareholder may (unless the Panel otherwise agrees) immediately thereafter withdraw his acceptance of the Offer by written notice signed by such Watford Leisure Shareholder (or his agent duly appointed in writing and evidence of whose appointment satisfactory to WFCL is produced with the notice) given by post or by hand (during normal business hours only) to Capita Registrars at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU for and on behalf of WFCL. Alternatively, in the case of Watford Leisure Shares held in uncertificated form, withdrawals can also be effected in the manner set out in paragraph 3(f) of this Part B. Subject to paragraph 1(b) of this Part B, this right of withdrawal may be terminated not less than 8 days after the relevant day by WFCL confirming, if such be the case, that the Offer is still unconditional and complying with the other relevant requirements specified in paragraph 2(a) of this Part B. If any such confirmation is given, the first period of 14 days referred to in paragraph 1(c) of this Part B will run from the date of that confirmation and compliance.
- (b) If by 1.00 p.m. (London time) on 6 May 2011 (or such later time and/or date as the Panel may agree) the Offer has not become unconditional, an accepting Watford Leisure Shareholder may withdraw his acceptance of the Offer at any time thereafter in the manner referred to in paragraph 3(a) of this Part

B (or in the case of Watford Leisure Shares held in uncertificated form, in the manner set out in paragraph 3(f) of this Part B) before the earlier of: (i) the time that the Offer becomes unconditional; and (ii) the final time for lodgement of acceptances of the Offer which can be taken into account in accordance with paragraph 1(b) of this Part B.

- (c) If a “no increase” and/or “no extension” statement has been withdrawn in accordance with paragraph 1(d) of this Part B, any acceptance of the Offer after such statement is made may be withdrawn thereafter in the manner referred to in paragraph 3(a) of this Part B (or in the case of Watford Leisure Shares held in uncertificated form, in the manner set out in paragraph 3(f) of this Part B) not later than the eighth day after the date on which notice of the withdrawal of such statement is sent to Watford Leisure Shareholders.
- (d) Except as provided by this paragraph 3 of this Part B (and subject to paragraph 5 of this Part B), acceptances of the Offer shall be irrevocable.
- (e) In this paragraph 3 of this Part B, “written notice” (including any letter of appointment, direction or authority) means notice in writing bearing the original signature(s) of the relevant accepting Watford Leisure Shareholder(s) or his/their agent(s) duly appointed in writing (satisfactory evidence of whose appointment must be produced with the notice). Notification by telex or facsimile or other electronic transmission or copies will not be sufficient to constitute written notice. No notice which is postmarked in, or otherwise appears to WFCL or its agents to have been sent from the United States, Canada, Australia, South Africa or Japan will be treated as valid.
- (f) In the case of Watford Leisure Shares held in uncertificated form, if withdrawals are permitted pursuant to paragraphs (3)(a), (3)(b) or (3)(c) of this Part B, an accepting Watford Leisure Shareholder may withdraw his acceptance through CREST by sending (or, if a CREST sponsored member, procuring that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance to be withdrawn. Each ESA instruction must, in order for it to be valid and settle, include the following details:
- the number of Watford Leisure Shares to be withdrawn, together with their ISIN number which is GB0034301217;
 - the member account ID of the accepting shareholder, together with his participant ID;
 - the member account ID of the Escrow Agent which is WATWAT01, included in the relevant Electronic Acceptance, together with the Escrow Agent’s participant ID, which is RA10;
 - the CREST transaction ID of the Electronic Acceptance to be withdrawn to be inserted at the beginning of the shared note field;
 - the intended settlement date for the withdrawal;
 - the corporate action number for the Offer allocated by Euroclear which can be found by reviewing the relevant corporate action details in CREST;
 - input with a standard delivery instruction of 80; and
 - a contact telephone number in the shared note field.

Any such withdrawal will be conditional upon Capita Registrars verifying that the withdrawal request is validly made. Accordingly, Capita Registrars will on behalf of WFCL reject or accept the withdrawal by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

4. Revisions of the Offer

- (a) Although no such revision is envisaged, if the Offer (in its original or any previously revised form(s)) is revised (either in its terms or conditions or in the value or form of the consideration offered or otherwise), and any such revised Offer(s) represent(s) on the date on which such revision is announced (on such basis as Seymour Pierce may consider appropriate) an improvement (or no diminution) in the value of the consideration compared with that previously offered, the benefit of the revised Offer will, subject as provided in paragraphs 4(b), 4(c) and 7 of this Part B be made available to any Watford Leisure Shareholder who has accepted the Offer in its original or previously revised form(s), and not validly withdrawn such acceptance (each, a “**Previous Acceptor**”). The acceptance

by or on behalf of a Previous Acceptor of the Offer in its original or any previously revised form(s) shall, subject as provided in paragraphs 4(b), 4(c) and 7 of this Part B, be deemed to be an acceptance of the Offer as so revised and shall, subject as aforesaid also constitute a separate appointment of each of WFCL, Seymour Pierce and their respective directors as his attorney and/or agent with authority to accept any such revised Offer on behalf of such Previous Acceptor and, if such revised Offer includes alternative forms of consideration, to make on his behalf elections for and/or to accept such alternative forms of consideration on his behalf in such proportions as such attorney and/or agent in his absolute discretion thinks fit and to execute on behalf of and in the name of such Previous Acceptor all such further documents (if any) and take such further actions (if any) as may be required to give effect to such acceptances and/or elections. In making any such acceptances or making any such election, the attorney and/or agent shall take into account the nature of any previous acceptances and/or elections made by or on behalf of the Previous Acceptor and such other facts or matters as he may reasonably consider relevant.

- (b) The deemed acceptances and elections referred to in this paragraph 4 of this Part B shall not apply and the authorities conferred by paragraph 4(a) of this Part B shall not be exercised if, as a result thereof, the Previous Acceptor would (on such basis as Seymour Pierce may consider appropriate) thereby receive and/or retain (as appropriate) less consideration in aggregate under the Offer or otherwise than would have been received and/or retained (as appropriate) in aggregate consideration as a result of acceptance of the Offer in the form in which it was originally accepted and/or elected by such Previous Acceptor or on his behalf (unless such Previous Acceptor has previously agreed to receive and/or retain (as appropriate) less in aggregate consideration).
- (c) The deemed acceptances and elections referred to in this paragraph 4 of this Part B shall not apply and the authorities conferred by this paragraph 4 of this Part B shall be ineffective to the extent that a Previous Acceptor:
- (i) in respect of Watford Leisure Shares in certificated form, lodges with Capita Registrars at the address set out in paragraph 3(a) of this Part B within 14 days of the publication of the document pursuant to which the revision of the Offer is made available to Watford Leisure Shareholders (or such later date as WFCL may determine), a Form of Acceptance or some other form issued by or on behalf of WFCL in which he validly elects to receive the consideration receivable by him under such revised Offer in some other manner; or
- (ii) in respect of Watford Leisure Shares in uncertificated form, sends (or, if a CREST sponsored member, procures that his CREST sponsor sends) an ESA instruction to settle in CREST in relation to each Electronic Acceptance in respect of which an election is to be varied. Each ESA instruction must, in order for it to be valid and settle, include the following details:
- the number of Watford Leisure Shares in respect of which the changed election is made, together with their ISIN number which is GB0034301217;
 - the member account ID of the Previous Acceptor, together with his participant ID;
 - the member account ID of the Escrow Agent included in the relevant Electronic Acceptance, which is WATWAT01, together with the Escrow Agent's participant ID, which is RA10;
 - the CREST transaction ID of the Electronic Acceptance in respect of which the election is to be changed inserted at the beginning of the shared note field;
 - the intended settlement date for the changed election;
 - the corporate action number for the Offer allocated by Euroclear which can be found by reviewing the relevant corporate action details in CREST;
 - input with a standard delivery instruction of 80;
- and, in order that the desired change of election can be effected, must include:
- the member account ID of the Escrow Agent relevant to the new election which can be found by reviewing the relevant corporate action details in CREST.

Any such change of election will be conditional upon Capita Registrars verifying that the request is validly made. Accordingly, Capita Registrars will on behalf of WFCL reject or accept the

requested change of election by transmitting in CREST a receiving agent reject (AEAD) or receiving agent accept (AEAN) message.

- (d) The authorities conferred by this paragraph 4 of this Part B and any acceptance of a revised Offer and/or any election pursuant thereto shall be irrevocable unless and until the Previous Acceptor becomes entitled to withdraw his acceptance under paragraph 3 of this Part B and duly does so.
- (e) Subject to paragraph 6 of this Part B, WFCL reserves the right to treat an executed Form of Acceptance or TTE Instruction relating to the Offer (in its original or any previously revised form(s)) which is received (or dated) on or after the announcement or publication of the Offer in any revised form as a valid acceptance of the revised Offer and, where applicable, a valid election for any alternative form of consideration made available pursuant thereto, and such acceptance shall constitute an authority in the terms of paragraph 4(a) of this Part B on behalf of the relevant Watford Leisure Shareholder.

5. General

- (a) Save with the consent of the Panel and WFCL, the Offer will lapse unless all conditions relating to the Offer have been satisfied or (if capable of waiver) waived or, where appropriate, have been determined by WFCL in its reasonable opinion to be or remain satisfied, by midnight on the later of 14 June 2011 and the date which is 21 days after the date on which the Offer becomes unconditional or such later date as WFCL may, with the consent of the Panel, decide. If the Offer lapses for any reason, the Offer will cease to be capable of further acceptance and Watford Leisure Shareholders and WFCL will cease to be bound by prior acceptances. WFCL shall be under no obligation to waive or treat as satisfied any of the conditions (b) to (h) (inclusive) in Part A of this Appendix I by a date earlier than the latest date specified or referred to above for the satisfaction thereof notwithstanding that such condition or the other conditions of the Offer may at such earlier date have been waived or satisfied and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of being satisfied.
- (b) Save with the consent of the Panel, settlement of the consideration to which any Watford Leisure Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other analogous right to which WFCL may otherwise be, or claim to be, entitled as against such Watford Leisure Shareholder and will be effected in the manner described in paragraph 11 of the letter from the Chairman of WFCL contained in this document.
- (c) Notwithstanding the right reserved by WFCL to treat an acceptance of the Offer as valid (even though, in the case of Watford Leisure Shares held in certificated form, the relevant Form of Acceptance is not entirely in order or not accompanied by the relevant share certificate(s) and/or other document(s) of title), except as otherwise agreed with the Panel:
 - (i) an acceptance of the Offer will only be counted towards fulfilling the acceptance condition if the requirements of Note 4 and, if applicable, Note 6 on Rule 10 of the Code are satisfied in respect of it;
 - (ii) a purchase of Watford Leisure Shares by WFCL or its nominee(s) or, if WFCL is required to make a Rule 9 offer, a person acting in concert with WFCL, if any, will only be counted towards fulfilling the acceptance condition if the requirements of Note 5 and, if applicable, Note 6 of Rule 10 of the Code are satisfied in respect of it; and
 - (iii) the Offer will not become unconditional unless Capita Registrars has issued a certificate to WFCL or Seymour Pierce which states the number of Watford Leisure Shares in respect of which acceptances have been received which comply with paragraph (i) above, and the number of Watford Leisure Shares otherwise acquired, whether before or during the Offer Period, which comply with the requirements of paragraph (ii) above. Copies of such certificate will be sent to the Panel and to Seymour Pierce as soon as possible after issue.
 - (iv) Watford Leisure Shares which have been borrowed by WFCL may not be counted towards fulfilling the acceptance condition.

- (d) The terms, provisions, instructions and authorities contained in or deemed to be incorporated in the Form of Acceptance will, in respect of Watford Leisure shares held in certificated form, also constitute part of the terms of the Offer. Words and expressions defined in this document have the same meanings when used in the Form of Acceptance unless the context otherwise requires. The provisions of this Appendix I shall be deemed to be incorporated in the Form of Acceptance.
- (e) The Offer and the Form of Acceptance and all acceptances of the Offer, and all contracts made pursuant thereto and any action taken or made or deemed to be taken or made under any of the foregoing shall be governed by and construed in accordance with English law. Execution of a Form of Acceptance or the sending of a TTE Instruction by or on behalf of a Watford Leisure Shareholder constitutes his irrevocable submission in relation to all matters arising out of or in connection with the Offer and the Form of Acceptance to the jurisdiction of the courts of England and his agreement that nothing shall limit the right of WFCL or Seymour Pierce to bring any action, suit or proceeding arising out of or in connection with the Offer or the Form of Acceptance in any other manner permitted by law or in any court of competent jurisdiction.
- (f) All references in this document and in the Form of Acceptance to 15 April 2011 shall (except in the definition of "Offer Period" and in paragraph 1(a) of this Part B and where the context otherwise requires) be deemed, if the expiry date of the Offer is extended, to refer to the expiry date of the Offer as so extended.
- (g) Any omission or failure to dispatch this document, the Form of Acceptance or any notice required to be dispatched under the terms of the Offer to, or any failure to receive the same by, any person to whom the Offer is made, or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. Subject to paragraph 6 of this Part B, the Offer extends to persons to whom the Offer is made or should be made but to whom this document, the Form of Acceptance or any related offering documents may not be dispatched or by whom such documents may not be received, and such persons may collect copies of these documents from Capita Registrars at the address set out in paragraph 3(a) of this Part B.
- (h) Notwithstanding any other provision in this Part B, WFCL and Seymour Pierce reserve the right to treat acceptances of the Offer and/or elections pursuant thereto as valid if received by or on behalf of either of them at any place or places or in any manner determined by either of them otherwise than as set out in this document or in the Form of Acceptance.
- (i) All powers of attorney, appointments of agents and authorities in the terms conferred by or referred to in this Appendix I or in the Form of Acceptance are given by way of security for the performance of the obligations of the Watford Leisure Shareholder concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971 unless and until the donor of such power of attorney or authority or appointment validly withdraws his acceptance in accordance with paragraph 3 of this Part B.
- (j) No acknowledgement of receipt of any Form of Acceptance, TTE Instruction, share certificate(s) and/or other document(s) of title will be given. All communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from Watford Leisure Shareholders (or their designated agent(s)) will be delivered by or sent to or from such Watford Leisure Shareholders (or their designated agent(s)) at their own risk.
- (k) If the Offer lapses:
 - (i) in respect of Watford Leisure Shares held in certificated form, the Form of Acceptance, share certificate(s) and/or other document(s) of title will be returned by post (or such other method as may be approved by the Panel) within 14 days of the Offer lapsing, at the risk of the person entitled thereto, to the person or agent whose name and address outside the United States, Canada, Australia, South Africa or Japan is set out in the relevant box in the Form of Acceptance or, if none is set out, to the first-named or sole holder at his registered address outside the United States, Canada, Australia, South Africa or Japan. No such document will be sent to an address in the United States, Canada, Australia, South Africa or Japan;
 - (ii) in respect of Watford Leisure Shares held in uncertificated form, Capita Registrars will, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding

14 days after the lapsing of the Offer), give instructions to Euroclear to transfer all Watford Leisure Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Offer to the original available balances of the Watford Leisure Shareholders concerned.

