

**31 March 2009**

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

**Unaudited Interim Results for the six months ended 31 December 2008**

**Chairman’s Statement**

I present the Interim Report to Shareholders for the six months ended 31 December 2008. The results are disappointing and clearly Watford Football Club (the Club) is facing major challenges both on and off the pitch this season.

Following the resignation of Graham Simpson at the E.G.M and Mark Ashton shortly afterwards, Andrew Wilson agreed to act as interim Chairman and he appointed Julian Winter as C.E.O. and stated that a new Board would be formed. My brother, Vince, and I were invited to join the Board in January together with Stuart Timperley and Graham Taylor. Subsequently, Andrew Wilson resigned as interim Chairman and as Director and I was appointed Executive Chairman with my brother as Executive Vice Chairman. We have additionally appointed David Fransen and Robin Williams to the Board. We now have a genuinely broad based Board with a wealth of experience in business and football matters and I am totally confident that with the dedication and commitment that we all have, we will be able to guide the Club through the difficult and challenging times ahead. We will have to take many hard decisions in our drive to return the Club to financial stability going forward and as a Board, we would seek your support and patience. As your Chairman I will not promise or undertake to do anything that I know I cannot deliver. I would seek to be open and approachable to all as it is important to me that everyone is aware of the progress we make and the decisions we take.

At this point I would wish to express my thanks to my brother for his invaluable support, to Julian Winter for his immense contribution in recognising the problems and acting positively to resolve them and to all the other Board members who have moved quickly and responded with determined intention to all of the challenges ahead of us.

The recent announcement that Sir Elton John is to return as a Life President is most welcome and satisfying. Sir Elton’s passion for the Club is infectious to all and his name is synonymous with Watford. This is really good news.

I now focus my attention on the Manager, Brendan Rogers. Brendan has settled in well at the Club and has recognised and accepted the challenges ahead both at Board level and on the pitch. Let there be no misunderstanding: Brendan, his team and his playing squad must and do enjoy the total support of us all and it is success on the playing field which is the ultimate benchmark for any football club. It is vital that we remain in the Championship League. Performances of late have moved us towards safety and I am hopeful that we will end the season in the top half of the league.

We now look to the future, not dwelling on the past. There are no more parachute payments next year and we therefore have to act now to reduce costs wherever practicable but we will always be mindful of the Manager’s needs.

One of the first decisions of the new Board was to review season ticket costs for 2009/2010. We felt that in these uncertain economic times, both business and individual fans are reining in their discretionary spend. We have enjoyed wonderful support since I first joined the Club some five years ago and I am keen that we help our fans who are the life blood of the Club by reducing season ticket prices between 16 – 20%. This is a real contribution by the Club and Company to our fan base, and this has been really well received by them.

Construction of the key worker housing units at the back of the Rookery (south) Stand continues apace and work will shortly commence on the northwest corner. The shell and core or “wrap around” in the southwest corner has now been completed. The plan initially had been to fit out the southwest corner in preparation for the start of the 2009/10 season. However, given financial constraints, we are forced to revisit the plan with a view to identifying more cost effective options. Currently we are looking at completing the fit out in stages with the changing rooms and other critical match day facilities at ground level taking priority. This would enable us to demolish the East Stand which I think everybody would agree is now not just an eyesore but also a drain on our limited resources in that we will need to spend money making it safe. I cannot at this stage give you any guarantees or timelines. What I will say though is that I, and my fellow Directors, will

endeavour to keep you informed of developments on a regular basis and in time we will deliver a stadium which matches the Club's aspirations and potential.

## **Financial Results**

The accounts reflect the Club's second year in the Championship following relegation from the Premier League in May 2007. Revenue for the first six months of the year was £11.0m (2007: £11.3m) and the loss on ordinary activities after taxation was £(2.3m) (2007: £3.8m profit).

