

ARENA LEISURE PLC
INTERIM REPORT 2011



Highlights

Financial:

- Revenue (excluding Levy income) grew by £3.0m (15.3%) to £22.5m (2010: £19.5m), reflecting the progress of the consumer business and increasingly diversified revenue streams. Total revenue decreased by £1.9m to £28.2m (2010: £30.1m) after the impact of the previously announced reduction in Levy funding received by the Group of £4.9m.
- Profit before interest and tax decreased by £0.6m to £1.4m (2010: £2.0m) primarily as a result of a £1.3m net impact from the reduced Levy income. It also reflects a £0.6m improvement in operating performance and a £0.1m increased contribution from At The Races.
- Profit before tax was £0.4m lower at £0.5m (2010: £0.9m). Basic earnings per share were 0.16 pence (2010: 0.28 pence).
- Net bank borrowings at 30 June 2011 had reduced to £34.8m. These have since reduced further by the receipt in July 2011 of the final advanced payment of £7.0m from SIS under the terms of the new media rights agreement.

Operations:

- The Group staged 189 fixtures in the period (2010: 188) and is scheduled to stage 353 fixtures in the full year (2010: 352).
- Arena continues its track record of significantly outperforming the industry as a whole with attendances up 11.7% to 315,000 (2010: 282,000), average attendance up by 11.3% at 1,667 (2010: 1,498), and hospitality attendance increasing by 8.2% to 18,400 (2010: 17,000).
- Revenue from catering increased by £0.8m (18.9%) to £4.9m and from hotels by £1.1m (137%) to £1.9m including a full period of the Lingfield Park Marriott Hotel and Country Club.
- Contribution from At The Races continues to grow, both from royalties received and equity share.

Recent developments and future growth:

- The Government is currently consulting on the future options for the Levy with regard to remedying the current structural deficiencies. Arena has participated in this process and considers the recent Government statements on licensing and taxation of off-shore bookmaking as a positive step.
- The new five-year SIS media rights agreement, with an estimated total value of £106.0m and an uplift in annual value of £10.0m, will commence on 1 January 2012.
- In February 2011, Arena successfully tendered to The London Organising Committee of The Olympic Games and Paralympic Games Ltd to provide catering services at Eton Dorney and Greenwich Park venues in 2012, with an estimated net profit contribution of £0.5m to £1.0m.
- In July 2011, Shepway District Council published the Local Development Framework Core Strategy (Proposed Submission Document) for public consultation that identifies Folkestone Racecourse as a strategic site for a mixed-use development incorporating up to 820 residential units.
- In June 2011, the Board announced a review of possible options to increase value for its shareholders. This process is ongoing.
- Trading performance since 30 June 2011 is in line with the Company's expectations.

HALF YEAR REVIEW

Overview

Arena's consumer-related revenue streams grew strongly in the period with average attendances at its racecourses up by 11.3%, compared to the same period in 2010, and hospitality attendances up by 8.2%. The contribution from At The Races ('ATR') continued to grow, both through media rights royalties and from Arena's 45.85% equity shareholding. The Lingfield Park Marriott Hotel and Country Club celebrated its first anniversary in May 2011 with an increase in revenues of £1.1 in the period. Catering income, which is largely attendance driven, has grown by £0.8m (18.9%). In aggregate, this good progress has resulted in a £3.0m increase in non-Levy-related income, compared to the same period in 2010, and an increased contribution to operating profit of £0.7m.

Income from the centrally collected and allocated Levy has reduced significantly as has been widely reported. Arena's receipts from the Levy reduced by £4.9m to £5.7m and resulted in a net negative profit impact of £1.3m in the period. Profit before interest and tax in the period was £0.6m lower than in 2010 at £1.4m (2010: £2.0m).

In February 2011, Arena announced that it was successful in its tender to The London Organising Committee of The Olympic Games and Paralympic Games Ltd ('LOCOG') to provide catering services at the Eton Dorney and Greenwich Park venues in 2012. As previously highlighted, the estimated 2012 net profit contribution from these two contracts is between £0.5m and £1.0m.