- (l) In relation to any acceptance of the Offer in respect of a holding of Watford Leisure Shares which is in uncertificated form, WFCL reserves the right to make such alterations, additions or modifications as may be necessary or desirable to give effect to any purported acceptance of the Offer, whether in order to comply with the facilities or requirements of CREST or otherwise, provided such alterations, additions or modifications are consistent with the requirements of the Code or are otherwise made with the consent of the Panel.
- (m) The Offer is made at 1.00 p.m. (London time) on 25 March 2011 and is capable of acceptance from and after that date. The Offer is being made by means of this document. Copies of this document, the Form of Acceptance and any related documents may be collected from Capita Registrars at the address set out in paragraph 3(a) of this Part B.
- (n) For the purposes of this document, the time of receipt of a TTE Instruction, an ESA Instruction or an Electronic Acceptance shall be the time at which the relevant instruction settles in CREST.
- (o) If sufficient Watford Leisure Shares are acquired, whether pursuant to acceptances of the Offer or otherwise, WFCL intends to apply the provisions of 974 to 991 of the Companies Act 2006 to acquire compulsorily any outstanding Watford Leisure Shares to which the Offer relates.
- (p) All references in this Appendix I to any statute or statutory provision shall include a statute or statutory provision which amends, consolidates or replaces the same (whether before or after the date of this document, being 25 March 2011).
- (q) The Offer extends to all the Watford Leisure Shares unconditionally allotted or issued as at the date of this document, being 25 March 2011 and any further Watford Leisure Shares unconditionally allotted or issued and fully paid and any Treasury Shares unconditionally sold or transferred by Watford Leisure, in each case, while the Offer remains open for acceptance (or such earlier date or dates as WFCL may decide).
- (r) The Watford Leisure Shares are to be acquired by WFCL fully paid and free from all liens, charges and encumbrances, rights of pre-emption and any other third party rights of any nature whatsoever and together with all rights attaching thereto, including the right to all dividends or other distributions declared, paid or made after the date of the Announcement.

6. Overseas Shareholders

- (a) The making of the Offer in, or to Watford Leisure Shareholders resident in, or citizens or nationals of, jurisdictions outside the United Kingdom, or to persons who are custodians, nominees of or trustees for, citizens, residents or nationals of such jurisdictions, may be prohibited or affected by the laws of the jurisdiction in which such persons are resident. Such persons should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person wishing to accept the Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, which may be required and the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any such person will be responsible for any such issue, transfer or other taxes or other requisite payments by whomsoever payable and WFCL and Seymour Pierce and any person acting on their behalf shall be fully indemnified and held harmless by such person for any such issue, transfer or other taxes as WFCL may be required to pay.
- (b) The Offer is not being, and will not be, made, directly or indirectly, in or into the United States, Canada, Australia, South Africa or Japan, or by use of the mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or of any facilities of a national securities exchange of the United States, Canada, Australia, South Africa or Japan, and the Offer should not be accepted by any such use, means, instrumentality or facility or otherwise from within the United States, Canada, Australia, South Africa or Japan.

Accordingly, copies of this document, the Form of Acceptance and any related offering documents are not being, and should not be, mailed or otherwise forwarded, distributed or sent in, into or from the United States, Canada, Australia, South Africa or Japan. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) should not distribute them in, into or from the United States, Canada, Australia, South Africa or Japan or use such mails of the United States, Canada, Australia, South Africa or Japan or any such means, instrumentality or facility for any purpose directly or indirectly in connection with the Offer, and by so doing may render invalid any related purported acceptance of the Offer. Persons wishing to accept the Offer should not use any such means, instrumentality or facility for any purpose directly or indirectly relating to acceptance of the Offer. Envelopes containing Forms of Acceptance, evidence of title or other documents relating to the Offer should not be postmarked in the United States, Canada, Australia, South Africa or Japan or otherwise dispatched from the United States, Canada, Australia, South Africa or Japan and all acceptors must provide addresses outside the United States, Canada, Australia, South Africa or Japan for the receipt of the consideration to which they are entitled under the Offer or for the return of Forms of Acceptance and (in relation to Watford Leisure Shares in certificated form) share certificate(s) and/or other document(s) of title.

- (c) A Watford Leisure Shareholder may be deemed NOT to have accepted the Offer or to have made a valid election thereunder if: (i) he puts "NO" in Box 4 of the Form of Acceptance and therefore does not give the representation and warranty set out in paragraph (c) of Part C of this Appendix I; or (ii) he completes Box 3 of the Form of Acceptance with an address in the United States, Canada, Australia, South Africa or Japan or has a registered address in the United States, Canada, Australia, South Africa or Japan and in each case does not insert in Box 5 of the Form of Acceptance the name and address of a person or agent outside the United States, Canada, Australia, South Africa or Japan to whom he wishes the consideration to which he is entitled under the Offer to be sent; or (iii) he inserts in Box 5 of the Form of Acceptance the name and address and/or telephone number of a person or agent in the United States, Canada, Australia, South Africa or Japan to whom he wishes the consideration to which he is entitled under the Offer to be sent; or (iv) the Form of Acceptance received from him is received in an envelope postmarked in, or which otherwise appears to WFCL or its agents to have been sent from the United States, Canada, Australia, South Africa or Japan; or (v) he makes a Restricted Escrow Transfer pursuant to paragraph 6(e) of this Part B unless he also makes a related Restricted ESA instruction (as both such terms are defined below) which is accepted by Capita Registrars. WFCL reserves the right, in its sole discretion, to investigate, in relation to any acceptance, whether the representation and warranty set out in paragraph (c) of Part C or (as the case may be, Part D) of this Appendix I could have been truthfully given by the relevant Watford Leisure Shareholder and, if such investigation is made and as a result WFCL determines (for any reason) that such representation and warranty could not have been so given, such acceptances and any election thereunder may be rejected as invalid.
- (d) If, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees) whether pursuant to a contractual or legal obligation or otherwise forwards this document, the Form of Acceptance or any related document in, into or from the United States, Canada, Australia, South Africa or Japan or uses the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia, South Africa or Japan in connection with such forwarding, such person should: (i) inform the recipient of such fact; (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and (iii) draw the attention of the recipient to this paragraph 6 of this Part B.
- (e) If a Watford Leisure Shareholder holding Watford Leisure Shares in uncertificated form is unable to give the warranty set out in paragraph (c) of Part D of this Appendix I, but nevertheless can provide evidence satisfactory to WFCL that he is able to accept the Offer in compliance with all relevant legal and regulatory requirements, he may only purport to accept the Offer by sending (or if a CREST sponsored member, procuring that his CREST sponsor sends) both: (i) a Transfer to Escrow instruction to a designated escrow balance detailed below (a **"Restricted Escrow Transfer"**); and (ii) one or more valid ESA instructions (a **"Restricted ESA instruction"**) which specify the form of consideration which he wishes to receive (consistent with the Offer). Such purported acceptance will not be treated as a valid acceptance unless both the Restricted Escrow Transfer and the Restricted ESA instruction(s) settle in CREST and WFCL decides, in its absolute discretion, to exercise its right described in paragraph 6 of this Part B of Appendix I to waive, vary or modify the terms of the Offer

relating to overseas Watford Leisure Shareholders, to the extent required to permit such acceptance to be made in each case during the acceptance period set out in paragraph 1 of this Part B. If WFCL accordingly decides to permit such acceptance to be made, Capita Registrars will on behalf of WFCL accept the purported acceptance as an Electronic Acceptance on the terms of this document (as so waived, varied or modified) by transmitting in CREST a receiving agent accept (AEAN) message. Otherwise, the Receiving Agent will on behalf of Offeror reject the purported acceptance by transmitting in CREST a receiving agent reject (AEAD) message. Each Restricted Escrow Transfer must, in order for it to be valid and settle, include the following details:

- the ISIN number for the Watford Leisure Shares. This is GB0034301217;
- the number of Watford Leisure Shares in respect of which you wish to accept the Offer (i.e. the number of Watford Leisure Shares to be transferred to an escrow balance);
- your participant ID;
- your member account ID;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent specific to a Restricted Escrow Transfer. This is RESTRICT;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. on 15 April 2011;
- the corporate action number for the Offer which will be allocated by Euroclear and can be found by reviewing the relevant corporate action details in CREST;
- input with standard delivery instruction priority of 80; and
- the contact name and telephone number inserted in the shared note field.

Each Restricted ESA Instruction must, in order for it to be valid and settle include the following details:

- the ISIN number for the Watford Leisure Shares. This is GB0034301217;
- the number of Watford Leisure Shares relevant to that Restricted ESA Instruction;
- your participant ID;
- your member ID;
- the participant ID of the Escrow Agent. This is RA10;
- the member account ID of the Escrow Agent set out in the Restricted Escrow Transfer. This is RESTRICT;
- the member account ID of the Escrow Agent relevant to the form of consideration required;
- the CREST Transaction ID of the Restricted Escrow Transfer to which the Restricted ESA Instruction relates to be inserted at the beginning of the shared note field;
- the intended settlement date. This should be as soon as possible and in any event not later than 1.00 p.m. on 15 April 2011;
- the corporate action number for the Offer; and
- input with standard delivery instruction priority of 80.

- (f) WFCL and Seymour Pierce reserve the right to notify any matter, including the fact that the Offer has been made, to all or any Watford Leisure Shareholders:
- (i) with a registered address outside the United Kingdom; or
 - (ii) whom WFCL knows to be a custodian, trustee or nominee holding Watford Leisure Shares for persons who are citizens, residents or nationals of jurisdictions outside the United Kingdom,

by announcement or by notice in the London Gazette or by paid advertisement in a daily national newspaper published and circulated in the United Kingdom (in which event such notice shall be deemed to have been sufficiently given, notwithstanding any failure by any such Watford Leisure

Shareholder to receive or see such notice) and all references in this document to notice or the provision of information in writing by or on behalf of WFCL shall be construed accordingly.

- (g) The provisions of this paragraph 6 override any terms of the Offer inconsistent with them. The provisions of this paragraph 6 and/or any other terms of the Offer relating to overseas Watford Leisure Shareholders may be waived, varied or modified as regards specific Watford Leisure Shareholder(s) or on a general basis by WFCL in its absolute direction.
- (h) References in this paragraph 6 to a Watford Leisure Shareholder shall include the person or persons executing a Form of Acceptance and, in the event of more than one person executing a Form of Acceptance, the provisions of this paragraph shall apply to them jointly and to each of them.

Overseas Watford Leisure Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. If you are in any doubt about your position you should consult your professional adviser in the relevant territory.

PART C

FORM OF ACCEPTANCE

This Part C only applies to Watford Leisure Shares held in certificated form (unless WFCL otherwise agrees). If you hold all your Watford Leisure Shares in uncertificated form, you should (unless WFCL has agreed that you can use a Form of Acceptance) ignore this Part C and instead read Part D of this Appendix I.

Each Watford Leisure Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, represents, warrants and agrees to and with WFCL, Seymour Pierce and Capita Registrars (so as to bind him, his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the execution of the Form of Acceptance, whether or not any other boxes are completed, shall constitute:
 - (i) an acceptance, subject to paragraph 6 of Part B of this Appendix I, of the Offer in respect of the relevant Watford Leisure Shareholder's entire holding of Watford Leisure Shares in certificated form (or such lesser number as may have been inserted in Box 1 of the Form of Acceptance provided that if no number is inserted in Box 1, or a number is inserted in Box 1 which exceeds such Watford Leisure Shareholder's holding of Watford Leisure Shares in certificated form, the acceptance will be deemed to have been made in respect of the Watford Leisure Shareholder's entire holding of Watford Leisure Shares in certificated form); and
 - (ii) an undertaking to execute any further documents, take any further action and given any further assurances which may be required to enable WFCL to obtain the full benefit of the terms of this Part C of Appendix I and/or to perfect any of the authorities expressed to be given hereunder or otherwise in connection with such Watford Leisure Shareholder's acceptance of the Offer; and

in each case, on and subject to the terms and conditions set out or referred to in this document and the Form of Acceptance and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix I, each such acceptance and election shall be irrevocable;

- (b) that the Watford Leisure Shares in certificated form in respect of which the Offer is accepted or deemed to be accepted are sold free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching thereto on or after the date of the Announcement, including, without limitation, voting rights and the right to receive and retain all dividends or other distributions declared, made or paid on or after the date of the Announcement;
- (c) that, unless "NO" is inserted in Box 4 of the Form of Acceptance:
 - (i) the Form of Acceptance and any related offering documents have not been mailed or otherwise distributed or sent (directly or indirectly) in, into or from the United States, Canada, Australia, South Africa or Japan or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
 - (ii) in connection with the Offer, there has been no use, directly or indirectly, of the mails of, or any means or instrumentality (including, without limitation, electronic mail, or any electronic publication or advertisement, facsimile transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of the United States, Canada, Australia, South Africa or Japan or such other jurisdiction;
 - (iii) such Watford Leisure Shareholder was outside the United States, Canada, Australia, South Africa and Japan when the Form of Acceptance was sent and at the time of accepting the Offer in respect of the Watford Leisure Shares to which such Form of Acceptance relates;
 - (iv) in respect of the Watford Leisure Shares to which the Form of Acceptance relates, such Watford Leisure Shareholder is not, and is not accepting the Offer through, an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside the United States, Canada, Australia, South Africa and Japan; and

- (v) if such accepting Watford Leisure Shareholder is not a citizen, resident or national of the United Kingdom, he has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or other requisite payments due from him in each case in connection with such acceptance, in any jurisdiction and that he has not taken or omitted to take any action which will or may result in WFCL, Seymour Pierce or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance thereof;
- (d) that, in relation to Watford Leisure Shares in certificated form, the execution of the Form of Acceptance and its delivery to Capita Registrars constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms, and subject to the accepting Watford Leisure shareholder not having validly withdrawn the acceptance, the irrevocable separate appointment of each of WFCL, Seymour Pierce and their respective directors, authorised representatives and agents as such Watford Leisure Shareholder's attorney and/or agent (the **"attorney"**), and an irrevocable instruction to the attorney (in accordance with section 4 of the Powers of Attorney Act 1971) to complete and execute all or any form(s) of transfer and/or other document(s) at the discretion of the attorney in relation to the Watford Leisure Shares referred to in paragraph (a)(i) of this Part C, in respect of which the accepting Watford Leisure Shareholder has not validly withdrawn the acceptance, in favour of WFCL or such other person or persons as WFCL or its agents may direct and to deliver such form(s) of transfer and/or other document(s) at the discretion of the attorney together with any share certificate(s) and/or other document(s) of title relating to such Watford Leisure Shares for registration within six months of the Offer becoming unconditional in all respects and to do all such other acts and things as may in the opinion of the attorney be necessary or expedient for the purposes of, or in connection with, the acceptance of the Offer and to vest in WFCL or its nominee(s) the Watford Leisure Shares as aforesaid;
- (e) that in relation to Watford Leisure Shares in certificated form the execution of the Form of Acceptance and delivery to Capita Registrars constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Watford Leisure Shareholder not having validly withdrawn the acceptance, a separate and irrevocable authority and request:
 - (i) to Watford Leisure or its agents to procure the registration of the transfer of the Watford Leisure Shares referred to in paragraph (a)(i) of this Part C in certificated form pursuant to the Offer and the delivery of the share certificate(s) and/or any document(s) of title in respect thereof to WFCL or as it may direct; and
 - (ii) to WFCL, Seymour Pierce or their respective agents, (subject to the provisions of paragraph 6 of Part B of this Appendix I) to procure the dispatch by post (or such other method as may be approved by the Panel) of a cheque in respect of any cash consideration to which such Watford Leisure Shareholder is entitled, at the risk of such Watford Leisure Shareholder, to the person or agent whose name and address outside the United States, Canada, Australia, South Africa or Japan is set out in Box 3 of the Form of Acceptance or, if none is set out, to the first-named or sole holder at his registered address outside the United States, Canada, Australia, South Africa and Japan;
- (f) that in relation to Watford Leisure Shares in certificated form, the execution of the Form of Acceptance and its delivery to Capita Registrars constitutes a separate authority to each of WFCL, Seymour Pierce and their respective directors in the terms of paragraph 4 of Part B of this Appendix I;
- (g) that, subject to the Offer becoming unconditional in all respects in accordance with its terms (or, in the case of voting by proxy, if the Offer will become unconditional in all respects or lapse depending upon the outcome of the resolution in question or in such other circumstances as WFCL may request and the Panel may permit), in respect of the Watford Leisure Shares in certificated form in respect of which the Offer has been accepted, or is deemed to be accepted, which acceptance has not been validly withdrawn, and which have not been registered in the name of WFCL or as it may direct:
 - (i) WFCL shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting or separate class meeting of Watford Leisure) attaching to any such Watford Leisure Shares;