Matchday revenue of £2.1m is £0.4m lower than last year primarily because of a fall in league match ticket income. The average attendance at Vicarage Road this season has been 14,416 against 16,870 last season. Media revenue of £7.7m is £0.4m higher than in 2007 as a result of additional distributions from the Football and Premier Leagues and additional revenue generated from the Carling Cup. Commercial revenue, however, is £0.3m lower than in 2007 due in the main to a fall in merchandising sales. Cost of sales increased by £0.5m which is due in part to an increased amortisation charge on capitalised player registrations and to the full provision for termination settlements for certain staff and players. Administrative expenses were unchanged at £3.3m. Going forward the administrative expenses will drop because of the current cost reduction programme. The profit on disposal of players' registrations of £3.0m is comprised primarily of the profit arising on the sale of the registrations of Darius Henderson (to Sheffield United) and Danny Shittu (to Bolton Wanderers) in August 2008 together with appearance fees paid in relation to other players transferred in previous seasons. Cash absorbed by operations was £(0.3m) as against £(1.4m) last year. The Company spent £1.8m on acquiring player registrations which relates primarily to deferred payments on Nathan Ellington, Tamas Priskin, Leigh Bromby and Mat Sadler but received £6.6m on the disposal of player registrations (primarily Danny Shittu, Darius Henderson, Hameur Bouazza and a loan fee for Nathan Ellington). Bank debt of £7.1m was repaid during the period together with a loan of £1.5m which was securitised on the debt owed by Fulham FC in respect of the sale of Hameur Bouazza. New loans resulted in a cash inflow of £2.6m. Overall there was a net cash outflow of £(2.2m) against an inflow of £3.3m last year (which included the exceptional receipt of £4.6m from the premium received on the grant of a long lease of the land behind the south stand).

## **The Team and Football Management**

We now have a new horizon and I am happy both in Brendan Rodgers the Manager and the Man himself. Brendan is his own man but he also realises that we need to work closely so that we can trade through this difficult period. One of Brendan's concerns was that he wasn't fully informed as to the position of the Club's finances. I have been totally honest up front with him and he is fully aware of what Watford FC will look like going forward. Our performances have improved greatly and with this comes extra gate receipts. It is my feeling that if we are to be successful we must entertain the paying public. We cannot expect fans to turn up at Vicarage Road and pay good money and leave the stadium with a neck ache having watched 90 minutes of long ball football with players who had no interest in the Club only to take their money every week!

Full marks to the Manager: he has introduced young players such as Jack Cork from Chelsea and Gavin Hoyte from Arsenal as well as giving opportunities for Ross Jenkins to play regularly in the first team. Off the pitch he has been well supported by John Stephenson who clearly has the eye in recruiting players that will not cost a fortune and yet will deliver at our level. Players such as Mike Williamson and Don Cowie have made big impacts quickly. It would also be fair to say that these players bring excellent value to us and we will be looking for more players from the lower clubs as the days of big spending are over for now. I'm also pleased to say that we have been able to send several players out on loan and allow them to develop with other clubs with a possibility of returning back to us as better players. We have also had to settle with certain players as the Manager feels they do not have a future at the Club and therefore it is our policy that we allow players to seek their fortunes elsewhere, wishing them well on the way.

Clearly we appear to be playing our way out of trouble and have enjoyed some really good reviews in the press despite having suffered two late penalties in recent weeks. We have had a good Carling Cup run with wins against Darlington, Bristol Rovers, Swansea and West Ham, albeit we have also enjoyed some good fortune having been drawn at home on all occasions. As for the FA Cup, wins against Scunthorpe and Crystal Palace and the defeat by Chelsea showed me that Brendan was able to field a team to contain probably one of the strongest teams in the world for 70 odd minutes!

