

30 March 2007

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

Unaudited Interim Results for the six months ended 31 December 2006

Chairman’s Statement

General overview

I am pleased to be able to announce the results for the six-month period ended 31 December 2006 which show a profit on ordinary activities of £1,330,289 versus a loss of £438,947 last year.

The period under review has seen Watford Football Club take their place in the Premier League which has led to a significant increase in both revenues and costs. To compete at the highest level, we have had to carry a larger playing squad and undergo considerable investment in the club’s infrastructure.

I am also pleased to be able to report that Watford Football Club has been successful in qualifying for the semi finals of this year’s FA Cup where we will face Manchester United at Villa Park on 14 April 2007.

Off the pitch, we have also begun a significant three-year stadium redevelopment project that will see a tremendous improvement to our ground and an overall matchday revenue increase.

Financial Results

The profit on ordinary activities after taxation was £1,330,289 (2005: £438,947 loss) .

Turnover for the first six months of the year was £14.million (2004: £4.8 million) – an overall increase of £9.2 million.

The results reflect the higher revenues and costs attributable to Premier League status which are necessary at this level whilst retaining our desire to have a sustainable club and business.

As well as receiving significant monies from the Premier League all commercial activities of the club reported an increase in revenues £1.2 million higher than last year.

Cost of sales increased year on year by £5.4 million of which £5 million related to higher footballing costs and £400,000 to the increased levels of commercial activity.

Demands on the administrative side of the business increased in all areas and as a result administrative costs rose by £896,000.

Performance of the Team

Competing at the higher level has been a challenge for the squad but they are still in with a slender chance of retaining their place in the Premier League for next season with eight matches left in this campaign.

Alongside this league success, we also managed a creditable run in the Carling Cup competition, eliminating Accrington Stanley and Hull City before being knocked out on penalties by Newcastle United.

The team has reached the semi finals of the FA Cup for the fifth time in its 125-year history with wins over Stockport County, West Ham United, Ipswich Town and Plymouth Argyle. We will be looking for our second ever appearance in the final of the competition when we take on Manchester United next month.

Performance of the Football Management Team

In Adrian Boothroyd, Watford Football Club uncovered a young manager who has quickly become one of our most coveted assets. His current contract ties him to the club until at least June 2010

He is supported by his backroom staff including assistant manager Keith Burkinshaw, technical director Dick Bate and player coaches Alec Chamberlain and Malky Mackay as well as his team of medical, scouting and performance analysts.

People

In any company, people are always the essential ingredient – the difference between success and failure – and in professional football this statement is particularly true. The Watford supporters, match day staff, catering staff and administrative staff, as well as our playing and football management personnel, all have pivotal roles to play in our on-field and off-field success.

During the period that this report covers there have been several notable highlights. I would like to thank everyone concerned for their steadfast commitment to the Watford cause.

Other Developments and Future Prospects

Following promotion to the Premier League, we examined our priorities and ways of working and confirmed our aims of establishing Watford FC as a top-ten Premier League club with a high impact player talent base, operating as a sustainable business whilst also acting as a true partner with our community.

This 'Vision 2010' has already been set in motion and will see the club continue to lead the way in engaging with all elements of the local community, providing sensibly-priced tickets for top level football and playing a leading role in the redevelopment of the west Watford area that houses the club in the next few years.

Working in conjunction with a number of partner agencies, including the mayor, town council, East of England Development Agency and the neighbouring hospital, the redevelopment of Vicarage Road will only be the first step of an eventual £750 million project that reinvigorates the town.

The redevelopment of our Vicarage Road Stadium is a key strategic goal for the Company. For when it is achieved it will give us facilities that can be used every day of the week by a wide range of corporate organisations and individuals.

Finally, I am pleased to report that we are stepping up our efforts to work with members of the local community. In this regard, our Trust and Community operation leads the way and is reaching out to increasing numbers of children and adults.

In April 2006, we appointed a new Community Director, Julian Winter, who joined the club from a similar position at Sheffield Wednesday. His job is to continue the excellent work of the Trust and to move it forward to a wider audience in terms of participation and partnership development and to assisting in the club's stadium development programme.