- (ii) the execution of a Form of Acceptance by a Watford Leisure Shareholder shall constitute with regard to such Watford Leisure Shares:
 - (1) an authority to Watford Leisure or its agents from such Watford Leisure Shareholder to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Watford Leisure to WFCL at its registered office;
 - (2) an authority to WFCL or its agents to sign any consent to short notice of a general meeting or separate class meeting on his behalf and/or to execute a form of proxy in respect of such Watford Leisure Shares appointing any person nominated by WFCL to attend general meetings and separate class meetings of Watford Leisure or its members or any of them (and any adjournment thereof) and to exercise the votes attaching to such Watford Leisure Shares on his behalf, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and
 - (3) the agreement of such Watford Leisure Shareholder not to exercise any of such rights without the consent of WFCL and the irrevocable undertaking of such Watford Leisure Shareholder not to appoint a proxy for or to attend any such general meeting or separate class meeting;
- (h) that he will deliver to Capita Registrars, at the address set out in paragraph 10 of the letter from the Chairman of WFCL contained in this document, his share certificate(s) and/or other document(s) of title in respect of the Watford Leisure Shares in certificated form referred to in paragraph (a)(i) of this Part C and in relation to which acceptance has not been validly withdrawn, or an indemnity acceptable to WFCL in lieu thereof, as soon as possible and in any event within six months of the Offer becoming unconditional in all respects;
- (i) that he will do all such acts and things as shall, in the opinion of WFCL or Capita Registrars be necessary or expedient to vest in WFCL or its nominee(s) or such other person as WFCL may decide, title to the number of Watford Leisure Shares in certificated form inserted or deemed to be inserted in Box 1 of the Form of Acceptance;
- (j) that the terms and conditions of the Offer contained in this document shall be incorporated in and form part of the Form of Acceptance, which shall be read and construed accordingly;
- (k) that he agrees to ratify each and every act or thing which may be done or effected by WFCL or Seymour Pierce or any of their respective directors or agents or Watford Leisure or its agents, as the case may be, in the proper exercise of any of the powers and/or authorities hereunder;
- (l) that on execution and delivery, any Form of Acceptance shall take effect as a deed;
- (m) that if any provision of Part B or this Part C of this Appendix I shall be unenforceable or invalid or shall not operate so as to afford WFCL or Seymour Pierce or Capita Registrars or any authorised representative of any of them or their respective agents the benefit or authority expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents as may be required to enable those persons to secure the full benefits of Part B or this Part C of this Appendix I; and
- (n) that he submits, in relation to all matters arising out of the Offer and the Form of Acceptance, to the jurisdiction of the English courts.

References in this Part C to a Watford Leisure Shareholder shall include references to the person or persons executing a Form of Acceptance and in the event of more than one person executing a Form of Acceptance the provisions of this Part C shall apply to them jointly and to each of them.

PART D

ELECTRONIC ACCEPTANCES

This Part D only applies to Watford Leisure Shares held in uncertificated form. If you hold all your Watford Leisure Shares in certificated form, you should ignore this Part D and instead read Part C of this Appendix I.

Each Watford Leisure Shareholder by whom, or on whose behalf, an Electronic Acceptance is made irrevocably undertakes, represents, warrants and agrees to and with WFCL, Seymour Pierce and Capita Registrars (so as to bind him, his personal representatives, heirs, successors and assigns) to the following effect:

- (a) that the Electronic Acceptance shall constitute an acceptance of the Offer in respect of the number of Watford Leisure Shares in uncertificated form to which a TTE Instruction relates on and subject to the terms and conditions set out or referred to in this document and that, subject only to the rights of withdrawal set out in paragraph 3 of Part B of this Appendix I, each such acceptance and election shall be irrevocable;
- (b) that the Watford Leisure Shares in uncertificated form in respect of which the Offer is accepted or deemed to be accepted are sold free from all liens, charges, equitable interests, encumbrances, rights of pre-emption and any other third party rights and interests of any nature whatsoever and together with all rights attaching thereto on or after the date of the Announcement, including, without limitation, voting rights and the right to receive and retain all dividends or other distributions declared, made or paid on or after the date of the Announcement;
- (c)
 - (i) the documents relating to the Offer have not been mailed or otherwise distributed or sent (directly or indirectly) in, into or from the United States, Canada, Australia, South Africa or Japan or any other jurisdiction where such actions may constitute a breach of any legal or regulatory requirements of such jurisdiction;
 - (ii) in connection with the Offer, there has been no use, directly or indirectly, of the mails of, or any means or instrumentality (including, without limitation, electronic mail, or any electronic publication or advertisement, facsimile transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of the United States, Canada, Australia, South Africa or Japan or such other jurisdiction;
 - (iii) such Watford Leisure Shareholder was outside the United States, Canada, Australia, South Africa and Japan at the time of the input and settlement of the relevant TTE Instruction;
 - (iv) in respect of the Watford Leisure Shares to which the Electronic Acceptance relates, such Watford Leisure Shareholder is not, and is not accepting the Offer through, an agent or fiduciary acting on a non-discretionary basis for a principal, unless such agent or fiduciary is an authorised employee of such principal or such principal has given any instructions with respect to the Offer from outside the United States, Canada, Australia, South Africa and Japan; and
 - (v) if such accepting Watford Leisure Shareholder is not a citizen, resident or national of the United Kingdom, he has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or other requisite payments due from him in each case in connection with such acceptance, in any jurisdiction and that he has not taken or omitted to take any action which will or may result in WFCL, Seymour Pierce or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Offer or his acceptance thereof and he is lawfully entitled to make such election under the laws of any jurisdiction to which he is subject;
- (d) that, in relation to Watford Leisure Shares in uncertificated form, the Electronic Acceptance constitutes:
 - (i) the irrevocable separate appointment of each of WFCL, Seymour Pierce and their respective directors, authorised representatives and agents as such Watford Leisure Shareholder's attorney and/or agent (the "**attorney**"), and an irrevocable instruction to the attorney (in accordance with section 4 of the Powers of Attorney Act 1971): (i) if the Offer becomes unconditional in all respects in accordance with its terms, and subject to the accepting Watford Leisure shareholder

- not having validly withdrawn the acceptance, to do all such acts and things as may in the opinion of the attorney be necessary or expedient for the purposes of, or in connection with, the acceptance of the Offer and to vest in WFCL or its nominee(s) the Watford Leisure Shares referred to in paragraph (a) above; and (ii) if the Offer does not become unconditional in all respects, to give instructions to Euroclear, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing of the Offer), to transfer all relevant Watford Leisure Shares to the original available balance of an accepting Watford Leisure Shareholder;
- (ii) the irrevocable appointment of Capita Registrars (in its capacity as Escrow Agent to the Offer) as such Watford Leisure Shareholder's attorney and/or agent and an irrevocable instruction and authority to the attorney and/or agent;
 - (1) subject to an accepting Watford Leisure Shareholder not having validly withdrawn his acceptance, to transfer to itself (or to such other person or persons as WFCL or its agents may direct) by means of CREST all or any of the Watford Leisure Shares held in uncertificated form (but not exceeding the number of Watford Leisure Shares held in uncertificated form in respect of which the Offer is accepted or deemed to be accepted); and
 - (2) if the Offer does not become unconditional in all respects, to give instructions to Euroclear, immediately after the lapsing of the Offer (or within such longer period as the Panel may permit, not exceeding 14 days from the lapsing of the Offer), to transfer all relevant Watford Leisure Shares to the original available balance of an accepting Watford Leisure Shareholder; and
 - (e) that the Electronic Acceptance constitutes, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Watford Leisure Shareholder not having validly withdrawn the acceptance, a separate and irrevocable authority and request:
 - (i) to Watford Leisure or its agents to procure the transfer to WFCL, or as it may direct, by means of CREST all or any of the Watford Leisure Shares in uncertificated form referred to in paragraph (a) above; and
 - (ii) to WFCL, Seymour Pierce or their respective agents (subject to the provisions of paragraph 6 of Part B of this Appendix I) to procure the making of a CREST payment obligation in favour of the Watford Leisure Shareholder's payment bank in accordance with the CREST payment arrangements in respect of any cash consideration to which such Watford Leisure Shareholder is entitled, provided in relation to a CREST member whose registered address is in the United States, Canada, Australia, South Africa or Japan, WFCL shall instead procure that all of, and in relation to any other Watford Leisure Shares WFCL may (if, for any reason, it wishes to do so) determine that all or any part of, any such cash consideration shall be paid by cheque despatched by post to which such Watford Leisure Shareholder is entitled to the first-named or sole holder at his registered address outside the United States, Canada, Australia, South Africa or Japan;
 - (f) that in relation to Watford Leisure shares in uncertificated form, the Electronic Acceptance constitutes a separate authority to each of WFCL, Seymour Pierce and their respective directors, subject to the Offer becoming unconditional in all respects in accordance with its terms and to the accepting Watford Leisure Shareholder not having validly withdrawn the acceptance in the terms of paragraph 4 of Part B of this Appendix I;
 - (g) that, subject to the Offer becoming unconditional in all respects in accordance with its terms (or, in the case of voting by proxy, if the Offer will become unconditional in all respects or lapse depending upon the outcome of the resolution in question or in such other circumstances as WFCL may request and the Panel may permit), in respect of the Watford Leisure Shares in uncertificated form in respect of which the Offer has been accepted, or is deemed to be accepted, which acceptance has not been validly withdrawn, and which have not been registered in the name of WFCL or as it may direct:
 - (i) WFCL or its agents shall be entitled to direct the exercise of any votes and any or all other rights and privileges (including the right to requisition the convening of a general meeting or separate class meeting of Watford Leisure) attaching to any such Watford Leisure Shares;
 - (ii) the Electronic Acceptance by a Watford Leisure Shareholder shall constitute with regard to such Watford Leisure Shares:

- (1) an authority to Watford Leisure or its agents from such Watford Leisure Shareholder to send any notice, circular, warrant or other document or communication which may be required to be sent to him as a member of Watford Leisure (including any share certificate(s) or other document(s) of title issued as a result of conversion of such Watford Leisure Shares into certificated form) to WFCL at its registered office;
 - (2) an authority to WFCL or its agents to sign any consent to short notice of a general meeting or separate class meeting on his behalf and/or to execute a form of proxy in respect of such Watford Leisure Shares appointing any person nominated by WFCL to attend general meetings and separate class meetings of Watford Leisure or its members or any of them (and any adjournment thereof) and to exercise the votes attaching to such Watford Leisure Shares on his behalf, such votes (where relevant) to be cast so far as possible to satisfy any outstanding condition of the Offer; and
 - (3) the agreement of such Watford Leisure Shareholder not to exercise any of such rights without the consent of WFCL and the irrevocable undertaking of such Watford Leisure Shareholder not to appoint a proxy for or to attend any such general meeting or separate class meeting;
- (h) that if, for any reason, any Watford Leisure Shares in respect of which a TTE Instruction has been effected in accordance with paragraph 10(b) of the letter from the Chairman of WFCL contained in this document are converted to certificated form, he will (without prejudice to paragraph (g)(ii)(A) of this Part D) immediately deliver or procure the immediate delivery of the share certificate(s) or other document(s) of title in respect of all such Watford Leisure Shares as so converted to Capita Registrars at the address referred to in paragraph 3(a) of Part B of this Appendix I or to WFCL at its registered office or as WFCL or its agents may direct; and he shall be deemed upon conversion to undertake, represent, warrant and agree in the terms set out in Part C of this Appendix I in relation to such Watford Leisure Shares;
 - (i) that the creation of a CREST payment obligation in favour of his payment bank in accordance with the CREST payment arrangements referred to in paragraph (e)(ii) of this Part D shall, to the extent of the obligation so created, discharge in full any obligation of WFCL and/or Seymour Pierce to pay to him the cash consideration to which he is entitled pursuant to the Offer;
 - (j) that, he will do all such acts and things as shall in the opinion of WFCL or Capita Registrars be necessary or expedient to vest in WFCL, or its nominee(s) or such other persons as WFCL may decide, title to the number of Watford Leisure Shares comprised in the Electronic Acceptance and all such acts and things as may be necessary or expedient to enable Capita Registrars to perform its functions as Escrow Agent for the purposes of the Offer;
 - (k) that he agrees to ratify each and every act or thing which may be done or effected by WFCL or Seymour Pierce or Capita Registrars or any of their respective directors or agents or Watford Leisure or its agents, as the case may be, in the proper exercise of any of his powers and/or authorities hereunder;
 - (l) that if any provision of Part B or this Part D of this Appendix I shall be unenforceable or invalid or shall not operate so as to afford WFCL or Seymour Pierce or Capita Registrars or any authorised representative of any of them or their respective agents the benefit or authority expressed to be given therein, he shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable those persons to secure the full benefits of Part B and Part D of this Appendix I;
 - (m) that he submits in relation to all matters arising out of the Offer and the Electronic Acceptance, to the jurisdiction of the English courts; and
 - (n) that, by virtue of the CREST Regulations, the making of an Electronic Acceptance constitutes an irrevocable power of attorney by the relevant holder of Watford Leisure Shares in the terms of all the powers and authorities expressed to be given by Part B, this Part D and (where applicable by virtue of paragraph (h) above) Part C of this Appendix I to WFCL, Capita Registrars and Seymour Pierce and any of their respective agents.

References in this Part D to a Watford Leisure Shareholder shall include references to the person or persons making an Electronic Acceptance, and in the event of more than one person making an Electronic Acceptance the provisions of this Part D shall apply to them jointly and to each of them.

APPENDIX II

INFORMATION RELATING TO WFCL, MR THOMAS AND MR BASSINI

1. Director

The sole director of WFCL is Mr Panagiotis (“Panos”) Thomas.

2. Incorporation of WFCL and share capital

WFCL was incorporated in England and Wales as a private limited company on 12 January 2011 with registered number 07489618.

The issued share capital of WFCL as at the date of this document is 100 ordinary shares of £1 each.

3. Shareholders

The sole registered shareholder of WFCL is Mr Panos Thomas. Mr Thomas holds the shares in WFCL on trust for Mr Laurence Bassini.

4. Registered office

The registered office of WFCL is at 85 Oxford Road, High Wycombe, Buckinghamshire HP11 2DX.

5. Financial information and activities

WFCL was formed specifically to invest in Watford Leisure and is beneficially wholly owned by Mr Laurence Bassini.

WFCL has not carried on any business or filed any audited accounts since its date of incorporation, has paid no dividends and has not entered into any obligations other than in connection with the Offer and the financing thereof.

6. Details of financing

To finance, *inter alia*, the cash consideration payable to Watford Leisure Shareholders in connection with the Offer, and to pay certain fees and expenses associated with the Offer, WFCL has entered into loan agreements with Mr Bassini dated 14 February 2011 and 25 March 2011. Under these agreements Mr Bassini has agreed to make available the aggregate sum of £7 million by way of interest free loans to WFCL for the purpose of funding (a) the Offer and the costs and expenses related thereto, (b) the provision of the Working Capital Facility and (c) Watford Leisure’s obligations to the Bondholders on the date the Offer becomes wholly unconditional and the first anniversary of the Announcement.

7. Material change

Save as disclosed in this document, there has been no material change in the financial or trading position of WFCL since the date of its incorporation.

8. Information on Mr Panos Thomas

Panagiotis (“Panos”) Thomas, MD, CCST Orth, MFSEM, FRCS, aged 50, is a Consultant Orthopaedic Sports and Knee Surgeon practising at the Whittington Hospital NHS Trust in London since 1996. He qualified from the Medical School, University of Athens, in 1984. He completed his training in Orthopaedic Surgery rotating in hospitals in Nottingham, Derby and Leeds. In 1995 he was appointed as a Senior Lecturer, Hon. Consultant Orthopaedic Surgeon in Edinburgh.