Folkestone Racecourse's proposal for mixed-use redevelopment incorporating a new racecourse continued to progress during the period. The local authority has now published its Local Development Framework Core Strategy (Proposed Submission Document) for public consultation in which Folkestone Racecourse is identified as a strategic site for a mixed-use development incorporating up to 820 residential units.

On 22 July 2011, the third and final advanced payment of £7.0m was received from Satellite Information Services ('SIS') relating to the new media rights agreement that was signed on 22 July 2009. This five-year contract for the provision of our racing into licensed betting shops in the UK and Ireland will commence on 1 January 2012. This final payment brings the total advanced payments received from SIS to £32.0m. Aggregate revenues, estimated at £106.0m including these upfront payments, will be recognised over the five-year period of the contract commencing in 2012.

A final dividend of 0.38p per share relating to the year ended 31 December 2010 was paid on 12 May 2011 totalling £1.4m (2010: 0.38p per share totalling £1.4m). As previously stated, the Company currently pays dividends in one instalment and, therefore, there will be no interim dividend paid in respect of the current year.

Operational Review

During the period, Arena staged 189 fixtures across its seven racecourses (2010: 188 fixtures). There was only one abandoned fixture in early January and one additional fixture was staged in the same month. This compares to 11 abandoned fixtures and eight additional fixtures in early 2010, as a result of the heavy snow and poor weather conditions. The Group is scheduled to stage a total of 353 fixtures for the full year (2010: 352 fixtures).

Total attendance at Arena's racecourses over the period was up by 11.7% to 315,000 (2010: 282,000) with the resulting admission and catering income generating an additional £0.3m profit in the period. The average attendance showed an increase of 11.3% to 1,667 (2010: 1,498), which is extremely encouraging and reflects the growing appeal of the Arena product and our ability to attract new and existing customers. Part of this growth has been driven by themed racedays and we have also seen good, positive trends across all types of race meeting. In particular, at Doncaster Racecourse on the bank holiday of 29 April 2011, 20,000 people attended the free admission "Royal Wedding Raceday", which was an increase of 10,500 on the equivalent meeting in 2010. On a like for like basis, before the additional crowd at the Doncaster free raceday, Arena's underlying average attendance grew by 7.7%. Preliminary statistics from the Racecourse Association show an industry-wide growth in average attendance of 0.8% in the period and Arena is therefore continuing its track record of significantly outperforming the industry norm.

Hospitality attendances increased by 8.2% in the period to 18,400 (2010: 17,000) and generated an additional £0.1m of profit in the period. This improvement builds upon the recovery in 2010, when the full year total of 45,200 was a 17.1% increase on 2009, but is still some way off the hospitality attendance record of 21,500 achieved in the first six month period in 2007. The second half of the year is more significant in terms of hospitality volumes (2010: H1, 38%; H2, 62%). Current trends for the summer months at both Lingfield Park and Royal Windsor Racecourses are encouraging and forward bookings for the Ladbrokes St Leger festival at Doncaster Racecourse in September are also ahead of 2010.

Improving the quality and profitability of hospitality was a key rationale for Arena establishing its own in-house catering operation in April 2007. This catering business continues to progress well, driven by both increased attendance and improved spend and margin. Revenues in the period were £0.8m (18.9%) ahead of 2010 mainly as a result of the increased public and hospitality attendances. As part of the evolution of this business, management are evaluating possible opportunities for expansion into external catering contracts. On 10 February 2011, we announced that Arena had successfully tendered to LOCOG to provide catering services at both the Eton Dorney and Greenwich Park venues as part of the Olympic and Paralympic Games in 2012. Eton Dorney will be home to the sprint canoeing and rowing events and Greenwich Park will be home to the equestrian and modern pentathlon events. The contract contains elements of both fixed income and variable income that is dependent upon the numbers of attendees and spend per head. As previously highlighted, the Board estimates that Arena's 2012 net profit contribution from the contract will be in the range of £0.5m to £1.0m.

