

28 March 2011

Watford Leisure PLC
("Watford Leisure" or the "Company")

Unaudited Interim Results for the six months ended 31 December 2010

Chairman's Statement

Introduction

On behalf of the Board of Directors, I have pleasure in presenting the Interim Report and Financial Statements of Watford Leisure PLC for the six months ended 31 December 2010.

The period of time from 1 July 2010 to 31 December 2010 has seen some genuine stability at Board and operational leadership levels at our principal operating subsidiary, The Watford Association Football Club Limited ("the Club"), both on and off the field of play.

I feel it important, right at the start of my report, that I should once again place on record the Club's gratitude to the Club's major shareholder, Fordwat Limited – and Lord Ashcroft in particular, for continued support during a time when the Club is certainly attempting to live to the values set out in its five-year rolling business plan 'The Watford Way'.

Background

It should not be a surprise to anyone to read that our half-year figures state a deficit. This last six-month period does not include any instances of player sales, which is a key part of the model that underpins our stated aim to be a sustainable business. The Company last raised funding in July 2010 through the issue of secured bonds, the proceeds of which were used to consolidate and replace £9,207,000 million of existing indebtedness with the balance of £935,000 million being available for working capital purposes. However, the Company remained dependent on the continued financial support of certain shareholders and a director and/or alternative sources of funding including most importantly player sales. Given the nature of the two-part football transfer market, (the summer and January trading windows), our focus on ensuring we remain true to our business plan means that failure to trade in either window inevitably leads to the need for a working capital injection from alternative sources. This working capital requirement for the remainder of the current financial year is approximately £3.5 million.

As everyone concerned with the Club will be aware the board has been in discussions recently with Lawrence Bassini and Watford FC Limited ("WFCL"). An announcement was made on 10 March 2011 setting out the terms and conditions of an offer for Watford Leisure and a formal document was posted on 25 March 2011 to shareholders, which makes the offer to shareholders in accordance with the previously announced terms (the "Offer" or the "WFCL Offer"). WFCL has undertaken to provide £3.5 million of funds for working capital purposes subject to the Offer becoming or being declared unconditional, such that the above mentioned working capital requirement can be satisfied.

Financial Overview

The key financial and performance indicators are as follows:

	Unaudited half year ended 31 December	Unaudited half year ended 31 December
	2010 £'000	2009 £'000
Revenue	5,437	5,163
Cost of sales	(5,935)	(7,444)
Administrative expenses	(1,563)	(1,860)
Other income	308	265
Operating loss before interest, player trading, amortisation and exceptional items	(1,753)	(3,876)
Loss before taxation	(2,505)	(172)

Financial Review

Revenue for the first six months of the year was £5,437,000 (2009: £5,163,000) whilst the loss on ordinary activities after taxation was £2,505,000 (2009 : £172,000).

Matchday revenue to 31 December 2010 is £2,001,000 compared to £2,043,000 to the same date in 2009. Season Ticket income for the period is £49,000 down; with over 1,500 fewer season ticket holders than the previous season, a restructuring of the pricing model has minimised the financial loss. League match income is up £93k at £591,000; the average income per game has increased to £54k from £41k (12 league home fixtures to 31 December 2009, 11 home league fixtures to 31 December 2010) due to a combination of increased match by match ticket sales and increased ticket prices.

Carling Cup income is included within matchday revenue, and to 31 December 2009 £75,000 was generated from two away fixtures to Barnet and Leeds. This compares to a net position to 31 December 2010 of £17,000, generated by an away fixture at Aldershot and a home fixture against Notts County. Public catering income has reduced by £12k due to reduced actual attendances; the actual average attendance for the 12 home matches (including one cup fixture against Notts County at 6,183) played to 31 December 2010 is 10,503, compared to 10,970 for the 12 home league fixtures played to 31 December 2009. Match related commercial income has reduced by £15,000, due to there being one less league match in the period.