Mr Thomas is National Tutor in Orthopaedic Sports Surgery for the Royal College of Surgeons in England. He developed the MSc in Sports and Exercise Medicine of the University College London in 1999, being the programme Director until 2010. Mr Thomas has taken part in the design of the Sports and Exercise Medicine Specialty (SEM) and is also a member of the Specialty Training Committee in London for this specialty, leading the training of doctors in West London. He is the Academic Secretary of the British Orthopaedic Sports Trauma Arthroscopy Association.

Mr Thomas has been heavily involved with the treatment of elite athletes. He advises Arsenal FC, Barnet FC, MK Dons FC, Brentford FC, Wycombe Wanderers FC, Leyton Orient FC, AFC Wimbledon, Crawley Town FC and Borehamwood FC and provides advice to British Fencing, the British Ski Federation, the British American Football League and other sports organisations.

Other directorships

In addition to WFCL, Mr Thomas holds or has held in the past 5 years the following directorships:

Current directorships

The Orthopaedic Consultancy Limited

Past directorships

The Sports & Exercise Treatment Rooms Limited

Mr Thomas has not:

- (a) had any convictions (whether spent or unspent) in relation to fraudulent or indictable offences;
- (b) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (c) been a director or senior manager of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;
- (d) been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order;
- (e) been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership; or
- (f) owned an asset over which a receiver has been appointed.

There are no potential conflicts of interests between any duties owed to WFCL by Mr Thomas and his private and/or other duties.

9. Information on Mr Laurence Bassini

Mr Bassini, aged 40, is an entrepreneur and lifelong football fan. He has a wide range of business interests, in both trading companies and property. He grew up and continues to live in north London, close to the Club's Vicarage Road Stadium.

Between 1993 and 1994 Mr Bassini was a director of PL Multitrade Limited which was an importer and wholesale distributor of perfumes. He was then involved in a wide range of businesses including property, restaurants and leisure.

In March 1994, PL Multitrade Limited, a company of which Mr Bassini was a director, was placed into insolvent liquidation. The company was dissolved on 16 February 1995.

In October 2007, as a consequence of liabilities incurred whilst involved with a country inn and hotel, he successfully petitioned for bankruptcy protection which was discharged on 25 October 2008.

Directorships

Mr Bassini holds or has held in the past 5 years the following directorships:

Current directorships

None

Past directorships

Hungry Restaurants Limited
Regal Partnership Limited
Dancing Divas Limited
Newbeck Management Limited

Save as disclosed above, Mr Bassini has not:

- (a) had any convictions (whether spent or unspent) in relation to fraudulent or indictable offences;
- (b) been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- (c) been a director or senior manager of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;
- (d) been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order;
- (e) been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership; or
- (f) owned an asset over which a receiver has been appointed.

There are no potential conflicts of interests between any duties owed to WFCL by Mr Bassini and his private and/or other duties.

APPENDIX III

FINANCIAL INFORMATION ON THE WATFORD LEISURE GROUP

PART A: WATFORD LEISURE'S AUDITED RESULTS FOR THE THREE FINANCIAL YEARS ENDED 30 JUNE 2008, 2009 AND 2010

Incorporation of the relevant information by reference

The financial information listed below relating to Watford Leisure is (to the extent that the same has been published by Watford Leisure) hereby incorporated by reference into this document.

<i>No. Information</i>	<i>Source of information in Annual Report and Financial Statements</i>
1. Turnover, net profit or loss before and after taxation, the charge for tax, extraordinary items, minority interests, the amount absorbed by dividends, and earnings and dividends per share for Watford Leisure for the three financial years ended 30 June 2008, 2009 and 2010.	2010: page 16 2009: page 15 2008: page 18 If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. <i>http://www.watfordleisureplc.com/financial-reports</i>
2. A statement of the assets and liabilities shown in the audited accounts for Watford Leisure for the three financial years ended 30 June 2008, 2009 and 2010.	2010: page 18 2009: page 16 2008: page 19 If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. <i>http://www.watfordleisureplc.com/financial-reports</i>
3. A cash flow statement as provided in the audited accounts for Watford Leisure for the three financial years ended 30 June 2008, 2009 and 2010.	2010: page 19 2009: page 18 2008: page 21 If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. <i>http://www.watfordleisureplc.com/financial-reports</i>
4. Significant accounting policies together with any points from the notes to the accounts which are of major relevance to an appreciation of the figures	2010: pages 23 to 28 and 29 to 45 2009: pages 22 to 27 and 28 to 42 2008: pages 25 to 29 and 30 to 44 If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. <i>http://www.watfordleisureplc.com/financial-reports</i>

PART B: WATFORD LEISURE'S UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

Incorporation of the relevant information by reference

The financial information listed below relating to Watford Leisure is (to the extent that the same has been published by Watford Leisure) hereby incorporated by reference into this document.

No. Information

Source of information in Interim Results

1. Turnover, net profit or loss before and after taxation, the charge for tax, extraordinary items, minority interests, the amount absorbed by dividends, and earnings and dividends per share for Watford Leisure for the six months ended 31 December 2010.

2010: page 4

If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document.

<http://www.watfordleisureplc.com/financial-reports>

The audited financial results for Watford Leisure for the three financial years ended 30 June 2008, 2009 and 2010 together with the unaudited interim financial statements for Watford Leisure for the six months ended 31 December 2010 are available free of charge on the Watford Leisure website at <http://www.watfordleisureplc.com/financial-reports>.

Information in relation to items 1, 2, 3 and 4 in Part A above in relation to the audited financial statements and in relation to item 1 in Part B above in relation to the unaudited interim financial statements has not been published in an inflation adjusted form.

The annual reports and interim financial statements are available in "read only" format and can be printed from the Watford Leisure website. Hard copies of any information and/or documents incorporated by reference in this document will not be sent to recipients of this document. However, such recipients may request a copy of the information so incorporated in hard copy by contacting Capita Registrars by telephone or by post via the contact details set out on page 4 of this document.

APPENDIX IV

INFORMATION ON THE SECURED BONDS

This Appendix IV sets out further information about the Secured Bonds and the Secured Bonds Restructuring. Part A contains a summary of the current terms and conditions of the Secured Bonds. Part B contains a summary of the proposed changes to the terms and conditions of the Secured Bonds which will take effect subject to and upon the Offer becoming or being declared wholly unconditional and the Secured Bonds Restructuring accordingly taking effect. Part C sets out the terms and conditions of the Secured Bonds as they will be following the Secured Bonds Restructuring taking effect.

PART A: SUMMARY OF THE CURRENT TERMS AND CONDITIONS OF THE SECURED BONDS

Pursuant to a deed of covenant and guarantee dated 13 July 2010 (the “**Deed of Covenant**”) granted by Watford Leisure and the Club, Watford Leisure constituted and issued £10,142,000 Secured Notes due 2011 (referred to in this document as the “**Secured Bonds**”). Pursuant to a subscription agreement dated 2 July 2010 which is summarised in paragraph 6(h) of Appendix V to this document, the Bondholders subscribed for the Secured Bonds in the following principal amounts:

Fordwat	£7,500,000
David Fransen	£2,050,000
Graham Simpson	£592,000
Total	£10,142,000

The Secured Bonds currently have the following principal terms:

- Unless previously redeemed, purchased or cancelled, the Secured Bonds are to be redeemed at their principal amount on 12 July 2011 (the “**Scheduled Redemption Date**”).
- The Secured Bonds accrue interest at the rate equal to the base rate from time to time of Barclays Bank PLC plus 4.5 per cent. per annum which is payable on the earlier of the Scheduled Redemption Date and any prior redemption of the Secured Bonds.
- The Secured Bonds have the benefit of a security package comprised of:
 - A debenture granted by the Club dated 13 July 2010 (the “**Club Debenture**”);
 - A debenture granted by Watford Leisure dated 13 July 2010 (the “**Parent Debenture**”).

Fordwat currently acts as security trustee for the Bondholders pursuant to a security trust deed (the “**Security Trust Deed**”) dated 13 July 2010 between Fordwat, Watford Leisure and the Club and holds the security created by the Club Debenture and the Parent Debenture on trust for the Bondholders. The Bondholders’ rights in respect of the security are subject to a deed of priorities dated 13 July 2010 (the “**Deed of Priorities**”) between Fordwat, Watford Leisure, the Club, Barclays Bank PLC and Watford FC’s Community Sports & Education Trust.

- The Secured Bonds are subject to a standard set of events of default (“**Events of Default**”) including non-payment, cross-default and insolvency. The termination of the appointment of Julian Winter, Graham Taylor, Stuart Timperley or David Fransen as a director of Watford Leisure or the Club also comprises an Event of Default. The occurrence of an Event of Default allows any Bondholder to declare his Secured Bonds immediately due and payable.
- The Secured Bonds include a standard set of covenants given by Watford Leisure and the Club to the Bondholders including a negative pledge and undertakings (i) to maintain insurances, (ii) not to create additional financial indebtedness in excess of £500,000, (iii) not to dispose of assets other than in the ordinary course of business and (iv) not to factor, sell, assign, discount book debts other than in the ordinary course of business.

PART B: SUMMARY OF THE PROPOSED CHANGES TO THE TERMS AND CONDITIONS OF THE SECURED BONDS

On 10 March 2011, the Bondholders by written resolution authorised and instructed Watford Leisure and the Club to enter into a supplemental deed of covenant and guarantee (the “**Supplemental Deed**”) which Watford Leisure and the Club duly did on such date. On the same date, David Fransen entered into a deed of waiver with Fordwat, Graham Simpson, Watford Leisure and the Club in respect of his holding of Secured Bonds, the terms of which are summarised below (the “**Deed of Waiver**”).

Through Barrea Solicitors (a legal adviser to WFCL), WFCL has undertaken to pay a total of £1,000,000 on behalf of Watford Leisure to Fordwat and Graham Simpson by way of part repayment of their Secured Bonds upon and subject to the Offer having become unconditional in all respects and the Secured Bonds Restructuring taking effect (the “**Closing Date Repayment**”). The monies required to make the Closing Date Repayment are currently held in the client account of Barrea Solicitors, together with the sum of £1,500,000 which is payable on 10 March 2012 by way of the next repayment instalment of the Secured Bonds.

If the Offer becomes unconditional and the Secured Bonds Restructuring accordingly takes effect, the Closing Date Repayment will be made and, pursuant to the Supplemental Deed and the Deed of Waiver, the terms and conditions of the Secured Bonds shall be amended as follows:

- The aggregate principal amount of the Secured Bonds will be reduced to £9,262,000* and the principal holdings of the Bondholders will be revised as follows:

Fordwat	£6,656,574
David Fransen	£2,080,000
Graham Simpson	£525,426

* The amount of £9,262,000 is net of the £1,000,000 Closing Date Repayment, but includes a total amount of £120,000 of accrued interest due to Fordwat, David Fransen and Graham Simpson which is to be capitalised.

- Under the Supplemental Deed, the final redemption date will be extended to 10 March 2014 and the Secured Bonds will be redeemed in instalments on the first three anniversaries of the date of the Announcement (the “**Redemption Dates**”) as follows:

<i>Redemption Dates</i>	<i>Instalments</i>
10 March 2012	£1,934,421
10 March 2013	£3,224,031
10 March 2014	£4,103,548

- However, under the Deed of Waiver, the repayments to be made to David Fransen are to be deferred beyond 10 March 2014, which will mean that, taking account of the Deed of Waiver and also the Closing Date Repayment, the repayment dates and amounts for the principal amount of the Secured Bonds will in practice be as follows:

<i>Redemption Dates</i>	<i>Instalments</i>
Offer unconditional	£1,000,000
10 March 2012	£1,500,000
10 March 2013	£2,500,000
10 March 2014	£3,182,000
10 March 2015	£1,055,000
10 March 2016	£1,025,000
Total	£10,262,000

- Save for £90,000 of accrued interest due to Fordwat and Graham Simpson and £30,000 of accrued interest due to David Fransen which is to be capitalised, all interest accrued as at 10 March 2011 shall be waived by the Bondholders and interest shall start to accrue on the Secured Bonds at the rate of 5 per cent. per annum from the period from and including 10 March 2011 to but excluding 10 March 2012 (the “**First Interest Payment Date**”) and thereafter from and including 10 March 2012, at the rate of 3 per cent. per annum. Interest shall be payable in arrears on the First Interest Payment Date and quarterly thereafter.

- The Secured Bonds will be subject to a mandatory early redemption at their principal amount plus accrued interest where there is a change of control or the Club is promoted to the Premier League.
- The Events of Default will remain unchanged except that the termination of the appointment of the directors shall be limited to Graham Taylor and Stuart Timperley.
- The covenants given by Watford Leisure and the Club shall be amended and shall include additional restrictions, *inter alia*, on (i) funding of player purchases (ii) certain types of asset disposals, (iii) loans to shareholders and (iv) ability to declare dividends and make distributions.

Deed of Waiver

Under the Deed of Waiver, subject to the Offer becoming unconditional, David Fransen has:

- agreed to waive his right to receive or claim any interest that accrues from 10 March 2011 on his Secured Bonds in excess of the rate of 3 per cent. per annum;
- agreed to waive his right to receive payment of (i) any interest on the First Repayment Date and each subsequent quarterly payment date and (ii) the principal amounts due and payable to him on the Redemption Dates, subject to such payments being made on 20 March 2015 and 20 March 2016 as described below; and
- agreed that the principal amount under his Secured Bonds shall be paid by Watford Leisure in two instalments, the first of £1,055,000 payable on 10 March 2015 and the second of £1,025,000 payable on 10 March 2016, together with accrued interest.

PART C: TERMS AND CONDITIONS OF THE SECURED BONDS FOLLOWING THE SECURED BONDS RESTRUCTURING

(Note: set out below are the terms and conditions of the Secured Bonds as they will be upon the Secured Bonds Restructuring taking effect, as set out in the Supplemental Deed. These do not reflect the impact of the Deed of Waiver and assume that the Closing Date Payment of £1,000,000 has been made. In the original Deed of Covenant, and accordingly in the Supplemental Deed, the expression "Notes" rather than "Bonds" is used, which is reflected below.)

The £10,142,000 Secured Notes due 2011 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 15 (Further Issues) and forming a single series therewith) of Watford Leisure PLC (the "**Issuer**") are (a) guaranteed by The Watford Association Football Club Limited (the "**Guarantor**") pursuant to a deed of covenant and guarantee dated 13 July 2010 (as amended or supplemented from time to time, the "**Deed of Covenant and Guarantee**") entered into by the Issuer and the Guarantor in favour of the holders of the Notes (the "**Holders**" or "**Noteholders**") (b) constituted by the Deed of Covenant and Guarantee (c) secured pursuant to the Note Debentures and the Security Trust Deed (each as defined below) and (d) are the subject of a registrar agreement relating to the Notes dated 2 July 2010 (as amended or supplemented from time to time, the "**Registrar Agreement**") between the Issuer and Capita Registrars Limited (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes).

In accordance with a written resolution of the Noteholders dated 10 March 2011, the Issuer and the Guarantor entered into a supplemental deed of covenant and guarantee dated 10 March 2011 (the Supplemental Deed) pursuant to which the aggregate principal amount of the Notes was restated to an amount of £9,262,000 and the Conditions were amended and restated as set out in the Supplemental Deed. Accordingly, until any Notes are redeemed or purchased and cancelled in accordance with the Conditions, all references to the aggregate principal amount of the Notes outstanding are to £9,262,000 and references in these Conditions to the Notes are to the Notes as amended and restated by the Supplemental Deed.

