

31 March 2008

Watford Leisure PLC (“Watford Leisure” or the “Company”)

Unaudited Interim Results for the six months ended 31 December 2007

Chairman’s Statement

General overview

I am pleased to report that the results for the six-month period ended 31 December 2007 show a profit before taxation of £4,144,404 against a profit of £1,383,017 for the equivalent period last year.

Following relegation from the Premier League last season, the period under review has seen Watford Football Club (“the Club”) competing once again in the Championship. With hindsight I think it is fair to say that the Club was simply not prepared for sustained Premiership football last season and we went through a difficult learning process. However both the players and management team gained invaluable experience and the Club took advantage of the opportunity to invest both in its playing staff and in the Club infrastructure more generally. We did not want to lose momentum so the decision was taken at the start of this season to try and maintain, as far as possible, the current playing squad in order to give the Club the best possible chance of securing promotion back into the Premiership at the earliest opportunity.

At the Club, the home fans are now making good use of the new concourse facilities in the Rookery Stand and our corporate customers are enjoying the new hospitality suites in the Rous Stand. Construction of the key worker housing units at the back of the Rookery Stand continues apace. The work also extends to the development of the “shell and core” for the south-west corner, the infill for which will be constructed during the latter months of 2008. This will enable us to move the current changing rooms and other matchday facilities out of the East Stand into the south-west corner and ultimately to re-build the East Stand.

Financial Results

The profit on ordinary activities after taxation was £3,754,404 (2006: £1,383,017 profit).

Revenue for the first six months of the year was £11,269,805 (2006: £13,976,538) – a decrease of £2,706,733. This is due primarily to the drop in league funding. In addition the average match attendance to date in the Championship this season is 16,786 versus 18,882 last season in the Premiership. The drop in average attendances flows through into lower ticket sales and to a lesser extent lower matchday catering income (albeit the home supporters are currently spending more per head in the kiosks on matchdays).

Cost of sales increased period on period by £2,032,841 which is driven by higher footballing costs and an increased amortisation charge on capitalised players’ registrations. Administrative expenses increased by £1,065,853 to £3,336,776 as a result of additional costs relating to the new office in Tolpits Lane, a higher depreciation charge following significant capital investment in the stadium last year as well as increased staff costs.

The profit on disposal of players’ registrations of £3,941,635 is comprised primarily of the profit arising on the sale of Hameur Bouazza’s registration to Fulham FC in August 2007 together with appearance and sell-on payments for players transferred in previous seasons. The exceptional income of £4,558,008 relates to the lease premium received in connection with the 125 year lease granted by the Club to the St. Pancras & Humanist Housing Association for the key worker housing units at the rear of the Rookery Stand. Given the length of the lease, the transaction is being treated as an outright disposal and recognised in full in the Income Statement in the year of receipt.

The Team and Football Management

The team did not progress very far in either the Carling Cup or FA Cup competitions being knocked out at the second and fourth round stages respectively. In some respects this has been a blessing in disguise as

our primary focus this season has always been to finish in one of the two top places in the Championship and thereby achieve automatic promotion.

In January 2008 Marlon King was transferred to Wigan. To many observers this may have seemed to be a strange decision given Marlon's undoubted scoring and all-round football abilities. However Marlon had decided that the time was right for him to move to another club and we decided, with regret, not to stand in his way. The transfer cash received enabled us to strengthen our squad with the purchase of John Eustace, Leigh Bromby and Matt Sadler all of whom have made a significant and immediate impact to the team's performances.

In addition, we also we received the news in January that Al Bangura had won his fight to remain in the United Kingdom following the grant of a work permit. Many people worked tirelessly on his and our behalf not least Claire Ward, Watford's MP. I am delighted with the outcome and thank all those supporters in Watford and beyond who helped keep up the pressure on the relevant authorities.

Currently the team is well-placed to compete for one of the automatic promotion places. The Championship is proving to be a very competitive league and a number of teams have a realistic chance of achieving promotion. With Aidy Boothroyd, his management team and the current squad of players, I believe we have a great chance of returning to the Premiership.