Media revenue has increased by £324,500 to £2,573,500 (2009: £2,249,000). The Premier League solidarity payment for the period has increased by £508,000, with the Football League Award distributions reduced by £7,000, including a final payment of £50,000 relating to the prior financial year. TV income in the year is reduced to £20,000, with two away games having been televised. In 2009 £200,000 had been received following two home televised fixtures.

Commercial revenues are slightly reduced against the same period last year with income of £862,000 against £871,000, with shortfalls in revenue generated from retail, conference & banqueting and Saracens matchday catering being mainly offset by increases in other commercial revenues.

Cost of sales has reduced by £1,509,000. The reduction is continued evidence of the restructuring of football costs, with player salaries reduced by £877,000 and other football related salaries reduced by £129,000. With no loan fees payable in the period to 31 December 2010, there is a reduction of £363,000 against the previous half year.

Administrative expenses have also reduced by £297,000. This reduction includes a saving of £141,000 relating to the cost of off-site offices at Wolsey Park and £70,000 reduction in salaries.

The profit on player disposals in the period is £135,000 (from clauses relating to players sold in previous transfer windows) compared to £4,484,000 for the same period in 2009. The profit generated comprises amounts arising from appearance and sell-on clauses relating to the sales of T Priskin, T Robinson, A McNamee and P Robinson and is significantly lower than in the previous period as no new player sales were made during the Summer 2010 transfer window.

Financing costs are increased by £313,000. The cost in the period of £496,000 includes £450,000 of costs relating to the 364 day Secured Bond issue completed on 13 July 2010. Interest for the period to 31 December 2010 is £234,000 and the total costs of completion of the Bond of £447,000 are being released on a straight line basis over the term of the Bond, so a charge of £211,000 has been made to 31 December 2010.

The business's costs are continuing to reduce as we work towards creating a sustainable business model and the operating loss before interest, player trading, amortisation and exceptional items of £1,753,000 is evidence of this, with a loss movement of £2,123,000 from the 31 December 2009 position. The improved Premier League solidarity payment has also contributed towards this reduced loss. However, the fact that no new player sales were made during the Summer 2010 transfer window, coupled with the financing costs of the 364 day Secured Bond issue, which was completed on the 13 July 2010, have contributed to a loss for the period of £2,505,000 compared with a loss of £172,000 for the same period last year. The £4,484,000 profit on player disposals all but absorbed losses for the period to 31 December 2009 and as previously stated, player sales are a key part of maintaining a sustainable business for Watford.

Cash absorbed by operations was £2,191,000. Cash generated by player sales in the period totalled £1,715,000, of which £1,375,000 relates to transfer receipts from the sales of T Priskin, M Williamson, T Smith and J J O'Toole. The balance of £340,000 relates to appearance and sell-on clauses from player transfer agreements. Cash absorbed by player purchases was £839,000, this includes transfer,

appearance and sell-on amounts of £430,000 payable relating to players purchased in previous years and £330,000 payable relating to players purchased during the Summer 2010 transfer window and agent fees and levy payable of £79,000. Cash absorbed by the purchase of property, plant and equipment includes £499,000 relating to the fit-out of the Vicarage Road Stadium offices. Net cash generated by financing activities totals £2,138,000 and includes cash amounts generated by the 364 day Secured Bond issue and a ticketing purchase agreement relating to ticket sales for the 2011/2012 season. Overall there was a net cash inflow of £230,000 against an outflow of £1,036,000 for the same period last year.

On the Field

Our Football Manager, Malky Mackay, has engendered a vibrant environment for learning and development amongst the Club's playing staff, the results of which are currently being enjoyed by those who attend the Club's first-team games on a regular basis.

It has been a very encouraging first half of the 2010-11 football season from the Club's football personnel; that's the management, coaching and medical staff working in support of the players, whose attitude and application has reflected the dedication with which Malky Mackay undertakes his role.

'To develop and maintain a high-performing player talent base' is one of the three pillars supporting our business plan. Given the level of first-team involvement from our home-grown talent and the continuing progress of senior professionals – many of whom signed for modest sums from lower-division Clubs – I think we can argue with justifiable optimism that our football staff are doing an admirable job in what continue to be challenging circumstances.