This work was reflected when the Trust won the prestigious Sportsmatch Best Overall Grassroots Scheme 2006 and Best Community Scheme at the same event.

We have a focused Board and staff that is committed to delivering these objectives.

GRAHAM SIMPSON
Chairman
30 March 2007

WATFORD LEISURE PLC

Consolidated profit and loss account for the half year ended 31 December 2006

Notes	Unaudited half year ended 31 December 2006	Unaudited half year ended 31 December 2005	Audited year ended 30 June 2006
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		£	£	£
Turnover		13,976,538	4,773,229	8,526,054
Cost of sales		10,345,278	4,914,801	12,182,270
Gross profit / (loss)		3,631,260	(141,572)	(3,656,216)
Administrative expenses		2,270,923	1,374,440	3,768,442
		1,360,337	(1,516,012)	(7,424,658)
Other operating income	3	220,220	220,165	439,991
Operating profit / (loss)		1,580,557	(1,295,847)	(6,984,667)
Profit on disposal of players' registrations		22,500	1,098,790	2,019,144
Interest receivable	4	45,388	513	2,116
Interest payable and similar charges	5	(265,428)	(266,801)	(628,335)
Profit / (loss) on ordinary activities before taxation		1,383,017	(463,345)	(5,591,742)
Tax on profit on ordinary activities	6	-	-	-
Profit / (loss) on ordinary activities after taxation		1,383,017	(463,345)	(5,591,742)
Minority interests		(52,728)	24,398	233,900
Profit / (loss) for the financial year to date		1,330,289	(438,947)	(5,357,842)
Earnings per 1p share (basic and diluted)	7	3.0p	(3.4p)	(29.9p)

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

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 2006

	Unaudited 31 December 2006 £	Unaudited 31 December 2005 £	Audited 30 June 2006 £
Fixed assets			
Intangible assets	5,978,809	1,539,167	1,989,700
Tangible assets	9,112,461	8,243,083	8,029,930
	15,091,270	9,782,250	10,019,630
Current assets			
Stocks	322,602	275,386	131,122
Debtors	1,815,728	1,052,161	2,490,985
Cash at bank and in hand	66,861	163,643	450,751
	2,205,191	1,491,190	3,072,858

Creditors: amounts falling due within one year	8	(15,506,192)	(11,195,191)	(9,712,985)
Net current liabilities		(13,301,001)	(9,704,001)	(6,640,127)
Total assets less current liabilities		1,790,269	78,249	3,379,503
Creditors: amounts falling due After more than one year	8	(2,717,549)	(3,182,833)	(5,687,545)
Deferred capital grants and contributions		(39,486)	(43,511)	(41,741)
		£(966,766)	£(3,148,095)	£(2,349,783)
Capital and reserves				
Called up share capital		438,857	1,290,756	438,857
Share premium		-	1,872,409	-
Special reserve		10,650,875	1,999,858	10,650,875
Profit and loss account accumulated deficit		(11,542,352)	(7,953,746)	(12,872,641)
Shareholders' funds		(452,620)	(2,790,723)	(1,782,909)
Minority interests		(514,146)	(357,372)	(566,874)
Total capital employed		£(966,766)	£(3,148,095)	£(2,349,783)

Consolidated cash flow statement for the half year ended 31 December 2006

	Unaudited half year ended 31 December 2006 £	Unaudited half year ended 31 December 2005 £	Audited year ended 30 June 2006 £
Operating activities			
Net cash inflow / (outflow) from operating operating activities	4,470,084	(1,189,979)	(3,248,748)
Returns on investments and servicing of finance			
Net interest received	45,388	513	2,116
Interest paid	(218,184)	(306,380)	(643,394)
Net cash outflow from returns on investments and servicing of finance	(172,796)	(305,867)	(641,278)
Taxation	-	-	-
Capital expenditure			
Payments to acquire intangible fixed assets	(2,849,054)	(808,071)	(1,733,443)
Payments to acquire tangible fixed assets	(1,184,889)	(269,198)	(142,499)