Certain provisions of these Conditions are summaries of the Finance Documents (as defined below) and the Registrar Agreement and subject to their detailed terms. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Finance Documents and Registrar Agreement applicable to them. Copies of the Finance Documents and Registrar Agreement are available for inspection during normal business hours at the registered office for the time being of the Issuer, being at the date hereof Vicarage Road Stadium, Vicarage Road, Watford, Hertfordshire.

1. Form and Denomination

The Notes are in registered form and shall be serially numbered. Notes shall be issued in denominations of £1.00 and integral multiples of £1.00 in excess thereof (each an authorised denomination).

2. Guarantee and Status

(a) Status of the Notes

The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves.

The Notes will be secured by the Issuer Security on all of the assets of the Issuer in accordance with the terms of the Parent Debenture. The Issuer Security will be granted to the Security Trustee for the benefit of the Noteholders. The Notes will rank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application (a) senior to all existing and future unsecured indebtedness of the Issuer and (b) in respect of the proceeds of enforcement of the Issuer Security, junior to the Barclays Debt, the Barclays Limited Debt and the Trust Debt subject to and in accordance with the terms of the Deed of Priorities.

(b) Guarantee of the Notes

The Guarantor has in the Deed of Covenant and Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in

respect of the Notes (the “**Guarantee**”). The Guarantee constitutes direct, general and unconditional obligations of the Guarantor.

The Guarantee will be secured by the Guarantor Security on all of the assets of the Guarantor in accordance with the terms of the Club Debenture. The Guarantor Security will be granted to the Security Trustee for the benefit of the Noteholders. The Guarantee will rank, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application (a) senior to all existing and future unsecured indebtedness of the Guarantor and (b) in respect of the proceeds of enforcement of the Guarantor Security, junior to the Barclays Debt, the Barclays Limited Debt and the Trust Debt subject to and in accordance with the terms of the Deed of Priorities.

3. Registration

(a) Register

The Issuer shall procure that the Registrar will maintain a register in relation to the Notes (the “**Register**”) at Northern House, Woodsome Park, Fenay Bridge, Huddersfield HD8 0LA or such other address as it may notify to Noteholders in accordance with Condition 13 (“**Specified Office**”). The Register shall show the aggregate principal amount, serial numbers and dates of issue of Note Certificates, the names and addresses of the initial Holders thereof and the dates of all transfers to, and the names and addresses of, all subsequent Holders thereof, all cancellations of Note Certificates and all replacements of Note Certificates. The Registrar shall receive requests for the transfer of Notes and shall make the necessary entries in the Register in accordance with these Conditions and the Regulations (as defined below). The Registrar shall make the Register available for inspection by the Security Trustee and the Issuer at all reasonable times. A certificate (each, a “**Note Certificate**”) will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

In these Conditions, Holder means the person in whose name a Note is registered in the Register (or, in the case of joint holders, the first named thereof) and “Holders” and “Noteholders” shall be construed accordingly.

(b) Title

The Holder of any Note shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

(c) Transfers

Subject to Conditions 3(f) and 3(g), a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with an endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(d) Registration and Delivery of Note Certificates

Within five business days of the surrender of a Note Certificate in accordance with paragraph (c) (Transfers) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this Condition 2(d), business day means a day on which commercial banks are open for business in London.

(e) **No charge**

The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(f) **Closed periods**

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(g) **Regulations concerning transfers and registration**

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of the Notes scheduled to the Registrar Agreement (the "**Regulations**"). The regulations may be changed by the Issuer with the prior written approval of the Registrar.

4. Negative Pledge and Certain Covenants

(a) **Covenants**

So long as any Note remains outstanding (as defined in Condition 16 (Definitions)) and subject in each case to Condition 4(b)(Noteholder Consent) below, each of the Issuer and the Guarantor undertakes as follows:

- (i) (Negative Pledge): Not, without Noteholder Consent, to create or permit to subsist any Security over any of its assets except for the Transaction Security;
- (ii) (Maintain Insurance): To maintain, at all times, such insurance on its assets and operations as would be customary for a company carrying on a business of the same or similar type and in such amounts as a prudent insurer would recommend;
- (iii) (Compliance): To comply in all material respects with all laws to which it may be subject and ensure that it complies in all material respects with all authorisations, consents, permissions or licences required by it to carry on its business, trade and ordinary activities;
- (iv) (Permitted Payments): Except for a Permitted Intra-Group Payment, it shall not and shall ensure that no Group Company will:
 - (aa) declare, make or pay any dividend, charge, fee or other distribution (or interest on any such unpaid sum) (whether in cash or in kind) in respect of its share capital (or any class of its share capital);
 - (bb) repay or distribute any dividend or share premium reserve;
 - (cc) redeem, purchase, defease, retire, repay or otherwise reduce any of its share capital or resolve to do so;
 - (dd) enter into any transaction with a Permitted Person, a shareholder of a Permitted Person or any other shareholder of the Issuer except on arm's length terms and in the ordinary course of business;
 - (ee) be a creditor in respect of any Financial Indebtedness incurred by a Permitted Person, a shareholder of a Permitted Person or any other shareholder of the Issuer;
 - (ff) pay any management, monitoring, advisory or other fee to or to the order of a Permitted Person, a shareholder of a Permitted Person or any other shareholder of the Issuer other than pursuant to employment contracts or contracts for services entered into in the ordinary course of business provided that the aggregate amount payable pursuant to each such contract in any 12 month period is not greater than the salary of the then highest paid employee of the Issuer or the Guarantor in such 12 month period excluding, for these purposes, playing contracts entered into with football players, football managers or coaching staff.
- (v) (Asset Disposals): Not, without Noteholder Consent or pursuant to a Permitted Asset Disposal, it shall not sell, transfer or otherwise dispose of any of its assets (including transferring or terminating contractual rights against any players) save in the ordinary course of business;

- (vi) (No additional financial indebtedness): Except for Permitted Financial Indebtedness, it shall not (and shall ensure that no Group Company will) incur or allow to remain outstanding any Financial Indebtedness;
- (vii) (Player purchases): It shall not (and shall ensure that no Group Company will) make any Player Purchase unless such Player Purchase is financed solely by:
 - (aa) a Qualifying Loan; and/or
 - (bb) a New Shareholder Injection; and/or
 - (cc) the proceeds of any Player Sales provided that the ratio of (x) the aggregate of all amounts owing in respect of all Player Purchases to (y) the aggregate proceeds contracted to be received in respect of all Player Sales does not exceed 60:40;
- (viii) (No factoring): Except pursuant to a Permitted Factoring Transaction, not to factor, sell, assign, discount or otherwise dispose of any book or other debts, claims or securities save in the ordinary course of the Issuer's and/or Guarantor's day-to-day activities;
- (ix) (Restructuring): Except with Noteholder Consent (such Noteholder Consent not to be unreasonably withheld or delayed) to procure that no Subsidiary of the Issuer will:
 - (aa) issue any shares (including preference shares) to any person who is not an existing shareholder;
 - (bb) enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction with any person provided that a Subsidiary of the Issuer or the Guarantor may consolidate with, amalgamate or merge into or transfer all or part of its properties and assets to a Group Company.
- (x) (Event of Default): To inform the Noteholders immediately if any Event of Default or Potential Event of Default arises in accordance with Condition 13 (Notices);
- (xi) (Information Covenants): To deliver to the Noteholders:
 - (aa) as soon as they are available, but in any event within six months after the end of the Guarantor's financial year, a copy of the Group's audited consolidated financial statements for that financial year (together with the notes thereto and the directors' report and auditors' report thereon);
 - (bb) as soon as they are available, but in any event within 3 months following the end of the first six months of the Guarantor's financial year, a copy of the Group's consolidated semi-annual financial statements in each case for the semi-annual period then ended; and
 - (cc) on the Interest Commencement Date, a certificate signed by two directors of the Permitted Person which identifies each shareholder of the Permitted Person and the number of shares held by each such shareholder as at the Interest Commencement Date;
- (xii) (Mandatory Redemption Notification): To notify Noteholders in accordance with Condition 13 (Notices) of any Mandatory Redemption Date at least 5 days in advance.

(b) ***Noteholder Consent***

Notwithstanding any other provision of any Finance Document, each of the covenants contained in this Condition 4 (Negative Pledge and Certain Covenants) may be waived with Noteholder Consent. For the purposes of this Condition 4 (Negative Pledge and Certain Covenants), "**Noteholder Consent**" means the written consent of Noteholders holding at least a majority of the aggregate principal amount of Notes then outstanding.

5. Interest

(a) ***Interest Accrual***

Each Note bears interest on its outstanding principal amount from the Interest Commencement Date at the Relevant Rate of Interest. For the avoidance of doubt, no interest shall be payable in respect of the period from and including the Issue Date to but excluding the Interest Commencement Date.

Interest shall be payable in arrears on:

- (i) the First Interest Payment Date in respect of the period from the Interest Commencement Date to the First Interest Payment Date provided that if all outstanding Notes are redeemed or purchased and cancelled prior to the First Interest Payment Date, no interest shall accrue and be payable in respect of the Notes; and

- (ii) each Quarterly Interest Payment Date, in respect of the period thereafter

in each case, subject as provided in Condition 6 (Payments).

The amount of interest payable on the First Interest Payment Date in respect of each £1,000 in principal amount of Notes shall be £50 (subject to the proviso in sub-paragraph (i) above) and the amount of interest payable on each Quarterly Interest Payment Date in respect of each £1,000 in principal amount of Notes shall be £7.50. If interest is required to be paid in respect of a Note on any other date, it shall be calculated on the basis of a year of 365 days and the actual number of days elapsed and shall accrue from day to day.

(b) **Cessation of Interest**

Each Note will cease to bear interest from the due date for final redemption or, if earlier, the date upon which such Note is redeemed or purchased and cancelled in accordance with the Conditions unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder.

6. Payments

(a) **Record Date**

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the close of business (in the place of the Specified Office) on the fifteenth day before the due date for such payment (the “**Record Date**”).

(b) **Payments**

Payments in respect of the Notes will be made by cheque drawn on a bank in London. A holder of a Note shall not be entitled to any interest or other payment in respect of a delay in payment arising as a result of the due date for payment not being a day on which banks are open for general business in London.

(c) **Payments Subject to Fiscal Laws**

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) **Partial Payment**

If the Issuer makes a partial payment in respect of any Note, the Registrar will endorse on the Note Certificate and note in the Register a statement indicating the amount and date of such payment.

7. Redemption and Purchase

(a) **Scheduled Redemption**

Unless previously redeemed, or purchased and cancelled as provided below, the Notes (subject as provided in Condition 6 (Payments)) will be redeemed in 3 instalments on the dates and in the amounts set out below:

<i>Redemption Dates</i>	<i>Instalments</i>
10 March 2012	£1,934,421
10 March 2013	£3,224,031
10 March 2014	£4,103,548

(the **Final Redemption Date**)

(b) **Mandatory Redemption**

If a Mandatory Redemption Date occurs the Notes will be redeemed on such Mandatory Redemption Date at their outstanding principal amount together with interest accrued to the Mandatory Redemption Date.

(c) **Redemption at the option of the Issuer**

The Notes may be redeemed at the option of the Issuer in whole or in part on any date specified by the Issuer (a “**Call Settlement Date**”) at a price equal to 100 per cent. of their principal amount on the Issuer giving not less than 5 days’ notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the relevant Call Settlement Date at such price plus accrued interest to such date). If the Notes are to be redeemed in part only on any date in accordance with this Condition 7(c), each Note shall be redeemed in part in the proportion which the aggregate principal amount of outstanding Notes to be redeemed on the relevant Call Settlement Date bears to the aggregate principal amount of outstanding Notes on such date.

(d) **Notice of Redemption; No Other Redemption**

All Notes in respect of which any notice of redemption is given under this Condition 7 shall be redeemed on the date specified in such notice in accordance with this Condition 7. The Issuer shall not be entitled to withdraw any notice of redemption or redeem the Notes otherwise than as provided in this Condition 7.

(e) **Purchase**

The Issuer, the Guarantor and any of their respective subsidiaries may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold or surrendered for cancellation at the option of the Issuer, or the Guarantor, as the case may be, in compliance with Condition 7(f) (Cancellation of Notes).

(f) **Cancellation of Notes**

All Notes which are redeemed or surrendered for cancellation pursuant to this Condition 7 shall be cancelled and may not be reissued or resold.

8. Taxation

(a) **Taxation**

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom, unless such withholding or deduction is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) held by a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the United Kingdom other than the mere holding of the Note;
- (ii) presented for payment by or on behalf of a Holder who is liable to such taxes or duties in respect of such Note who would not be liable or subject to such withholding or deduction if he were to comply with any statutory requirement or to make a declaration of non-residence or other similar claim for exemption but fails to do so;
- (iii) presented (in the case of a payment of principal or interest on redemption) for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, or any law implementing or complying with, or introduced in order to conform to, such directive.

(b) **Relevant Date**

In these Conditions, Relevant Date means whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by Noteholders on or prior to such due date, the date on which the Issuer notifies the Noteholders that the amount due is available to be paid by the Issuer to the Noteholders.

(c) **Additional Amounts**

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 8 (Taxation).

(d) **Taxing Jurisdiction**

If the Issuer or, as the case may be, the Guarantor becomes subject at any time to any taxing jurisdiction other than the United Kingdom, references in this Condition 8 (Taxation) to the United Kingdom shall be construed as references to the United Kingdom and/or such other jurisdiction.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years, and claims for interest due other than on redemption shall become void unless made within five years, of the appropriate Relevant Date.

10. Events of Default

- (a) Subject to Condition 10(b) below, if any of the following events (each, an Event of Default) occurs and is continuing:
- (i) the appointment of Stuart Timperley or Graham Taylor as a director of the Board is terminated by the Issuer or the Guarantor, as applicable;
 - (ii) the Issuer and/or the Guarantor fails to pay within 5 business days of the due date any sum payable under the Notes;
 - (iii) any member of the Group fails to pay within 5 business days of the due date any of its other indebtedness (excluding trade creditors) of an aggregate value exceeding £100,000, any such indebtedness becomes due (or capable of being declared due) prior to its stated maturity or any guarantee given by any member of the Group is not honoured when due and called upon;
 - (iv) any member of the Group ceases or threatens to cease to carry on its business or there is a material change in the nature of its business as carried on by it on the Issue Date;
 - (v) any member of the Group is unable or admits its inability to pay its debts as they fall due or makes a general assignment for the benefit of, or a composition with, its creditors (or any class of them) or filing at court any documentation in order to obtain a moratorium prior to a voluntary arrangement;
 - (vi) a resolution is passed or a petition being presented in relation to any member of the Group for its winding-up or for the appointment of a liquidator or a provisional liquidator or the making of an administration order in respect of it;
 - (vii) an encumbrancer taking possession, or a liquidator, receiver, administrative receiver or similar officer being appointed over all or any part of the undertaking or assets of any member of the Group or any liquidation, bankruptcy, insolvency, administration, re-organisation or similar proceedings being instituted by or against any member of the Group in any jurisdiction (including

- the giving, making or filing of any administration application, notice of intention to appoint an administrator or notice of appointment of an administrator);
- (viii) any distress, attachment, execution, diligence or any other legal process being levied, enforced or sued out on or against all or any parts of the assets of any member of the Group;
 - (ix) any steps being taken with a view to the dissolution or striking off the register of any member of the Group and such proceedings are not dismissed within 14 days of the first notice published in the London Gazette;
 - (x) it becomes unlawful or impossible for the Issuer or the Guarantor to perform any of its obligations under the Finance Documents;
 - (xi) the Issuer or the Guarantor breaches any of the terms of that document; or
 - (xii) the Issuer or the Guarantor fails to comply with any of its obligations or undertakings under any Finance Document including its obligations pursuant to Condition 4 and, if such failure is capable of remedy, it is not remedied within 2 business days of the earlier of a Noteholder giving notice to the Issuer and the Issuer or the Guarantor becoming aware of the relevant failure,

then any Note may, by notice by the Holder thereof to the Issuer and the Guarantor, be declared immediately due and payable, whereupon it shall immediately become due and repayable at its principal amount together with accrued interest without further action or formality.