Off the Field

As I note above, the WFCL Offer formally made on 25 March 2011 and shareholders will shortly receive a document setting out the full terms and conditions of the Offer, together with the views of the Watford Leisure directors who are considered to be independent for the purposes of the Offer.

The issue of stadium development goes hand-in-hand with the question of new ownership and investment, with the south-west corner and pitch along with the east side of the Vicarage Road Stadium the obvious areas of priority for the Board.

Away from the Boardroom, I strongly believe that the Club continues to hold true to its aim of being 'a true Community partner'. The reach and depth of the work of the Club's Community Trust continues to strengthen links with key personnel in and around our locale.

And our partnership with our neighbours at the hugely impressive The Harefield Academy continues to flourish. The outstanding work delivered by the Club's Academy staff, both in conjunction with The Harefield Academy and at various other venues, means that we can all look forward to the Club's tradition of 'growing its own' develop still further.

To the Future

I make no apology at all for reiterating my sentiments in my previous Chairman's statement in June, where I placed on record the Board's thanks to all members of the Club's staff for their outstanding commitment and dedication each and every day.

We remain certain that the provision of open – and, where possible, informal – communication between key Club figures and supporters is fundamental to generating a feeling of togetherness and unity, the like of which this Club has used to its advantage in previous years.

Once again, on behalf of the Club, I'd like to offer gratitude to those of you who have, in whatever way, backed Watford and its aims.

Thank you in advance for your continued support.

Graham Taylor
Chairman

25 March 2011

WATFORD LEISURE PLC
Consolidated income statement for the half year ended 31 December 2010

	Notes	Unaudited half year ended 31 December 2010 £'000	Unaudited half year ended 31 December 2009 £'000	Audited year ended 30 June 2010 £'000
Continuing operations				
Revenue	2	5,437	5,163	11,258
Cost of sales		(5,935)	(7,444)	(15,049)
Gross loss		(498)	(2,281)	(3,791)
Administrative expenses		(1,563)	(1,860)	(4,181)
Other operating income	5	308	265	551
		(1,753)	(3,876)	(7,421)
Amortisation and impairment of costs of players' registrations		(393)	(597)	(1,371)
Profit on disposal of players' registrations		135	4,484	5,129
Operating (loss) / profit		(2,011)	11	(3,663)
Financing income	6	2	-	7
Financing costs	6	(496)	(183)	(407)
Loss before taxation		(2,505)	(172)	(4,063)
Taxation	3	-	-	-
Loss for the period	15	(2,505)	(172)	(4,063)
Attributable to :				
Equity holders of the parent		(2,422)	(166)	(3,908)
Minority interests		(83)	(6)	(155)
Loss for the period	15	(2,505)	(172)	(4,063)
Earnings per 1p share (basic and diluted)	4	(5.5p)	(0.4p)	(8.9p)