I would like to take this opportunity to thank Keith Burkinshaw, who recently stepped down as Assistant Manager, for his contribution to the success of the Club over the last three years.

Other Developments and Future Prospects

It is fitting that the Club was recently named Community Club of the Year for 2008 at the Football League Awards recognising its achievement in the local community. Watford Football Club has long since been recognised for its outstanding work in not just Watford, but also the rest of Hertfordshire and beyond. To be named Community Club of the Year is one of the great honours and serves to highlight just how dedicated, committed and talented our group of staff are at Vicarage Road. Particular congratulations must go to Community Director Julian Winter and Head of Community Development Rob Smith, who have led their team to this prestigious award.

Furthermore, we were also delighted to be honoured by the High Sheriff of Hertfordshire for our contribution to the county with our pioneering Positive Futures campaign, which works to eradicate anti-social behaviour and crime in the locality. Our CEO, Mark Ashton, also received a personal award for his contribution to community work.

Work on our stadium continues to provide a positive outlook for the future. As mentioned previously improvements to the Rookery and Rous Stands have significantly enhanced the matchday experience of supporters accommodated in these areas. In the south-west corner we are providing new facilities for playing and management staff, as well as the media, whilst plans for a new East Stand have been submitted to Watford Borough Council for approval.

The aforementioned development work sits alongside the ongoing plans for the £1bn Watford Health Campus project. The Club is proud to be a partner in what widely regarded to be Watford's most important single development which is currently in the planning submission stage with an outcome anticipated in the coming months. The Campus project will result in a significantly enhanced west Watford, a new state-of-the-art acute hospital for Hertfordshire and improved transport links, both to and from the existing hospital and Club site, which will provide huge potential for the Club on matchdays and non-matchdays alike.

As always we are looking to improve the Club's future prospects and my thanks go out to all our staff, fans and others involved in the Club for your ongoing commitment and support.

GRAHAM SIMPSON
Chairman
31 March 2008

WATFORD LEISURE PLC

Consolidated income statement for the half year ended 31 December 2007

	Unaudited half year ended 31 December 2007 £	Unaudited half year ended 31 December 2006 £	Unaudited year ended 30 June 2007 £
Revenue	11,269,805	13,976,538	29,911,673
Cost of sales	12,378,119	10,345,278	23,302,773
Gross (loss) / profit	(1,108,314)	3,631,260	6,608,900
Administrative expenses	3,336,776	2,270,923	6,773,307
	(4,445,090)	1,360,337	(164,407)
Other operating income	274,470	220,220	426,138
Operating (loss) / profit	(4,170,620)	1,580,557	261,731
Premium received on grant of long lease	4,558,008	-	-
Profit on disposal of players' registrations	3,941,635	22,500	7,956,784
Financing income	48,693	45,388	92,975
Financing costs	(233,312)	(265,428)	(348,014)
Profit before taxation	4,144,404	1,383,017	7,963,476
Taxation	(390,000)	-	-
Profit for the period	3,754,404	1,383,017	7,963,476
Attributable to :			
Equity holders of the parent	3,603,211	1,330,289	7,634,646
Minority interests	151,193	52,728	328,830
Profit for the period	3,754,404	1,383,017	7,963,476
Earnings per 1p share (basic and diluted)	8.6p	3.0p	17.4p

None of the company's activities was acquired or discontinued during the above financial periods.

The company has no recognised gains or losses other than those included in the results above and therefore no separate statement of total recognised gains and losses has been presented.