- (b) Noteholders may, by resolution in writing in accordance with Condition 12(b)(Written Resolution) authorise or waive any Event of Default or other breach or proposed breach of the Notes, the Finance Documents or the Deed of Covenant and Guarantee.
- (c) Upon the occurrence of an Event of Default or a Potential Event of Default, Noteholders holding at least a majority in principal amount of outstanding Notes may direct the Security Trustee to enforce the Issuer Security and/or the Guarantor Security subject to, and in accordance with, the Security Trust Deed.

11. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

12. Meetings of Noteholders; Modification and Waiver

(a) *Meetings of Noteholders*

The Deed of Covenant and Guarantee contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions and/or the Finance Documents. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Guarantor or the Issuer, and shall be convened by the Issuer upon the request in writing of Noteholders holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payment under, or the governing law of, the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or a Written Resolution (each, a “**Reserved Matter**”)) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or, at any adjourned meeting, one

quarter of the aggregate principal amount of the outstanding Notes form a quorum, or by a Written Resolution. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

(b) **Written Resolution**

A resolution in writing will take effect for all purposes as if it were an Extraordinary Resolution duly passed at a quorate meeting if it is signed by or on behalf of one or more Noteholders holding at least a majority of the aggregate principal amount of the outstanding Notes (a “**Written Resolution**”). Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

13. Notices

(a) **To the Noteholders**

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

(b) **To the Issuer and the Guarantor**

Notices to the Issuer and/or the Guarantor will be deemed to be validly given if delivered to the registered office of the Issuer being at the date hereof Vicarage Road Stadium, Vicarage Road, Watford, Hertfordshire (or at such other addresses as may have been notified to the Noteholders in accordance with Condition 13(a)) and will, be deemed to have been validly given at the opening of business on the next business day.

14. Agents

In acting under the Registrar Agreement and in connection with the Notes, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any Noteholder.

15. Further Issues

Subject to compliance with the limitations set out in Condition 4(a)(iv) (No Additional Financial Indebtedness) above, the Issuer may from time to time, without the consent of the Noteholders and in accordance with the Deed of Covenant and Guarantee, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the issue date and/or the first payment of interest on such further notes) so that such further issue is consolidated and forms a single series with the Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other Notes issued pursuant to this Condition and forming a single series with the Notes. Such further Notes shall be constituted by a deed supplemental to the Deed of Covenant and Guarantee, which supplemental Deed of Covenant and Guarantee shall contain such provisions (corresponding to any provisions of the Deed of Covenant and Guarantee) as the Issuer and Guarantor may require.

16. Definitions

In these Conditions:

Barclays Debt means the aggregate amount of the principal, interest, charges and other moneys and liabilities from time to time due owing or outstanding by the Issuer or the Guarantor to Barclays Bank PLC and secured by the Barclays’ Security.

Barclays Limited Debt means such amount of the Barclays Debt as does not exceed the sum of £4,000,000 FOUR MILLION POUNDS (or such figure as may be agreed in writing from time to time by the parties to the Deed of Priorities).

Barclays’ Security has the meaning set out in the Deed of Priorities.

Board means the board of directors of the Issuer or the Guarantor, as the case may require.

business day means a day (other than a Saturday or Sunday) on which commercial banks are open for business in London.

Capitalisation Option means an unconditional option in favour of Fordwat Limited which contains all of the following terms:

- (a) the option may be exercised by Fordwat Limited in the event that the Issuer and/or the Guarantor fails to pay within 10 business days of the due date any sum payable under the Notes; and
- (b) upon exercise of the option the Qualifying Loan shall be capitalised such that the Issuer shall issue Shares in the Issuer to the Permitted Person or other lender, as the case may be, in full satisfaction and discharge of each Qualifying Loan in accordance with the following:
 - (i) the Warrants shall be deemed by the Issuer to have been exercised and the Issuer shall issue such Shares in the Issuer pursuant to the exercise of the Warrants as are necessary to capitalise all amounts due and payable under the Qualifying Loan; and
 - (ii) if the Warrants available to be exercised are not sufficient to capitalise all outstanding Qualifying Loans then the Issuer shall approve the issue of, and issue to the Permitted Person or other lender, new Shares in the Issuer at their nominal value in an amount sufficient to capitalise all Qualifying Loans; and
- (c) if the Issuer fails to capitalise any Qualifying Loan in accordance with paragraphs (b)(i) and (ii) of this definition, then all amounts due and payable under all outstanding Qualifying Loans shall be deemed to have been (and shall without any further action or formality be) discharged and repaid in full.

a **Change of Control** occurs if:

- (a) any person or persons (other than a Permitted Person) together with any persons acting in concert (with them) as that term is defined in the City Code on Takeovers and Mergers or deemed to be so acting acquire(s) the right directly or indirectly to exercise more than 50 per cent. of the voting rights exercisable at a general meeting of the Issuer or the Guarantor; or
- (b) the shareholders of a Permitted Person as at the Interest Commencement Date cease to hold beneficially directly or indirectly the right to exercise more than 50 per cent. of the voting rights exercisable at a general meeting of the Permitted Person.

Club Debenture means the debenture dated on or about 13 July 2010 between the Guarantor and the Security Trustee pursuant to which the Guarantor has charged to the Security Trustee for the benefit of the Secured Parties all its property, assets and undertaking with the payment and discharge of all moneys and liabilities therein referred to.

Deed of Priorities means the deed regulating priorities dated 13 July 2010 and made between the Issuer, the Guarantor, Barclays Bank PLC, the Security Trustee and Watford FC's Community Sports & Education Trust.

Extraordinary Resolution has the meaning set out in the Deed of Covenant and Guarantee.

Final Redemption Date means 10 March 2014.

Financial Indebtedness means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value as at the relevant date on which Financial Indebtedness is calculated (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);
- (g) any counter-indemnity obligation in respect of the guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (h) the supply of any assets or services which is more than 60 days past the original due date for payment;
- (i) any amount of any liability under an advance or deferred purchase agreement if (a) one of the primary reasons behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 60 days after the date of supply;
- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (k) any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

Finance Documents means the Parent Debenture (including any confirmatory deed in respect thereof), the Club Debenture (including any confirmatory deed in respect thereof), the Deed of Priorities, the Security Trust Deed, the Deed of Covenant and Guarantee, the Supplemental Deed and the Notes (including the Conditions).

First Interest Payment Date means 10 March 2012.

Group means the Issuer, the Guarantor and each of their respective Subsidiaries from time to time and references to "Group Company" and "member of the Group" shall be construed accordingly.

Guarantor Security means the security interests created or intended to be created in favour of the Security Trustee by the Club Debenture.

Interest Commencement Date means 10 March 2011.

Issue Date means 13 July 2010.

Issuer Security means the security interests created or intended to be created in favour of the Security Trustee by the Parent Debenture.

Mandatory Redemption Date means the earlier of:

- (a) the date upon which a Change of Control occurs; and
- (b) September in the year in which the Guarantor is promoted to the Football Association Premier League.

Note Debentures means the Parent Debenture and the Club Debenture.

New Shareholder Injection means the subscription by any person (other than a Subsidiary of the Issuer) for Shares in the Issuer.

outstanding means, in relation to the Notes, all the Notes issued except (a) those which have been redeemed in accordance with the Conditions, (b) those in respect of which the date for redemption has occurred and the redemption monies (including all interest accrued on such Notes to the date for such

redemption and any interest payable under the Conditions after such date) have been duly paid to the Registrar and remain available for payment against presentation and surrender of Notes in accordance with the Conditions, (c) those which have become void, (d) those which have been purchased and cancelled as provided in the Conditions, (e) those mutilated or defaced Notes which have been surrendered in exchange for replacement Notes and (f) (for the purpose only of determining how many Notes are outstanding and without prejudice to their status for any other purpose) those Notes, the Note Certificates in respect of which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued provided that for the purposes of (i) ascertaining the right to attend and vote at any meeting of the Noteholders and (ii) the determination of how many and which Notes are outstanding for the purposes of Conditions 4 (Negative Pledge and Covenants), 10 (Events of Default) and 12 (Meetings of Noteholders; Modification and Waiver) and Schedule 2 (Provisions for Meetings of Noteholders) of the Deed of Covenant and Guarantee, those Notes which are beneficially held by or on behalf of the Issuer or the Guarantor or any of their respective Subsidiaries and not cancelled shall (unless no longer so held) be deemed not to remain outstanding.

Parent Debenture means the debenture dated on or about 13 July 2010 between the Issuer and the Security Trustee pursuant to which the Issuer has charged to the Security Trustee for the benefit of the Secured Parties all its property, assets and undertaking with the payment and discharge of all moneys and liabilities therein referred to.

Permitted Asset Disposal means:

- (a) Player Sales;
- (b) a transfer of assets between or among the Issuer, the Guarantor and/or their respective Subsidiaries;
- (c) any sale or other disposition of damaged, worn-out, redundant or obsolete assets (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of the Issuer, no longer economically practicable to maintain or useful in the conduct of the business of the Group);
- (d) any sale or other disposition of assets (other than shares, businesses, or any agreements, arrangements, licences or permissions which are necessary for the operation of a football club in The Football League or the Football Association Premier League) in exchange for other assets comparable or superior as to type, value and quality;
- (e) licenses and sublicenses by the Issuer or any Group Company of software in the ordinary course of business;
- (f) any licence or other right of occupation that allows the beneficiary to attend one or more sporting events (including without limitation association football matches) or other events in the ordinary course of business;
- (g) any licence or other right of use of any intellectual property or other right if entered into in connection with the commercial exploitation of such intellectual property or other rights in the ordinary course of business; and
- (h) any disposition of assets which does not prejudice the operation of a football club in The Football League or The Football Association Premier League.

Permitted Factoring Transaction means:

- (a) the factoring, sale, assignment, discounting, or other disposal of book debts or other receivables arising pursuant to future ticket sales or contracted income from broadcasters provided that (a) any such transaction is on a non-recourse basis and (b) (save with Noteholder Consent) no Security arises or is granted by the Issuer, the Guarantor or any other Group Company in connection with such transaction other than in relation to the book debts or other receivables which are the subject of such transaction; and

- (b) the factoring, sale, assignment, discounting, or other disposal of book debts or other receivables arising as a result of a Player Sale by the Guarantor provided that (save with Noteholder Consent) no Security arises or is granted by the Guarantor in connection with such transaction other than in relation to the book debts or other receivables which are the subject of such transaction.

Permitted Financial Indebtedness means Financial Indebtedness:

- (a) provided for pursuant to or permitted by the Finance Documents;
- (b) incurred by the Issuer under any overdraft facility provided by Barclays Bank PLC or (provided that the Barclays Limited Debt is no longer outstanding) another UK Bank up to a maximum amount of £4,000,000;
- (c) incurred by the Issuer pursuant to a Qualifying Loan;
- (d) incurred in connection with a Permitted Factoring Transaction;
- (e) incurred by the Issuer in an aggregate amount of not more than £200,000 or such higher amount incurred with Noteholder Consent; and/or
- (f) incurred by the Issuer as at the Effective Date.

Permitted Intra-Group Payment means payment of a dividend by a Group Company to the Issuer or any of its Subsidiaries.

Permitted Person means Watford FC Limited or any Subsidiary or Holding Company thereof.

Player Purchase means any purchase or other acquisition of a player registration.

Player Sale means any sale, loan, disposal or other transfer of player registrations.

Potential Event of Default means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 10 (Events of Default) become an Event of Default.

Quarterly Interest Payment Date means the 10 day of March, June, September and December commencing on 10 June 2012 and through to and including the Final Redemption Date.

Qualifying Loan means:

- (a) any interest free loan to the Issuer made by a Permitted Person; and/or
- (b) a loan made by any other person to the Issuer on normal commercial terms

provided that in each case each such loan contains a Capitalisation Option.

Relevant Rate of Interest means (a) for the period from and including the Interest Commencement Date to but excluding the First Interest Payment Date, 5 per cent. per annum and (b) from the period from and including the First Interest Payment Date, 3 per cent. per annum.

Secured Parties has the meaning set out in the Security Trust Deed.

Security means any mortgage, charge, pledge, lien or other security interest.

Security Trust Deed means the security trust deed dated on or about 13 July 2010 between the Issuer, the Guarantor and the Security Trustee pursuant to which the Security Trustee has agreed to hold the Issuer Security and Guarantor Security for the benefit of the Secured Parties.

Security Trustee means Fordwat Limited in its capacity as security trustee appointed pursuant to the Security Trust Deed, the Parent Debenture and the Club Debenture.

Share means an ordinary share in the share capital of the Issuer or, as the case may be, the Guarantor.

Subsidiary or Holding Company means a subsidiary or holding company, as the case may be, within the meaning of section 1159 of the Companies Act 2006.

Transaction Security has the meaning set out in the Deed of Priorities.

Treasury Transaction means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

Trust has the meaning set out in the Deed of Priorities.

Trust Debt means the aggregate amount of the principal, interest, charges and other moneys and liabilities from time to time due, owing or outstanding by the Issuer or the Guarantor to the Trust under the Trust's Security.

Trust's Security has the meaning set out in the Deed of Priorities.

UK Bank means a bank which is (a) authorised by the Financial Services Authority (or any successor authority) under the Financial Services and Markets Act 2000 with Part IV permission to accept deposits in the United Kingdom and (b) incorporated in the United Kingdom.

Warrants means the existing warrants issued by the Issuer on 13 July 2010 each to subscribe for an ordinary share of 1p in the capital of the Issuer at a price of 4 pence (subject to adjustment).

17. Governing Law; Contracts (Rights of Third Parties) Act 1999

(a) Governing Law

The Deed of Covenant and Guarantee, the Notes and any non-contractual obligations arising out of or in connection with the Deed of Covenant and Guarantee and the Notes are governed by, and shall be construed in accordance with, English law.

(b) Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect the right or remedy of any Person which exists or is available apart from such Act.

APPENDIX V

ADDITIONAL INFORMATION

1. Responsibility

- (a) The WFCL Director accepts responsibility for all of the information contained in this document other than the information for which the Watford Leisure Directors (including Mr Fransen) and the Independent Directors accept responsibility as stated below. To the best of the knowledge and belief of the WFCL Director (who has taken all reasonable care to ensure that such is the case), the information contained in this document for which he is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The Watford Leisure Directors accept responsibility for all the information contained in this document relating to themselves and members of their immediate families, related trusts and persons connected with them, and to Watford Leisure, other than that relating to the views and opinion of the Independent Directors on the Offer and the fair and reasonable opinions in respect of the terms of the restructured Secured Bonds set out in paragraph 5 of the letter from the Independent Directors of Watford Leisure in Part I of this document. To the best of the knowledge and belief of the Watford Leisure Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (c) The Independent Directors accept responsibility for all the information contained in this document relating to their views and opinion on the Offer and their fair and reasonable opinions in respect of the terms of the restructured Secured Bonds set out in paragraph 5 of the letter from the Independent Directors of Watford Leisure in Part I of this document. To the best of the knowledge and belief of the Independent Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors and registered offices

(a) **WFCL**

WFCL is a private limited company incorporated under the laws of England and Wales. The business address of the WFCL Director and the registered office of WFCL is at 85 Oxford Road, High Wycombe HP11 2DX.

The sole WFCL Director is Mr Panos Thomas.

(c) **Watford Leisure**

Watford Leisure is a public limited company incorporated under the laws of England and Wales. The business address of each of the Watford Leisure Directors and the principal and registered office of Watford Leisure is at Vicarage Road Stadium, Watford, Hertfordshire WD18 0ER.