Consolidated balance sheet at 31 December 2010

	Notes	Unaudited 31 December 2010 £'000	Unaudited 31 December 2009 £'000	Audited 30 June 2010 £'000
Non-current assets				
Property, plant and equipment	7	13,152	12,662	13,074
Intangible assets	8	1,118	970	819
		<u>14,270</u>	<u>13,632</u>	<u>13,893</u>
Current assets				
Inventories	9	144	176	113
Trade and other receivables	10	1,808	5,714	3,828
Cash and cash equivalents		230	22	686
		<u>2,182</u>	<u>5,912</u>	<u>4,627</u>
Total assets		<u>16,452</u>	<u>19,544</u>	<u>18,520</u>
Current liabilities				
Interest bearing loans and other borrowings	11	12,644	6,233	10,590
Trade and other payables	12	3,392	2,736	4,319
Deferred revenue	13	1,644	2,772	2,272
		<u>17,680</u>	<u>11,741</u>	<u>17,181</u>
Non-current liabilities				
Interest bearing loans and other borrowings	11	753	3,563	836
Trade and other payables	12	511	330	488
Deferred revenue	13	23	29	25
		<u>1,287</u>	<u>3,922</u>	<u>1,349</u>
Total liabilities		<u>18,967</u>	<u>15,663</u>	<u>18,530</u>
Net assets		<u>£(2,515)</u>	<u>£3,881</u>	<u>£(10)</u>
Equity				
Capital and reserves				
Called up share capital	14	439	439	439
Special reserve	15	2,194	10,409	2,194
Accumulated deficit	15	(4,910)	(6,961)	(2,488)
Equity attributable to equity holders of the parent		<u>(2,277)</u>	<u>3,887</u>	<u>145</u>
Minority interests		<u>(238)</u>	<u>(6)</u>	<u>(155)</u>
Total equity		<u>£(2,515)</u>	<u>£3,881</u>	<u>£(10)</u>

Consolidated cash flow statement for the half year ended 31 December 2010

	Unaudited half year ended 31 December 2010 £'000	Unaudited half year ended 31 December 2009 £'000	Audited year ended 30 June 2010 £'000
Operating activities			
Loss before tax	(2,505)	(172)	(4,063)
Amortisation of intangible fixed assets	393	597	1,371
Depreciation of property, plant and equipment	264	286	655
Profit on disposal of players' registrations	(135)	(4,484)	(5,129)
Financing income	(2)	-	(7)
Financing costs	496	183	407
(Increase) / decrease in inventories	(31)	(56)	7
Decrease in receivables	440	519	761
Decrease in payables and deferred income	(1,111)	(792)	(657)
Cash absorbed by operations	(2,191)	(3,919)	(6,655)
Cash flows from investing activities			
Purchase of intangible fixed assets	(839)	(1,507)	(1,950)
Purchase of property, plant and equipment	(552)	(68)	(158)
Proceeds from sale of intangible fixed assets	1,715	1,767	4,056
Proceeds from sale of tangible fixed assets	-	-	111
Net cash generated by investing activities	324	192	2,059
Financing activities			
Advances of debt	2,330	3,466	5,978
Repayments of debt	(82)	(85)	(636)
Interest received	2	-	7
Interest paid	(112)	(134)	(238)
Net cash generated by financing activities	2,138	3,247	5,111
Net increase / (decrease) in cash and cash equivalents	271	(480)	515
Cash and cash equivalents at start of period	(41)	(556)	(556)
Cash and cash equivalents at end of period	£230	£(1,036)	£(41)
Cash and cash equivalents	230	22	686
Bank overdraft	-	(1,058)	(727)
Cash and cash equivalents at end of period	£230	£(1,036)	£(41)

Consolidated statement of changes in equity for the half year ended 31 December 2010

	Attributable to equity holders of the parent			Minority interest	Total
	Share capital £'000	Special reserve £'000	Retained earnings £'000		
Equity shareholders funds at 1 July 2009	439	10,409	(6,795)	-	4,053
Loss for the period	-	-	(166)	(6)	(172)
Equity shareholders funds at 31 December 2009	439	10,409	(6,961)	(6)	3,881
Loss for the period	-	-	(3,742)	(149)	(3,891)
Losses extinguished	-	(8,215)	8,215	-	-
Equity shareholders funds at 30 June 2010	439	2,194	(2,488)	(155)	(10)
Loss for the period	-	-	(2,422)	(83)	(2,505)
Equity shareholders funds at 31 December 2010	439	2,194	(4,910)	(238)	(2,515)

Notes to the unaudited interim financial information for the six month period ended 31 December 2010