## **Outlook**

I remain optimistic for the future and I have been really impressed by the administrative team. We have some great individuals who have great commitment and serve the Club really well. I would like to take this opportunity to say how pleased I am to have inherited Julian Winter (CEO). He has incredible knowledge of the Club and as an ex player understands the footballing side. He has tireless energy and is determined to help the Board turn round the future of the Club for which I sincerely thank him. The Harefield Academy is also a wonderful facility and with some fifty boys attending the school this should bear fruit over the next few years but we still have to be prudent on how we spend our money and therefore we will be looking for sponsorship in order to help us on our way to making the academy the best in the country. I must also give a special thanks to Rob Smith, who heads up the Community Sports & Education Trust who, along with Chris Norton, has achieved wonderful things and I look forward to seeing even more impressive results. It is important that as a football club we are also focused on the community because the community is the football club and therefore it is important to me that what we deliver is the best.

Having taken the responsibility as Chairman of Watford Football Club, I can guarantee to every single shareholder and supporter that I will give it my best at all times. As you are all aware it is difficult to keep a 20,000 plus fan base happy but at no stage will my integrity be questioned and I will always be prepared to answer honestly any questions that any fan or shareholder would like to ask.

This indeed is a new chapter in the history of Watford Football Club and I urge you all to support us for next season and for the future.

**JIMMY RUSSO**  
**Chairman**  
**31 March 2009**

## WATFORD LEISURE PLC

### Consolidated income statement for the half year ended 31 December 2008

	Operations excluding player trading	Player trading	Unaudited half year ended 31 December 2008 £'000	Unaudited half year ended 31 December 2007 £'000	Audited year ended 30 June 2008 £'000
	£000's	£000's	£'000	£'000	£'000
Revenue	10,990	-	10,990	11,270	22,363
Cost of sales	10,552	2,317	12,869	12,378	27,738
<b>Gross loss</b>	<b>438</b>	<b>(2,317)</b>	<b>(1,879)</b>	<b>(1,108)</b>	<b>(5,375)</b>
Administrative expenses	3,330	-	3,330	3,337	6,180
<b>Loss from trading before asset transactions and exceptional items</b>	<b>(2,892)</b>	<b>(2,317)</b>	<b>(5,209)</b>	<b>(4,445)</b>	<b>(11,555)</b>
Other operating income	261	-	261	274	578
<b>Operating loss</b>	<b>(2,631)</b>	<b>(2,317)</b>	<b>(4,948)</b>	<b>(4,171)</b>	<b>(10,977)</b>
Profit on disposal of players' registrations	-	2,952	2,952	3,942	7,372
Premium received on grant of long lease	-	-	-	4,558	4,558
Financing income	23	-	23	49	99
Financing costs	(306)	-	(306)	(234)	(626)
<b>(Loss) / profit before taxation</b>	<b>(2,914)</b>	<b>635</b>	<b>(2,279)</b>	<b>4,144</b>	<b>426</b>
Taxation	-	-	-	(390)	-
<b>(Loss) / profit for the period</b>	<b>(£2,914)</b>	<b>£635</b>	<b>(£2,279)</b>	<b>£3,754</b>	<b>£426</b>
<b>Attributable to :</b>					
Equity holders of the parent			(2,189)	3,603	418
Minority interests			(90)	151	8
<b>(Loss) / profit for the period</b>			<b>(£2,279)</b>	<b>£3,754</b>	<b>£426</b>
<b>(Loss) / earnings per 1p share (basic and diluted)</b>			<b>(5.0p)</b>	<b>8.2p</b>	<b>1.0p</b>