The names of the Watford Leisure Directors and their respective positions are as follows:

<i>Name</i>	<i>Position</i>
Graham Taylor	Non-executive Chairman
Julian Winter	Chief Executive Officer
David Bernard Fransen	Non-executive Director
Stuart Read Timperley	Non-executive Director

3. Market quotations

The following table sets out the closing middle market quotations for a Watford Leisure Share as derived from the AIM Appendix to the London Stock Exchange Daily Official List, for the first Business Day in each of the six months immediately prior to the date of this document, for 2 December 2010 (being the Business Day immediately prior to the commencement of the Offer Period) and for 24 March 2011 (being the latest practicable date prior to the publication of this document):

<i>Date</i>	<i>Watford Leisure Share price (pence)</i>
1 October 2010	6.0
1 November 2010	7.0
1 December 2010	7.0
2 December 2010	7.0
4 January 2011	9.0
1 February 2011	9.5
1 March 2011	4.0
24 March 2011	2.5

4. Disclosure of interests and dealings in relevant securities

(a) **Definitions and references**

For the purposes of this Appendix V:

- (i) **“acting in concert”** with a person means any other person acting or deemed to be acting in concert with that first person for the purposes of the Code and the Offer;
- (ii) **“connected adviser”**, in relation to Watford Leisure or WFCL (as the case may be), means an organisation which is advising Watford Leisure or WFCL (as the case may be) in relation to the Offer, its corporate broker, an organisation which is advising a person in concert with Watford Leisure or WFCL (as the case may be) in relation to the Offer or in relation to the matter which is the reason for that person being a member of a concert party;
- (iii) **“control”** means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control (and “controlling” and “controlled by” shall be construed accordingly);
- (iv) **“dealing”** or **“dealt”** means:
 - (a) acquiring or disposing of securities, or the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities, or of general control of relevant securities;
 - (b) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (by either party) or varying an option (including a traded option contract) in respect of any relevant securities;
 - (c) subscribing or agreeing to subscribe for relevant securities;
 - (d) exercising or converting, whether in respect of new or existing relevant securities, any securities carrying conversion or subscription rights;
 - (e) acquiring or disposing of, entering into, closing out, exercising (by either party) any rights under, or varying, a derivative referenced, directly or indirectly, to relevant securities;
 - (f) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
 - (g) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (v) **“derivative”** means any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;

- (vi) **“disclosure date”** means 24 March 2011 (being the latest practicable date prior to the date of posting of this document);
- (vii) **“disclosure period”** means the period commencing on 3 December 2009 (being the date 12 months prior to the commencement of the Offer Period) and ending on the disclosure date;
- (viii) a person having an **“interest”**, or being **“interested”**, in any securities includes where a person:
 - (a) owns relevant securities;
 - (b) has the right, whether conditional or absolute, to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
 - (c) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;
 - (d) is party to any derivative whose value is determined by reference to the price of securities and which results, or may result, in his having a long position in them; or
 - (e) has long economic exposure, whether absolute or conditional, to changes in the price of those securities (but a person who only has a short position in securities is not treated as interested in those securities);
- (ix) **“Note 11 arrangement”** means any indemnity or option arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to Watford Leisure relevant securities which may be an inducement to deal or refrain from dealing therein;
- (x) **“related parties”**, in relation to a director, means those persons whose interests in shares the director would be required to disclose pursuant to Part 22 of the Companies Act 2006 and related regulations;
- (xi) **“relevant securities”** means Watford Leisure relevant securities and WFCL relevant securities;
- (xii) **“short position”** means any short position (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.
- (xiii) **“Watford Leisure relevant securities”** means relevant securities (such term having the meaning given to it in the Code in relation to an offeree) of Watford Leisure including Watford Leisure Shares and any securities convertible into or carrying rights to subscribe for Watford Leisure Shares;
- (xiv) **“WFCL relevant securities”** means relevant securities (such term having the meaning given to it in the Code in relation to an offeror) of WFCL including any shares in the equity share capital of, or carrying voting rights in, WFCL.

(b) **Interests in relevant securities**

At the close of business on the disclosure date:

Interests in Watford Leisure relevant securities

- (i) WFCL was not interested, directly or indirectly, in any Watford Leisure relevant securities;
- (ii) neither the WFCL Director nor his related parties were interested, directly or indirectly, in any Watford Leisure relevant securities;
- (iii) no person acting in concert with WFCL was interested, directly or indirectly, in any Watford Leisure relevant securities;
- (iv) no persons are party to a Note 11 arrangement with WFCL;
- (v) David Fransen held 41,000,000 Warrants;
- (vi) save as referred to in sub-paragraph (v) above, none of the Watford Leisure Directors nor their respective related parties were interested, directly or indirectly, in Watford Leisure relevant securities;

Interests in WFCL relevant securities

- (vii) Watford Leisure held no interests, rights to subscribe or short positions including any short positions under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in WFCL relevant securities;
- (viii) the Watford Leisure Directors and their respective related parties held no interests, rights to subscribe or short positions including any short positions under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in WFCL relevant securities.

(c) **Dealings in relevant securities**

Interests in Watford Leisure relevant securities

- (i) On 13 July 2010, Mr D Fransen acquired 41,000,000 Warrants in connection with the issue to him of Secured Bonds in a principal amount of £2,050,000.

(d) **General**

Save as disclosed in this paragraph 4, as at the close of business on the disclosure date:

- (i) none of:
 - (a) WFCL;
 - (b) the WFCL Director or his related parties;
 - (c) any person acting in concert with WFCL; or
 - (d) any person who is party to a Note 11 arrangement with WFCL or any person acting in concert with WFCL

had any interest in or right to subscribe for any Watford Leisure relevant securities or any short position in respect of Watford Leisure relevant securities or (save for any borrowed shares which have been on-lent or sold) had borrowed or lent any Watford Leisure relevant securities (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code) nor has any such person dealt in any Watford Leisure relevant securities during the disclosure period;

- (ii) none of:
 - (a) Watford Leisure;
 - (b) the Watford Leisure Directors or their respective related parties;
 - (c) any person acting in concert with Watford Leisure; or
 - (d) any person who is a party to a Note 11 arrangement with Watford Leisure or any person acting in concert with Watford Leisure

had any interest in or right to subscribe for any relevant securities or any short position including any short positions under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery, in respect of any relevant securities nor has any such person dealt in any relevant securities during the disclosure period;

- (iii) neither Watford Leisure nor any person acting in concert with Watford Leisure had borrowed or lent any Watford Leisure relevant securities (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code), save for any borrowed shares which have been either on-lent or sold; and
- (iv) Watford Leisure has not redeemed or purchased any Watford Leisure Shares or any securities convertible into rights to subscribe for or options in respect of or derivatives referenced to Watford Leisure Shares during the disclosure period.

(e) **No arrangements**

- (i) Neither WFCL nor any person acting in concert with WFCL has any Note 11 arrangement with any person; and

- (ii) None of:
- (1) Watford Leisure;
 - (2) any Watford Leisure Director or any of such director's related parties; or
 - (3) any person acting in concert with Watford Leisure

has any Note 11 arrangement with any person.

5. Irrevocable undertakings

WFCL has received irrevocable undertakings to accept, or procure the acceptance of, the Offer from the following substantial Watford Leisure Shareholders over the following holdings in Watford Leisure Shares:

<i>Shareholder</i>	<i>Number of Watford Leisure Shares</i>	<i>Percentage of issued Watford Leisure Shares</i>
Fordwat	16,306,437	37.16
Graham Simpson	3,616,917	8.24
Yianna Simpson	3,751,879	8.55

Accordingly, subject to such irrevocable undertakings not having lapsed in accordance with their terms and therefore ceasing to be binding, WFCL has received irrevocable undertakings to accept the Offer from holders of, in aggregate, 23,675,233 Watford Leisure Shares, representing approximately 53.95 per cent. of the existing issued share capital of Watford Leisure. These undertakings will remain binding, even if a higher competing offer for Watford Leisure is announced, unless the Offer lapses or is withdrawn.

The Watford Leisure Shareholders who have given irrevocable undertakings to WFCL have additionally agreed therein, *inter alia*, not to:

- sell, transfer, dispose of or grant security over any of their shareholdings;
- accept any other offer from any third-party in respect of their shareholdings; and
- withdraw their acceptance of the Offer.

6. Material contracts

The following contracts have been entered into by Watford Leisure or its subsidiaries otherwise than in the ordinary course of business since 3 December 2008 (the date two years prior to the commencement of the Offer Period) and are or may be material:

- (a) a loan agreement dated 24 January 2009 between Valley Grown Salads Limited ("**VGS**") and the Club pursuant to which VGS made a loan of £1,820,000 to the Club, repayable in four instalments together with interest of £69,750 by 31 July 2009. Repayment of the principal amount of this loan was subsequently delayed;
- (b) a loan agreement by email exchange in July 2009 between Giacomo Russo ("**GR**") and the Club pursuant to which GR made a loan of £650,000 to the Club, which was assigned by GR to VGS on 29 September 2009;
- (c) a loan agreement by email exchange in August 2009 between GR and the Club pursuant to which GR made a loan of £1,250,000 to the Club, which was repaid out of the proceeds of the November 2009 Loan referred to below;
- (d) a loan and guarantee agreement dated 29 September 2009 between VGS, the Club and Watford Leisure consolidating the loans referred to in paragraphs (a) and (b) above plus accrued interest and an earlier loan of approximately £160,000 which remained from VGS to the Club, into a single loan from VGS to the Club of approximately £2,630,000 (the "**Consolidated Loan**"), guaranteed by Watford Leisure and secured on the Vicarage Road Stadium. The Consolidated Loan bore interest at 3.5 per cent. per annum above the base rate of Barclays Bank plc and was repayable on demand. Pursuant to this agreement, VGS made a further loan to the Club of £2,250,000 on 27 November

2009 (the “**November 2009 Loan**”). It was a condition of the November 2009 Loan that interest on the outstanding Consolidated Loan, including the November 2009 Loan, was increased to 4.5 per cent. per annum above the base rate of Barclays Bank plc. Following the November 2009 Loan, the Club had the principal amount of £4,880,000 in loans outstanding to VGS, which were settled on 21 December 2009 as described in paragraph (e) below;

- (e) a loan of £4,930,000 made on 21 December 2009 by Fordwat to the Club at an interest rate per annum of 4.5 per cent. above the base rate of Barclays Bank plc repayable on demand, to be secured in due course on the Vicarage Road Stadium (the “**Fordwat 2009 Loan**”). The Fordwat 2009 Loan was advanced by way of a payment by Fordwat to VGS of the sum of £4,930,000 in settlement of all VGS’s outstanding loans to the Watford Leisure Group;
- (f) a loan agreement dated 25 January 2010 between David Fransen and the Club pursuant to which Mr Fransen made a loan of £500,000 to the Club at an interest rate of 3.5 per cent. above the base rate from time to time of Barclays Bank plc. This loan remains outstanding and is currently repayable on demand;
- (g) a loan and guarantee agreement dated 24 February 2010 between Fordwat, Watford Leisure and Club (the “**February 2010 Fordwat Loan Agreement**”) pursuant to which the terms of the Fordwat 2009 Loan were documented and which extended to include further amounts as Fordwat agreed to advance from time to time. Interest on loans made or recorded under the February 2010 Fordwat Loan Agreement was paid at the rate per annum of 4.5 per cent. above the base rate from time to time of Barclays Bank plc. The obligations of the Club under the February 2010 Fordwat Loan Agreement were guaranteed by Watford Leisure. Pursuant to the February 2010 Fordwat Loan Agreement, on 24 March 2010 Fordwat made a loan of £1,000,000 to the Club and on 25 June 2010 Fordwat made a loan of £500,000 to the Club. The Fordwat 2009 Loan and the further loans under the February 2010 Fordwat Loan Agreement were settled as described in paragraph (h) below;
- (h) a subscription agreement dated 2 July 2010 between Watford Leisure, the Club, Fordwat, Graham Simpson and David Fransen pursuant to which Fordwat, Mr Simpson and Mr Fransen agreed to subscribe for Secured Bonds (with detachable Warrants on the basis of 20 Warrants for every £1 in principal amount of Secured Bonds) in the amounts set out below:

Fordwat	£7,500,000
David Fransen	£2,050,000
Graham Simpson	£592,000
	<hr/>
Total	£10,142,000

Mr Fransen’s subscription was effected by way of repayment of £2,050,000 of Mr Fransen’s then outstanding loans of £2,550,000 to the Watford Leisure Group. Mr Simpson’s subscription was effected by way of the repayment of Mr Simpson’s then outstanding unsecured convertible loan notes 2010 issued by Watford Leisure. Fordwat’s subscription was effected by way of the repayment of £6,565,000 of the loans referred to in paragraph (g) above with the balance of £935,000 being subscribed in cash;

- (i) a ticket purchase agreement dated 20 December 2010 between the Club and Ticketus Services 35 Limited (“**Ticketus**”) pursuant to which Ticketus purchased season tickets from the Club for the 2011-2012 English professional football season for the sum of £1,506,068.32 plus VAT (the “**Ticket Purchase Agreement**”) and a related agency agreement dated 20 December 2010 between Ticketus and the Club pursuant to which Ticketus appointed the Club as its agent for the sale of such season tickets. The obligations of the Club under the Ticket Purchase Agreement have been guaranteed by Watford Leisure under a deed of guarantee dated 20 December 2010;
- (j) the Secured Bonds Documents;
- (k) the Secured Bonds Restructuring Documents; and
- (l) a £3,500,000 interest free working capital facility (the “**Working Capital Facility**”) which WFCL has undertaken to make available to Watford Leisure, conditional upon the Offer having become unconditional and the Secured Bonds Restructuring having become effective. The terms of the

Working Capital Facility are set out in an undertaking dated 10 March 2011 from Barrea Solicitors (a legal adviser to WFCL) to Watford Leisure, in which Barrea Solicitors also confirm that they hold the sum of £3,500,000 in their client account and undertake to pay this sum to Watford Leisure upon it being duly drawn down under the terms of the Working Capital Facility. The Working Capital Facility will be interest free, available for 12 months and will become repayable at the end of this period or, if earlier, if an event of default occurs under the Secured Bonds which could result in the Secured Bonds becoming immediately due and payable, or if the working capital forecast for the Watford Leisure Group previously provided to WFCL proves to be materially inaccurate by reason of something which ought reasonably to have been anticipated. Funds payable under the Working Capital Facility may be utilised by way of subscription for shares in Watford Leisure pursuant to exercise of the Warrants.

7. Service contracts and letters of appointment of the Watford Leisure Directors

The following Watford Leisure Directors have entered into service contracts or letters of appointment with Watford Leisure or its subsidiaries:

(a) Chief Executive Officer

Julian Winter

Mr Winter entered into a service agreement with the Club on 1 July 2010. Under the terms of his service agreement, Mr Winter's appointment is terminable by Mr Winter or by Watford Leisure on twelve months' written notice. Mr Winter receives a salary of £155,000 per annum payable monthly in arrears and is entitled to 25 working days' holiday in each year (plus public holidays). The service agreement also provides that Watford Leisure shall make a contribution to Mr Winter's personal pension plan, provide Mr Winter with private medical insurance and provide Mr Winter with a company car allowance. The service agreement includes provision for pay in lieu of notice.

(b) Non-Executive Directors

Graham Taylor is engaged as non-executive chairman of Watford Leisure under a letter of appointment dated 1 February 2010. Mr Taylor's continued appointment is subject to board approval. Mr Taylor is entitled to a fee of £25,000 per annum plus travel expenses and various match day entitlements including a ticket allocation.