1 Basis of Preparation

These interim financial statements for the six month period ended 31 December 2010, comprising the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity and accompanying notes, have been prepared using the historical cost convention. They are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted by the European Union and the AIM Rules for companies, save that the Group has elected not to adopt IAS34 'Interim Financial Reporting'. 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 2010 and 31 December 2009 has not been audited. The comparative figures for the year ended 30 June 2010 are extracted from the Group's audited financial statements for that period as delivered to the Registrar of Companies and filed at Companies House and prepared in accordance with the Companies Act 2006. 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 498 (2) or (3) of the Companies Act 2006 but did include an emphasis of matter paragraph in the auditor's report relating to going concern. In this context the Group has prepared cash flow forecasts for the period to 30 June 2015. These have been updated and now show that additional funding of £3.5 million will be required in the period to 30 June 2011. This is expected to be satisfied by the working capital facility to be provided by WFCL, subject to the Offer becoming or being declared unconditional and therefore, the Directors 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 interim results have also been prepared on a consistent basis with the accounting policies expected to be applied for the year ending 30 June 2011, and which are also consistent with the accounting policies for the year ended 30 June 2010 except for the adoption of new standards and interpretations.

2 Revenue

	Unaudited half year ended 31 December 2010 £'000	Unaudited half year ended 31 December 2009 £'000	Audited year ended 30 June 2010 £'000
Matchday	2,001	2,043	4,351
Media	2,573	2,249	4,090
Commercial	863	871	1,464
Other	-	-	1,353
	£5,437	£5,163	£11,258

Revenue streams comprise:

Matchday - season and matchday tickets, corporate hospitality income and matchday catering

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

Other - Elton John Concert revenue

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 per share

Loss per ordinary share has been calculated as follows:

	Unaudited half year ended 31 December 2010 £'000	Unaudited half year ended 31 December 2009 £'000	Audited year ended 30 June 2010 £'000
Loss for the period	£(2,422)	£(166)	£(3,908)
Weighted average number of shares in issue	43,885,693	43,885,693	43,885,693
Loss per ordinary share	(5.5p)	(0.4p)	(8.9p)

5 Other operating income

	Unaudited half year ended 31 December 2010 £'000	Unaudited half year ended 31 December 2009 £'000	Audited year ended 30 June 2010 £'000
Rent receivable	291	265	519
Contribution to capital expenditure	1	-	-
Release of capital grants	1	-	4
Other	15	-	28
	£308	£265	£551

6 Financing

	Unaudited half year ended 31 December 2010 £'000	Unaudited half year ended 31 December 2009 £'000	Audited year ended 30 June 2010 £'000
Financing income:			
Bank deposit interest	£2	£Nil	£7
Financing costs:			
Bank loan and overdraft	5	6	12
Other interest	491	177	395
	£496	£183	£407

7 Property, plant and equipment - group

	Assets under constructio n	Freehold ground, premises and improvement s	Leasehold property and improvements	Motor vehicles, equipment, fixtures and fittings £'000	Total £'000
Cost :	£'000	£'000	£'000		
At 1 July 2009	-	12,659	879	2,700	16,238
Additions	-	-	-	68	68
At 31 December 2009	-	12,659	879	2,768	16,306
Additions	868	11	1	12	892
Disposals	-	-	(662)	(603)	(1,265)
At 30 June 2010	868	12,670	218	2,177	15,933
Additions	-	317	-	25	342
Transfer	(289)	289	-	-	-
At 31 December 2010	579	13,276	218	2,202	16,275
Depreciation:					
At 1 July 2009	-	1,105	527	1,726	3,358
Charge for the half year	-	116	123	47	286
At 31 December 2009	-	1,221	650	1,773	3,644
Charge for the half year	-	117	114	138	369
Disposals	-	-	(636)	(518)	(1,154)
At 30 June 2010	-	1,338	128	1,393	2,859
Charge for the half year	-	143	21	100	264
At 31 December 2010	-	1,481	149	1,493	3,123
Net book value :					
At 31 December 2010	£579	£11,795	£69	£709	£13,152
At 30 June 2010	£868	£11,332	£90	£784	£13,074
At 31 December 2009	£Nil	£11,438	£229	£995	£12,662
At 30 June 2009	£Nil	£11,554	£352	£974	£12,880