Receipts from sales of intangible fixed Assets	149,750	1,370,000	1,682,749
Net cash (outflow) / inflow for capital expenditure	(3,884,193)	292,731	(193,193)
Net cash inflow / (outflow) before financing	413,095	(1,203,115)	(4,083,219)
Financing			
Issue of ordinary share capital	-	-	5,176,709
Repayments of bank and other loans	(1,818,356)	(4,857)	(157,672)
Net cash (outflow) / inflow from financing	(1,818,356)	(4,857)	5,019,037
(Decrease) / increase in cash in the period	£(1,405,261)	£(1,207,972)	£935,818
	Unaudited half year ended 31 December 2006 £	Unaudited half year ended 31 December 2005 £	Audited year ended 30 June 2006 £
Operating profit / (loss)	1,580,557	(1,295,847)	(6,984,667)
Amortisation of intangible fixed assets	1,172,629	220,574	495,401
Depreciation of tangible fixed assets	102,358	84,086	170,540
Capital contribution released	(495)	(1,122)	(1,132)
Capital grant released	(1,760)	(1,760)	(3,520)
Increase in stocks	(191,480)	(194,316)	(50,052)
Decrease / (increase) in debtors	548,007	171,631	(1,609,943)
Increase / (decrease) in creditors	1,260,268	(173,225)	4,734,625
Net cash inflow / (outflow) from operating activities	£4,470,084	£(1,189,979)	£(3,248,748)
Net cash (outflow) / inflow from operating activities	(1,189,979)	112,447	(1,179,966)

Notes to the Interim report for half year ended 31 December 2005

1. Basis of preparation

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The principal accounting policies of the Group have remained unchanged from those set out in the Company's 30 June 2006 annual report and financial statements.

2. Publication of non-Statutory Accounts

The financial information set out in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The figures for the year ended 30 June 2005 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under Sections 237 (2) or 237 (3) of the Companies Act 1985.

3. Other operating income

Unaudited	Unaudited	Audited
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	half year ended 31 December 2006 £	half year ended 31 December 2005 £	year ended 30 June 2006 £
Donations	-	905	905
Rent receivable	206,775	205,425	411,750
Contributions to capital expenditure	495	1,122	1,132
Release of capital grants	1,760	1,760	3,520
Other	11,190	10,953	22,684
	£220,220	£220,165	£439,991

4. Interest receivable :

Bank deposit interest	45,388	513	2,116
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5. Interest payable and similar charges :

Bank loan int	32,377	59,631	194,395
Interest payable	233,051	207,170	433,940
	£265,428	£266,801	£628,335

6. Taxation

There are no tax charges for the half year as there are sufficient tax losses to extinguish any liability for the period.

7. Earnings per share

Profit / (loss) for the financial year to date	1,330,289	(438,947)	(5,357,842)
Weighted average share capital	43,885,693	12,907,557	17,914,982
EPS (pence)	3.0p	(3.4p)	(29.9p)

8. Creditors: amounts falling due within one year

	2006 £	2005 £	2006 £
Bank overdraft	1,021,371	1,856,682	-
Bank loan	91,355	85,978	89,865
Trade creditors	1,887,321	706,448	841,859
Players' registration costs	2,124,517	509,299	403,417
Other taxes and social security	1,104,896	437,655	1,667,361
Directors' loans	2,472,500	4,000,000	500,000
Other loans	75,000	1,242,287	340,000
Accruals and deferred revenue	6,729,232	2,356,842	5,870,483
	£15,506,192	£11,195,191	£9,712,985

9. Creditors: amounts falling due after more than one year

Convertible Loan Notes 2009	2006	2005	2006
Bank loan	£	£	£
Directors' loans			
Other loans	667,000	1,000,000	1,000,000
Players' registration costs	184,074	271,621	228,420
Accruals and deferred revenue	162,821	562,821	3,312,821

<u>£2,717,549</u>	<u>£3,182,833</u>	<u>£5,687,545</u>
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