**WATFORD LEISURE PLC**  
**Consolidated balance sheet at 31 December 2008**

	Unaudited 31 December 2008 £'000	Unaudited 31 December 2007 £'000	Audited 30 June 2008 £'000
<b>Non-current assets</b>			
Property, plant and equipment	13,830	13,926	13,981
Intangible assets	4,468	10,111	8,148
	<u>18,298</u>	<u>24,037</u>	<u>22,129</u>
<b>Current assets</b>			
Inventories	306	215	137
Trade and other receivables	2,159	4,441	5,051
Cash and cash equivalents	78	1,368	2,039
	<u>2,543</u>	<u>6,024</u>	<u>7,227</u>
<b>Total assets</b>	<u>20,841</u>	<u>30,061</u>	<u>29,356</u>
<b>Current liabilities</b>			
Bank overdraft	262	-	-
Interest bearing loans and other borrowings	456	5,189	8,856
Trade and other payables	5,353	7,284	6,745
Deferred revenue	5,751	4,635	4,751
	<u>11,822</u>	<u>17,108</u>	<u>20,352</u>
<b>Current liabilities</b>	<u>11,822</u>	<u>17,108</u>	<u>20,352</u>
<b>Non-current liabilities</b>			
Interest bearing loans and other borrowings	3,647	1,484	1,261
Trade and other payables	1,580	1,675	1,670
Deferred taxation	-	390	-
Deferred revenue	31	36	33
	<u>5,258</u>	<u>3,585</u>	<u>2,964</u>
<b>Non-current liabilities</b>	<u>5,258</u>	<u>3,585</u>	<u>2,964</u>
<b>Total liabilities</b>	<u>17,080</u>	<u>20,693</u>	<u>23,316</u>
<b>Net assets</b>	<u>£3,761</u>	<u>£9,368</u>	<u>£6,040</u>
<b>Equity</b>			
<b>Capital and reserves</b>			
Called up share capital	439	439	439
Special reserve	10,651	10,651	10,651
Profit and loss account	(7,009)	(1,635)	(4,820)
	<u>4,081</u>	<u>9,455</u>	<u>6,270</u>
<b>Equity attributable to equity holders of the parent</b>	<u>4,081</u>	<u>9,455</u>	<u>6,270</u>
<b>Minority interests</b>	<u>(320)</u>	<u>(87)</u>	<u>(230)</u>
<b>Total equity</b>	<u>£3,761</u>	<u>£9,368</u>	<u>£6,040</u>

# WATFORD LEISURE PLC

## Consolidated cash flow statement for the half year ended 31 December 2008

	Unaudited half year ended 31 December 2008 £'000	Unaudited half year ended 31 December 2007 £'000	Audited year ended 30 June 2008 £'000
<b>Operating activities</b>			
(Loss) / profit before tax	(2,279)	4,144	426
Amortisation of intangible assets	2,317	2,185	5,830
Depreciation of property, plant and equipment	514	354	893
Net profit on disposal of sundry non-current assets	-	2	2
Profit on disposal of players' registrations	(2,952)	(3,942)	(7,372)
Premium received on grant of long lease	-	(4,558)	(4,558)
Financing income	(23)	(49)	(99)
Financing costs	306	234	626
(Increase) / decrease in inventories	(169)	(58)	20
Decrease / (increase) in receivables	755	(682)	(1,193)
Increase / (decrease) in payables and deferred income	1,241	928	(276)
<b>Cash absorbed by operations</b>	<b>(290)</b>	<b>(1,442)</b>	<b>(5,701)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(1,816)	(5,032)	(6,259)
Purchase of property, plant and equipment	(478)	(3,560)	(4,028)
Proceeds from sale of intangible assets	6,641	5,935	9,479
Proceeds from sale of property, plant & equipment	-	4,558	4,558
<b>Net cash generated by investing activities</b>	<b>4,347</b>	<b>1,901</b>	<b>3,750</b>
<b>Cash flows from financing activities</b>			
Advances of debt	2,604	2,974	8,500
Repayments of debt	(8,618)	-	(2,081)
Interest received	23	49	99
Interest paid	(289)	(223)	(637)
<b>Net cash (used in) / generated by financing activities</b>	<b>(6,280)</b>	<b>2,800</b>	<b>5,881</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(2,223)</b>	<b>3,259</b>	<b>3,930</b>
<b>Cash and cash equivalents at start of period</b>	<b>2,039</b>	<b>(1,891)</b>	<b>(1,891)</b>
<b>Cash and cash equivalents at end of period</b>	<b>(£184)</b>	<b>£1,368</b>	<b>£2,039</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and cash equivalents	78	1,368	2,039
Bank overdraft	(262)	-	-
	<b>(£184)</b>	<b>£1,368</b>	<b>£2,039</b>