8 Intangible assets - group

	Pouring rights £'000	Players' registrations £'000	Total £'000
Cost :			
At 1 July 2009	752	9,756	10,508
Additions	-	385	385
Disposals	-	(3,720)	(3,720)
At 31 December 2009	752	6,421	7,173
Additions	-	623	623
Disposals	-	(871)	(871)
At 30 June 2010	752	6,173	6,925
Additions	-	692	692
At 31 December 2010	752	6,865	7,617
Amortisation :			
At 1 July 2009	752	7,538	8,290
Charge for the half year	-	597	597
Disposals	-	(2,684)	(2,684)
At 31 December 2009	752	5,451	6,203
Charge for the half year	-	544	544
Impairment	-	230	230
Disposals	-	(871)	(871)
At 30 June 2010	752	5,354	6,106
Charge for the half year	-	393	393
At 31 December 2010	752	5,747	6,499
Net book value :			
At 31 December 2010	£Nil	£1,118	£1,118
At 30 June 2010	£Nil	£819	£819
At 31 December 2009	£Nil	£970	£970
At 30 June 2009	£Nil	£2,218	£2,218

9 Inventories

	Unaudited 31 December 2010 £'000	Unaudited 31 December 2009 £'000	Audited 30 June 2010 £'000
Goods for resale	£144	£176	£113

The estimated replacement cost of stocks does not materially differ from their balance sheet value.

10 Trade and other receivables

	Unaudited 31 December 2010 £'000	Unaudited 31 December 2009 £'000	Audited 30 June 2010 £'000
Trade receivables	824	949	952
Less: Provision for impairment	(167)	(71)	(160)
Trade receivables - net	657	878	792
Transfer fees receivable	685	3,909	2,265
Other receivables	10	111	10
Prepayments and accrued income	456	816	761
	£1,808	£5,714	£3,828

Other receivables includes £10,183 which falls due after more than one year.

Prepayments and accrued income includes £97,524 which falls due after more than one year.

11 Interest bearing loans and other borrowings

Current liabilities

	Unaudited 31 December 2010 £'000	Unaudited 31 December 2009 £'000	Audited 30 June 2010 £'000
Convertible Loan Notes 2009	-	-	592
364 Day Secured Bonds 2010	10,145	-	-
Bank overdraft	-	1,058	727
Directors' loans	500	-	2,550
Other loans	1,999	5,175	6,721
	£12,644	£6,233	£10,590

Non-current liabilities

	2010 £'000	2009 £'000	2010 £'000
Convertible Loan Notes 2009	-	592	-
Other loans	753	2,971	836
	£753	£3,563	£836

The maturity of total debt may be analysed as follows:

	2010 £'000	2009 £'000	2010 £'000
In one year or less	12,644	6,233	10,590
Between one and two years	84	844	167
Between two and five years	669	2,719	669
	£13,397	£9,796	£11,426

Current liabilities include £9,906,000 which represents the fair value of the 364 day Secured Bond which was issued for a total of £10,142,000 on 13 July 2010. The Bond is secured by a second charge over the Vicarage Road Stadium and attracts interest at 4.5% above the Barclays Bank base rate; to 31 December 2010 an amount of £239,000 has been accrued. Each £1 of the bond has 20 detachable warrants (each to subscribe for one new Ordinary Share at a subscription price of 4 pence), these warrants are considered not to have any material value. Costs relating to the Secured Bond totalled £447,000 and are being released as an interest charge on a straight line basis against the 364 day period, to 31 December 2010 this release totals £211,000. If the WFCL Offer becomes or is declared unconditional the new terms of the bonds, as set out in the offer document posted to shareholders on 25 March 2011, become effective from 10 March 2011.

Directors' loans in current liabilities include a loan from David Fransen of £500,000. The loan was due for repayment on 31 January 2011, but has been deferred until 31 March 2011. The loan is unsecured and attracts interest at 3.5% above the Barclays Bank base rate. Interest of £10,000 has been accrued for the period 01 July 2010 to 31 December 2010.