Consolidated balance sheet at 31 December 2007

	Unaudited 31 December 2007 £	Unaudited 31 December 2006 £	Unaudited 30 June 2007 £
Non-current assets			
Property, plant and equipment	13,926,052	9,112,461	11,853,766
Intangible assets	10,110,739	5,978,809	8,522,521
	24,036,791	15,091,270	20,376,287
Current assets			
Inventories	215,491	322,602	157,420
Trade and other receivables	4,440,711	1,815,728	5,719,927
Cash at bank and in hand	1,367,586	66,861	569,550
	6,023,788	2,205,191	6,446,897
Total assets	30,060,579	17,296,461	26,823,184
Non-current liabilities			
Convertible Loan Notes 2009	592,000	667,000	592,000
Bank loan	60,068	184,074	116,964
Trade and other payables	1,675,388	1,034,693	1,162,601
Deferred taxation	390,000	-	-
Other financial liabilities	831,782	831,782	831,782
	3,549,238	2,717,549	2,703,347
Current liabilities			
Bank overdraft	-	1,021,371	2,460,735
Bank loan	5,113,434	91,355	110,084
Trade and other payables	7,284,075	6,846,575	11,330,210
Other financial liabilities	75,000	2,547,500	2,047,500
Deferred income	4,670,735	5,038,877	2,557,615
	17,143,244	15,545,678	18,506,144
Total liabilities	20,692,482	18,263,227	21,209,491
Net assets	9,368,097	(966,766)	5,613,693
Equity			
Capital and reserves			
Called up share capital	438,857	438,857	438,857
Special reserve	10,650,875	10,650,875	10,650,875
Retained deficit	(1,634,784)	(11,542,352)	(5,237,995)
Equity attributable to equity holders of the parent	9,454,948	(452,620)	5,851,737
Minority interests	(86,851)	(514,146)	(238,044)
Total equity	9,368,097	(966,766)	5,613,693

Consolidated cash flow statement for the half year ended 31 December 2007

	Unaudited half year ended 31 December 2007 £	Unaudited half year ended 31 December 2006 £	Unaudited year ended 30 June 2007 £
Operating activities			
Profit before tax	4,144,404	1,383,017	7,963,476
Amortisation of intangible fixed assets	2,185,341	1,172,629	3,239,813
Depreciation of property, plant and equipment	354,042	102,358	267,513
Net loss / (profit) on disposal of sundry fixed assets	2,409	-	8,927
Profit on disposal of players' registrations	(3,941,635)	(22,500)	(7,956,784)
Premium received on grant of long lease	(4,558,008)	-	-
Financing income	(48,693)	(45,388)	(92,975)
Financing costs	233,312	265,428	348,014
Increase in inventories	(58,071)	(191,480)	(26,298)
(Increase) / decrease in receivables	(682,534)	548,007	1,155,558
Increase in payables and deferred income	927,352	1,258,013	172,697
Cash generated from operations	(1,442,081)	4,470,084	5,079,941
Cash flows from investing activities			
Purchase of intangible fixed assets	(5,032,378)	(2,849,054)	(5,457,191)
Purchase of property, plant and equipment	(3,559,719)	(1,184,889)	(2,915,957)
Proceeds from sale of intangible fixed assets	5,934,788	149,750	3,668,000
Proceeds from sale of leasehold interest	4,558,008	-	5,131
Net cash generated by / (used in) investing activities	1,900,699	(3,884,193)	(4,700,017)
Financing activities			
Advances / (repayments) of debt	2,973,954	(1,818,356)	(2,441,737)
Interest received	48,693	45,388	92,975
Interest paid	(222,494)	(218,184)	(373,098)
Net cash generated by / (used in) financing activities	2,800,153	(1,991,152)	(2,721,860)
Net increase / (decrease) in cash and cash equivalents	3,258,771	(1,405,261)	(2,341,936)
Cash and cash equivalents at start of period	(1,891,185)	450,751	450,751
Cash and cash equivalents at end of period	1,367,586	(954,510)	(1,891,185)
Cash and cash equivalents consist :			
Cash at bank and in hand	1,367,586	66,861	569,550
Bank overdraft	-	(1,021,371)	(2,460,735)
Total	1,367,586	(954,510)	(1,891,185)

Consolidated statement of changes in equity for the half year ended 31 December 2007