## WATFORD LEISURE PLC

### Consolidated statement of changes in equity for the half year ended 31 December 2008

	Attributable to equity holders of the parent				Minority	
	Share capital	Special reserve	Retained earnings	Total	interest	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Equity shareholders funds at 1 July 2007	439	10,651	(5,238)	5,852	(238)	5,614
Profit for the period	-	-	3,603	3,603	151	3,754
Equity shareholders funds at 31 December 2007	439	10,651	(1,635)	9,455	(87)	9,368
Loss for the period	-	-	(3,185)	(3,185)	(143)	(3,328)
Equity shareholders funds at 30 June 2008	439	10,651	(4,820)	6,270	(230)	6,040
Loss for the period	-	-	(2,189)	(2,189)	(90)	(2,279)
Equity shareholders funds at 31 December 2008	<b>£439</b>	<b>£10,651</b>	<b>(£7,009)</b>	<b>£4,081</b>	<b>(£320)</b>	<b>£3,761</b>

## NOTES TO THE INTERIM REPORT

### 1. Basis of Preparation

This Interim Report, comprising the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity and accompanying notes, has been prepared in accordance with the recognition and measurement criteria of IFRS and the AIM Rules for companies 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 annual financial statements.

The interim results do not constitute the statutory accounts within the meaning of s435 of the Companies Act 2006. The financial information in this report for the six months to 31 December 2008 and 31 December 2007 has not been audited. The comparative figures for the year ended 30 June 2008 are extracted from the Group's audited financial statements for that period as filed with the Registrar of Companies and prepared in accordance with the Companies Act 1985. They do not constitute the financial statements for that period. Those financial statements received an unqualified audit report which did not contain any statement under sections 237 (2) or (3) of the Companies Act 1985 but did include an emphasis of matter paragraph in the auditor's report relating to going concern. In this context the group has prepared financial projections for the period through to June 2010 which showed that it could through a combination of its operational cash flows, borrowing facilities, capital raising abilities and shareholder support meet all its financial obligations. The directors therefore also consider it appropriate to prepare the interim results on a going concern basis. The interim results do not include any adjustments that would result should this not be the case.

The financial statements for the interim period have been prepared in accordance with policies which the Group will adopt for its 2009 financial statements.

## 2. Revenue Analysis

	<b>Unaudited half year ended 31 December 2008 £'000</b>	Unaudited half year ended 31 December 2007 £'000	Audited year ended 30 June 2008 £'000
Revenue comprised:			
Matchday	<b>2,146</b>	2,505	4,767
Media	<b>7,700</b>	7,335	15,081
Commercial	<b>1,144</b>	1,430	2,515
	<b>£10,990</b>	£11,270	£22,363

Matchday - season and matchday tickets and corporate hospitality income

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

Commercial - sponsorship income, merchandising, conference and banqueting and other sundry income

## 3. Taxation

After taking into account the projected performance for the next six months and unutilised tax losses, no provision for taxation is required.

## 4. (Loss) / Earnings per Share

(Loss) / earnings per ordinary share has been calculated as follows:

	<b>Unaudited half year ended 31 December 2008 £'000</b>	Unaudited half year ended 31 December 2007 £'000	Audited year ended 30 June 2008 £'000
(Loss) / profit for the period	<b>(£2,189)</b>	£3,603	£418
Weighted average number of shares in issue	<b>43,885,693</b>	43,885,693	43,885,693
<b>(Loss) / earnings per share</b>	<b>(5.0p)</b>	8.2p	1.0p