Other loans of £1,999,000 includes an amount of £1,506,000 secured against the sale of future tickets and is fully repayable before the end of June 2011, an unsecured amount of £168,000 from The Football League and an unsecured amount of £250,000, attracting interest at 0.5% above Barclays Bank base rate, which is repayable by 31 August 2011.

Non current loans include the balance of The Football League loan at £84,000 which will be repayable during the period 1 January 2012 to 30 June 2012 and a secured loan from Watford FC's Community Sports & Education Trust of £669,000 which is repayable in June 2013.

12 Trade and other payables

Current liabilities

	Unaudited 31 December 2010 £'000	Unaudited 31 December 2009 £'000	Audited 30 June 2010 £'000
Trade payables	1,066	889	1,754
Players' registration costs	353	351	531
Other taxes and social security	420	266	236
Accruals	1,553	1,230	1,798
	£3,392	£2,736	£4,319

Non-current liabilities

	2010 £'000	2009 £'000	2010 £'000
Players' registration costs	31	-	-
Accruals	480	330	488
	£511	£330	£488

13 Deferred revenue

Current liabilities

	Unaudited 31 December 2010 £'000	Unaudited 31 December 2009 £'000	Audited 30 June 2010 £'000
Deferred revenue	1,654	2,772	2,272

Non-current liabilities

	2010 £'000	2009 £'000	2010 £'000
Capital grants	21	26	22
Contributions to capital expenditure	2	3	3
	£23	£29	£25

Deferred revenue includes income, mainly from season ticket sales, received in advance in respect of the 2010/11 season. These amounts are released evenly throughout the year.

Capital grants comprise grants received (principally from the Football Stadia Improvement Fund), towards the costs of stadium re-development.

	Capital grants £'000	Contributions to capital expenditure £'000	Total £'000
At 1 July 2010	22	3	25
Credited to the profit and loss account	(1)	(1)	(2)
At 31 December 2010	£21	£2	£23

14 Share capital

	Unaudited 31 December 2010 £'000	Unaudited 31 December 2009 £'000	Audited 30 June 2010 £'000
Allotted, called up and fully paid :			
Ordinary shares of 1p each	£439	£439	£439

15 Reserves

Group	Special reserve £'000	Profit and loss account £'000
At 1 July 2010	2,194	(2,488)
Minority interest	-	83
Loss for the half year	-	(2,505)
At 31 December 2010	£2,194	£(4,910)

16 Contingent liabilities and assets

a) Players' transfer costs payable

Under the terms of certain contracts with other football clubs in respect of player transfers, additional amounts would become payable if certain specific performance conditions are met. The maximum that would be payable in respect of transfers to 31 December 2010 is £1,825,333. Since the half year end and to the date of approval of these financial statements £30,000 of this has become payable. Of the contingent amount, £1,222,500 relates to clauses linked to promotion to the Premiership or international appearances, the remainder relates to appearance fees.

b) Player transfer fees receivable from Portsmouth FC

Of the amount outlined at note 10 relating to transfer fees receivable, £500,000 is due from Portsmouth FC. These payments are expected to be made direct to the Club by the Premier League in accordance with Premier League rules C51 and C53 (since 31 December 2010, £500,000 has been received). However, the payments have been received conditional upon the Premier League being able to recoup them should any third parties be able successfully to challenge the so called Football Creditor rule. The directors are confident that whilst a contingent liability totalling £1,450,000 does exist, it appears unlikely that these monies will need to be repaid (this total amount includes all amounts received from the Premier League since 30 June 2010).

c) Signing-on-fees

The maximum possible commitments in respect of signing-on-fees due to players under contracts at the half year end, which are payable on future dates specified in their contracts and not provided for in the accounts, amounted to £256,000.

d) Player transfer costs receivable

At 31 December 2010 the Club has sums receivable from other clubs in respect of players under contract, dependent upon the number of first team appearances. Due to the uncertainty of receipt of these contingent assets, it is not practical to disclose the amount likely to be received.