	Attributable to equity holders of the parent				Minority interest	Total
	Share capital	Special reserve	Retained earnings	Total		
	£	£	£	£	£	£
Equity shareholders' funds at 1 July 2006	438,857	10,650,875	(12,872,641)	(1,782,909)	(566,874)	(2,349,783)
Profit for the period	-	-	1,330,289	1,330,289	52,728	1,383,017
Equity shareholders' funds at 31 December 2006	438,857	10,650,875	(11,542,352)	(452,620)	(514,146)	(966,766)
Profit for the period	-	-	6,304,357	6,304,357	276,102	6,580,459
Equity shareholders' funds at 30 June 2007	438,857	10,650,875	(5,237,995)	5,851,737	(238,044)	5,613,693
Profit for the period	-	-	3,603,211	3,603,211	151,193	3,754,404
Equity shareholders' funds at 31 December 2007	438,857	10,650,875	(1,634,784)	9,454,948	(86,851)	9,368,097

NOTES TO THE FINANCIAL STATEMENTS

- The annual financial statements of the Group to 30 June 2008 are required to be prepared in accordance with International Financial Reporting Standards ("IFRS"). This Interim Report, comprising a Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and accompanying notes, has been prepared in accordance with the recognition and measurement criteria of IFRS and the AIM rules save that the Group has elected not to adopt IAS34, Interim Reports. These IFRS interim financial statements do not include all the information required for full IFRS financial statements.

The interim results do not constitute the statutory accounts within the meaning of s240 of the Companies Act 1985. The financial information in this report for the six months to 31 December 2007 and 31 December 2006 has not been audited. The comparative figures for the year ended 30 June 2007 are extracted from the Group's audited financial statements for that period as filed with the Registrar of Companies and restated for IFRS. It does not constitute the financial statements for that period. Those accounts received an unqualified audit report which did not contain any statement under sections 237 (2) or (3) of the Companies Act 1985.

The financial statements for the interim period have been prepared in accordance with policies which the Group will adopt for its 2008 financial statements.

- Taxation**

The taxation charge for the six months to 31 December 2007 is £390,000 (2006: £NIL). During the period, a premium was received on the granting of a long lease. This represents a capital disposal for tax purposes, the taxable gain on which will be deferred through effecting a roll-over into other assets of the club which are either already owned or which are to be acquired within the requisite period. The resulting reduction in the tax cost of the assets into which the gain has been deferred gives rise to a temporary difference between the tax cost and the accounting book value of these assets. This temporary difference is required to be recognised under International Accounting Standard 12, "Income Taxes", even though it is the club's intention that this liability be deferred for the foreseeable future.

3. Earnings per Share

	Unaudited half year ended 31 December 2007	Unaudited half year ended 31 December 2006	Unaudited year ended 30 June 2007
	£	£	£
Earnings per ordinary share have been calculated as follows:			
Profit for the financial period	£ 3,754,404	£ 1,330,289	£ 7,634,646
Weighted average number of shares in issue	43,885,693	43,885,693	43,885,693
Earnings per ordinary share	8.6p	3.0p	17.4p

4. Analysis of changes in net debt

	Unaudited	Unaudited	Unaudited	Unaudited
	At 30 June 2007	Cash flows	Other changes	At 31 December 2007
	£	£	£	£
Cash at bank and in hand	569,550	798,036	-	1,367,586
Bank overdraft	(2,460,735)	2,460,735	-	-
Net cash at bank and in hand	(1,891,185)	3,258,771	-	1,367,586
Bank loans due within 1 year	(110,084)	(4,946,454)	(56,896)	(5,113,434)
Other loans due within 1 year	(2,047,500)	1,972,500	-	(75,000)
Loan notes 2009	(592,000)	-	-	(592,000)
Bank loans due after than 1 year	(116,964)	-	56,896	(60,068)
Other loans due after 1 year	(831,782)	-	-	(831,782)
	(3,698,330)	(2,973,954)	-	(6,672,284)
Net cash/(debt)	(5,589,515)	284,817	-	(5,304,698)

5. Transition to International Financial Reporting Standards (“IFRS”)

As stated in note 1 above, the annual financial statements for the year ending 30 June 2008 will be prepared in accordance with IFRS. IFRS 1 “First time adoption of IFRS” requires the disclosure of the effect of adopting IFRS on figures previously reported under UK GAAP. At 30 June 2006, 31 December 2006 and 30 June 2007 and for the financial periods ended on those dates, there is no financial effect of adopting IFRS on the previously reported UK GAAP figures. No reconciliation is therefore presented.