David Fransen is engaged as a non-executive director of Watford Leisure under a letter of appointment dated 1 February 2010. Mr Fransen's continued appointment is subject to board approval. Mr Fransen is entitled to a fee of £25,000 per annum plus travel expenses and various match day entitlements including a ticket allocation.

Stuart Timperley is engaged as a non-executive director of Watford Leisure under a letter of appointment dated 1 February 2010. Mr Timperley's continued appointment is subject to board approval. Mr Timperley is entitled to a fee of £25,000 per annum plus travel expenses and various match day entitlements including a ticket allocation.

Save as disclosed above there are no other service contracts or letters of appointment in place between the Watford Leisure Directors and Watford Leisure or its subsidiaries.

8. Bases of calculations and sources of information

In this document, unless otherwise stated or the context otherwise requires, the following bases and sources have been used:

- (a) The issued and to be issued ordinary share capital of Watford Leisure consists of 43,885,693 ordinary shares of 1 penny each, 202,840,000 Warrants to subscribe for Watford Leisure Shares and Share Options to subscribe for 33,766 Watford Leisure Shares.
- (b) The value of £0.44 million attributed to the issued and to be issued ordinary share capital of Watford Leisure is based upon the 43,885,693 Watford Leisure Shares in issue on 24 March 2011 (being the last practicable date before the date of this document) and assumes that as all the Share Options are "out of the money" none will be exercised prior to the Closing Date. The Warrants and Share Options

are already exercisable in full at the date of this document but none of the Warrants or Share Options has an exercise price below the Offer Price.

- (c) Unless otherwise stated, all prices for Watford Leisure Shares have been obtained from the AIM appendix to the Daily Official List and represent the closing middle market prices on the relevant date.
- (d) Unless otherwise stated, the financial information on the Watford Leisure Group has been extracted or derived (without material adjustment) from Watford Leisure's audited consolidated annual report and financial statements for the three years ended 30 June 2008, 30 June 2009 and 30 June 2010 and unaudited interim results announcement for the six months ended 31 December 2010.
- (e) All information relating to WFCL has been provided by persons duly authorised by the WFCL Board.

9. Financing arrangements and cash confirmation

- (a) The maximum amount of cash consideration payable under the Offer is approximately £0.44 million. This is based on the existing issued share capital of Watford Leisure on 24 March 2011 (being the latest practicable date prior to the posting of this document).
- (b) The consideration will be financed pursuant to the loan agreements described in paragraph 6 of Appendix II to this document.
- (c) Seymour Pierce, financial adviser to WFCL, has confirmed that it is satisfied that the necessary financial resources are available to WFCL to enable it to satisfy in full the cash consideration payable by WFCL as a result of full acceptance of the Offer.

10. Persons acting in concert

The persons who, for the purposes of the Code, are acting in concert with WFCL include:

<i>Name</i>	<i>Type</i>	<i>Registered Office</i>	<i>Relationship with WFCL</i>
Seymour Pierce Limited	Private limited company registered in England and Wales	20 Old Bailey London EC4M 7EN	Connected Adviser

The persons who, for the purpose of the Code, are acting in concert with Watford Leisure include:

<i>Name</i>	<i>Type</i>	<i>Registered Office</i>	<i>Relationship with Watford Leisure</i>
Strand Hanson Limited	Private limited company registered in England and Wales	26 Mount Row London W1K 3SQ	Connected Adviser

11. Other information

- (a) Save as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between WFCL or any party acting or presumed to be acting in concert with WFCL and any of the directors, recent directors, shareholders or recent shareholders of Watford Leisure or any person interested or recently interested in Watford Leisure Shares which has any connection with, or dependence on, or which is conditional upon the outcome of the Offer.
- (b) There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Watford Leisure Shares to be acquired by WFCL pursuant to the Offer will be transferred to any person.
- (c) Save as disclosed in this document, there have been no material changes in the financial or trading position of Watford Leisure since 30 June 2010 (the date to which the last published audited accounts of Watford Leisure were prepared).

- (d) Seymour Pierce has given and has not withdrawn its written consent to the publication of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- (e) Strand Hanson has given and has not withdrawn its written consent to the publication of this document with the inclusion herein of the references to its name in the form and context in which they appear.
- (f) WFCL is not party to any agreement or arrangement which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.
- (g) WFCL does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) will depend to any significant extent on the business of Watford Leisure.

12. Documents incorporated by reference

Appendix III incorporates financial information on the Watford Leisure Group by reference to Watford Leisure's audited annual report and financial statements for the three financial years ended 30 June 2008, 30 June 2009 and 30 June 2010 and Watford Leisure's unaudited interim results to 31 December 2010. These documents are available for inspection at the following web address: <http://www.watfordleisureplc.com/financial-reports>.

Please refer to Appendix III for the relevant page numbers of the documents referred to above.

Any Watford Leisure Shareholder or Warrantholder may request a copy of any such document in hard copy form. A hard copy of such documents will not be sent to such persons unless requested from Capita Registrars by telephone or by post via the contact details set out on page 1 of this document. If requested, copies will be provided within two Business Days of such request.

13. Documents available for inspection

Copies of the following documents will be published on Watford Leisure's website at www.watfordleisureplc.com and WFCL's website at www.watfordfcltd.co.uk, and will also be available for inspection at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW, during usual business hours on any Business Day from the date of this document, being 25 March 2011, until the end of the Offer Period:

- (a) the Memorandum and Articles of Association of WFCL;
- (b) the Memorandum and Articles of Association of Watford Leisure;
- (c) the published audited financial statements of Watford Leisure for each of the two financial years ended 30 June 2009 and 30 June 2010 together with the interim accounts to 31 December 2010;
- (d) the loan agreements between WFCL and Laurence Bassini referred to in paragraph 6 of Appendix II to this document;
- (e) the Secured Bonds Restructuring Documents;
- (f) the Working Capital Facility;
- (g) the written consents referred to in paragraphs 11(d) and 11(e) of this Appendix V;
- (h) the irrevocable undertakings to accept the Offer referred to in paragraph 3 of the letter from the Chairman of WFCL set out in Part II of this document; and
- (i) the Announcement, this document and the Form of Acceptance.

25 March 2011

DEFINITIONS

The following definitions apply throughout this document, and in any accompanying Form of Acceptance, unless the context requires otherwise:

“AIM”	the market known as AIM operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies, as published by the London Stock Exchange (as amended from time to time);
“Announcement”	the announcement by WFCL on 10 March 2011 of its firm intention to make the Offer;
“Australia”	the Commonwealth of Australia, its states, territories and possessions;
“Bondholders”	the holders of the Secured Bonds, being Fordwat, Graham Simpson and David Fransen;
“Business Day”	a day (other than a UK public holiday, Saturday or Sunday) on which clearing banks in the City of London are open for the transaction of general commercial business;
“Canada”	Canada, its provinces and territories and all areas subject to its jurisdiction and any political sub-division thereof;
“Capita Registrars”	a trading name of Capita Registrars Limited;
“certificated” or “in certificated form”	the description of a share or other security which is not in uncertificated form (that is, not in CREST);
“Championship”	the Npower Championship of the Football League;
“Closing Price”	the closing middle-market quotation of a Watford Leisure Share as derived from the AIM appendix of the Daily Official List;
“Club”	The Watford Association Football Club Limited, a company incorporated in England and Wales with registered number 104194 whose registered office is at Vicarage Road Stadium, Watford, Hertfordshire WD18 0ER;
“Code”	the City Code on Takeovers and Mergers issued by the Panel, as amended from time to time;
“Companies Act 2006”	the Companies Act 2006 (as amended from time to time);
“CREST”	the computerised settlement system (as defined in the CREST Regulations) operated by Euroclear UK & Ireland Limited which facilitates the transfer of title to shares in uncertificated form;
“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);
“CREST participant”	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
“CREST payment”	shall have the meaning given in the CREST manual issued by Euroclear;

“CREST Regulations”	the Uncertificated Securities Regulations 2001, including (i) any enactment or subordinate legislation which amends or supersedes those regulations and (ii) any applicable rules made under those regulations or any such enactment or subordinate legislation for the time being in force;
“CREST sponsor”	a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	a CREST member admitted to CREST as a sponsored member;
“Daily Official List”	the Daily Official List published by the London Stock Exchange;
“Dealing Disclosure”	has the meaning given in Rule 8 of the Code;
“Electronic Acceptance”	means the inputting and settling of a TTE Instruction which constitutes or is deemed to constitute an acceptance of the Offer on the terms set out in this document;
“ESA instruction”	an Escrow Account Adjustment Input (AESN), transaction type “ESA” (as described in the CREST manual issued by Euroclear);
“Escrow Agent”	Capita Registrars in its capacity as escrow agent (as defined by the CREST Manual issued by Euroclear);
“Euroclear”	Euroclear UK & Ireland Limited;
“FA”	the Football Association;
“Financial Services Authority”	the Financial Services Authority in its capacity as the competent authority for the purposes of Part IV of FSMA;
“Football League”	the Football League Limited;
“Fordwat”	Fordwat Limited, a substantial shareholder in Watford Leisure;
“Form of Acceptance”	the form of acceptance and authority relating to the Offer and (where appropriate) accompanying this document which may only be completed by holders of Watford Leisure Shares in certificated form;
“FSMA”	the Financial Services and Market Act 2000 (as amended from time to time);
“Independent Directors”	Graham Taylor, Stuart Timperley and Julian Winter;
“Japan”	Japan, its cities, prefectures, territories and possessions;
“London Stock Exchange”	London Stock Exchange plc;
“member account ID”	the identification code or number attached to any member account in CREST;
“Offer”	the cash offer being made by WFCL to acquire all of the issued and to be issued Watford Leisure Shares on the terms and subject to the conditions set out in this document and, where appropriate, the Form of Acceptance, including,

where the context so requires, any subsequent revision, variation, extension or renewal of such offer;

“Offer Document”	this document;
“Offer Period”	the period commencing on 3 December 2010 and ending on the date which is the latest of (i) the first closing date, (ii) the date on which the Offer becomes, or is declared, unconditional as to acceptances and (iii) the date on which the Offer lapses or is withdrawn;
“Offer Price”	1 pence in cash per Watford Leisure Share;
“Opening Position Disclosure”	has the meaning given in Rule 8 of the Code;
“Optionholders”	holders of options to subscribe for Watford Leisure Shares pursuant to the Share Option Scheme;
“Overseas Shareholders”	Watford Leisure Shareholders (or nominees of, or custodians or trustees for Watford Leisure Shareholders) whose registered addresses are outside the UK or who are citizens or residents of countries other than the UK;
“Panel”	the Panel on Takeovers and Mergers;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or a CREST participant;
“pence” or “p”	UK pence sterling, the lawful currency of the United Kingdom;
“pounds” or “£”	UK pounds sterling, the lawful currency of the United Kingdom;
“Receiving Agent”	Capita Registrars;
“Regulatory Information Service”	any information service authorised from time to time by the Financial Services Authority for the purpose of disseminating regulatory announcements;
“Restricted Jurisdiction”	the United States, Canada, Australia, South Africa and Japan and any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Watford Leisure Shareholders in that jurisdiction;
“Secured Bonds”	the £10.142 million of floating rate bonds (alternatively called “notes”) issued by Watford Leisure, which are guaranteed by the Club and secured over the freehold of the Vicarage Road Stadium and all other assets of the Company and the Club and which are currently due for repayment on 12 July 2011;
“Secured Bonds Documents”	the principal documents which together constitute or otherwise relate to the Secured Bonds, comprising the Deed of Covenant, the Club Debenture, the Parent Debenture, the Security Trust Deed and the Deed of Priorities, each as referred to in Part A of Appendix IV to this document, and the subscription agreement referred to in paragraph 6(h) of Appendix V to this document;

“Secured Bonds Restructuring”	the proposed restructuring of the Secured Bonds as described in paragraph 4 of the letter from the Independent Directors in Part I and in Appendix IV to this document;
“Secured Bonds Restructuring Documents”	the principal documents which will effect the Secured Bonds Restructuring subject to and upon the Offer becoming or being declared wholly unconditional, comprising the Supplemental Deed and the Deed of Waiver each as referred to in Part B of Appendix IV to this document;
“Seymour Pierce”	Seymour Pierce Limited, the financial adviser to WFCL;
“Share Option Scheme”	the Watford Leisure Enterprise Management Incentive Option Scheme;
“Share Options”	options granted under the Share Option Scheme;
“South Africa”	South Africa, its possessions and territories and all areas subject to its jurisdiction or any political subdivision thereof;
“Stadium” or “Vicarage Road Stadium”	the sports stadium, land and other facilities at Vicarage Road, Watford, Hertfordshire, WD18 0ER;
“Strand Hanson”	Strand Hanson Limited, the financial adviser to Watford Leisure;
“subsidiary” or “subsidiary undertaking”	shall be construed in accordance with the Companies Act 2006;
“TFE Instruction”	a Transfer from Escrow instruction (as defined by the CREST Manual issued by Euroclear);
“TTE Instruction”	a Transfer to Escrow instruction (as defined by the CREST Manual issued by Euroclear);
“Treasury Shares”	shares held as treasury shares as defined in section 724(5) of the Companies Act 2006;
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“United States”	the United States of America, its territories and possessions, all areas subject to its jurisdiction or any subdivision thereof, any state of the United States and the District of Columbia;
“Warrantholders”	the holders, from time to time, of Warrants;
“Warrants”	the 202,840,000 warrants constituted under a warrant instrument dated 13 July 2010 each entitling the Warrantholder to subscribe for Watford Leisure Shares for 4p per Watford Leisure Share at any time up to 13 July 2015;
“Watford Leisure” or the “Company”	Watford Leisure PLC, a company incorporated in England and Wales with registered number 3335610, whose

	registered office is at Vicarage Road Stadium, Watford, Hertfordshire WD18 0ER;
“Watford Leisure Directors” or “Watford Leisure Board”	the directors of Watford Leisure, being Graham Taylor, Julian Winter, David Fransen and Stuart Timperley;
“Watford Leisure Group”	Watford Leisure and its subsidiaries and subsidiary undertakings;
“Watford Leisure Shareholders”	the holders, from time to time, of Watford Leisure Shares;
“Watford Leisure Shares”	the existing unconditionally allotted or issued and fully paid (or credited as fully paid) ordinary shares of 1 pence each in the capital of Watford Leisure and any further such shares which are unconditionally allotted or issued and fully paid (or credited as fully paid) on or prior to the date on which the Offer closes or, subject to the provisions of the Code or with the consent of the Panel, by such earlier date or dates as WFCL may determine, including any such shares issued or unconditionally allotted upon the exercise of the Warrants;
“WFCL”	Watford FC Limited, a company incorporated in England and Wales with registered number 07489618 whose registered office is at 85 Oxford Road, High Wycombe HP11 2DX;
“WFCL Director” or “WFCL Board”	Panos Thomas;
“Wider Watford Leisure Group”	Watford Leisure and its subsidiaries, subsidiary undertakings, associated undertakings and any other undertakings in which Watford Leisure and/or such undertakings (aggregating their interests) have a substantial interest. For these purposes substantial interest means a direct or indirect interest in more than 20 per cent. of the equity share capital (as defined in the Companies Act 2006); and
“Working Capital Facility”	the £3.5 million working capital facility summarised in paragraph 6(l) of Appendix V to this document.

All references to legislation in this document are to English legislation unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

All references to time in this document are to London time.

Words imparting the singular shall include the plural and *vice versa*, and words imparting the masculine gender shall include the feminine or neutral gender.

For the purposes of this document, subsidiary, subsidiary undertaking and parent undertaking have the respective meanings given to them by the Companies Act 2006 and substantial interest means the direct or indirect interest of twenty (20) per cent. or more of the equity share capital (as defined in the Companies Act 2006) of any undertaking.

Terms defined in the CREST Manual issued by Euroclear shall, unless the context otherwise requires, bear the same meanings where used in this document.