17 Related party and directors' transactions

A director, J Winter is a director of Watford FC's Community Sports & Education Trust, a charitable company. At 31 December 2010, in addition to the loan shown in note 11, £25,781 was owed by the Trust to the Club. The movement since the 30 June 2010 where the Club owed the Trust £8,779 includes interest payable by the Club to the Trust of £6,745, offset by invoices paid on behalf of the Trust by the Club totalling £41,305.

A loan from director D Fransen of £2,050,000 was converted into a Secured 364 Bond on 13 July 2010. Interest on this loan has been accrued from 1 July 2010 to 13 July 2010 and totalled £2,921. This interest amount along with previously accrued interest of £84,921 remains unpaid. The £2,050,000 which has been transferred to the Secured Bond is attracting interest at 4.5% above base rate and the amount owed to D Fransen at 31 December 2010 is £48,301.

A second unsecured loan from director D Fransen of £500,000 made during January and February 2010 was due for repayment on 31 January 2011. Repayment of this loan has been deferred until 31 March 2011. The loan is accruing interest at 3.5% above Barclays bank base rate and the amount of interest accrued in the period 30 June 2010 to 31 December 2010 is £10,082, with the total amount of accrued, unpaid interest at 31 December 2010 being £18,148.

Amounts of accrued remuneration fees relating to directors G Taylor and S Timperley for the period February 2009 to 30 June 2010 have been paid during the period 1 July 2010 and 31 December 2010.

The previously accrued amount which has been paid to G Taylor is £8,854 along with remuneration relating to the period 1 July 2010 to 31 December 2010 of £12,500. In addition expenses of £4,777 have been paid. These relate to the period from February 2009 to 31 December 2010. An amount of accrued remuneration totalling £26,563 remains unpaid and will be paid over the period 01 January 2011 to 30 June 2011.

The previously accrued amount which has been paid to S Timperley is £8,854 along with remuneration relating to the period 1 July 2010 to 31 December 2010 of £12,500. In addition expenses of £2,456 have been paid, these relate to the period from February 2009 to 31 December 2010. An amount of accrued remuneration totalling £26,563 remains unpaid and will be paid over the period 01 January 2011 to 30 June 2011.

Further remuneration fees have been accrued during the period 01 July 2010 to 31 December 2010 for director D Fransen, totalling £12,500. Subsequent to 31 December 2010, these amounts in addition to the previously accrued total of £31,250 for the period April 2009 to 30 June 2010 have been reversed as D Fransen will not be drawing his remuneration for his services as a director for the period to date.

Remuneration of £79,000 for the period 01 July 2010 to 31 December 2010 has been paid to director, J Winter. In addition pension contributions of £7,750 have been accrued and expenses of £599 paid.

In order to satisfy the terms of the 364 day Secured Bonds which were issued on 13 July 2010, £13,000,000 of the intercompany debt between Watford Football Club (the 'Club') and Watford Leisure PLC (the 'Company') was waived, reducing the debt position to £1,166,855. The intercompany debt was subsequently increased by £7,500,000 following the subscription of Bonds by a shareholder, Fordwat Ltd ('Fordwat'). This amount was loaned to the Club enabling it to repay the Fordwat loan of £6,478,168 and unpaid accrued interest of £86,538, leaving £935,294 available for working capital requirements. Invoices amounting to £913,730 have been paid by the Club on behalf of the Company and interest receivable amounting to £13,162, was charged by the Company to the Club during the period 01 July 2010 to 31 December 2010. The intercompany loan position at 31 December 2010 is £7,766,268.

18 Availability of Interim Report

A copy of these interim results will be made available for inspection at the Company's registered office during normal business hours on any weekday. The registered office is at Vicarage Road Stadium, Watford, Hertfordshire WD18 0ER. A copy can also be downloaded from the Company's website at www.watfordleisureplc.com. Watford Leisure PLC is registered in England and Wales with registered number 03335610.

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