The Lingfield Park Marriott Hotel and Country Club celebrated its first anniversary in May 2011. The hotel is building reputation and awareness and we believe is achieving good rate premiums compared to its competitors. However, the challenge in this market and with a new hotel is driving occupancy. In common with the provincial hotel market as a whole, the level of residential conference and meeting business is currently weak however we are building this segment on a three-year maturity programme through to 2013. Leisure business generated by racing, golf and the hotel's health spa is performing better. The integration of operations with Lingfield Park Racecourse is producing multiple benefits, particularly in the selling and delivery of conference and events business. When compared to the same period in 2010, the hotel has incurred additional fixed charges, principally depreciation and rates, of £0.3m and an operating loss before these costs of £0.1m (2010: £0.5m pre-opening loss).

As expected, Arena's income from the Levy in the period reduced by £4.9m to £5.7m, with the main element of this shortfall impacting prize money. The reductions in Levy funding to both fixture operating costs and incentives to run at customer-unfriendly times of day, together with additional Arena-funded prize money, resulted in a net negative profit impact of £1.3m in the period. The Government is currently consulting on methods to improve or replace the current Levy funding mechanism. Arena is fully participating in this consultation process and is optimistic that a beneficial solution can be found that involves either a restructured Levy mechanism or a long-term commercial alternative. These would both need to address the flaws in the current mechanism and, in this respect, the recent statements of intent by the Government to introduce regulation and taxation to off-shore bookmakers is a positive first step.

Income from the Group's current media rights contract for the provision of our racing into licensed betting shops in the UK and Ireland remained at the same level as in 2010. The contractual increase in the standard per race fee, which is linked to inflation, was £0.3m in the period with there being an equal and opposite impact from a drop in income as a result of more races with fewer than eight runners in the first quarter.

ATR grew its revenues in the period by 11.1% to £10.9m (2010: £9.8m), largely through increased contributions from its international distribution business. Arena benefits from these increased revenues as both a supplier of content, with royalty payments made directly to the racecourses, and as a 45.85% shareholder in ATR. In the period, royalty payments increased by £0.1m and Arena's share of ATR's operating profit for the period was £0.7m (2010: £0.5m). The impact of the recognition of a deferred tax asset in 2010 did not recur in 2011 (2010: £0.1m credit). As a consequence, Arena's share of the post-tax profit of ATR in the period was £0.7m (2010: £0.6m).

Finance Review

The net interest expense for the period decreased to £0.9m (2010: £1.1m). Of this decrease, £0.5m arises from a non-cash credit of £0.2m (2010: £0.3m charge) that has resulted from the IFRS revaluation of the Group's interest rate hedging instruments. The non-cash charge as a result of the IFRS treatment of interest-free loans was £0.1m (2010: £0.1m). The net trading interest expense, before these non-cash items, increased by £0.3m to £1.0m (2010: £0.7m). This was principally as a result of interest costs of £0.3m, relating to the debt funding for the Lingfield Park Marriott Hotel and Country Club development, which were capitalised during the project construction phase up to the opening in May 2010.

At 30 June 2011, the Group had £45.0m of available bank facilities of which £34.8m was drawn (net of cash balances). Following the period end, on 22 July 2011, the third and last advanced payment was received from SIS as part of the new media rights contract, reducing net borrowings by £7.0m. A scheduled loan repayment of £5.0m took place on 31 July 2011 and a further repayment of £5.0m is due on 31 January 2012. Both reduce available facilities accordingly.

Development Projects

In October 2010, Arena submitted its masterplan for the redevelopment of Folkestone Racecourse as part of Shepway District Council's ('SDC') process for drawing up its new LDF. The proposal safeguards the future of the Racecourse via a complete re-alignment and rebuild, funded by the introduction of residential units, and creates a major leisure and business facility and tourist attraction. In July, SDC published the Local Development Framework Core Strategy (Proposed Submission Document) for public consultation that identifies Folkestone Racecourse as a strategic site for a mixed-use development incorporating up to 820 residential units. SDC has begun the process of public consultation. It is anticipated that an examination-in-public of the proposals will conclude in mid-2012.

At Royal Windsor Racecourse a new entrance building incorporating offices and a retail outlet was completed and opened in May 2011.

The status of the other real estate projects at Wolverhampton Racecourse (casino and hotel with planning consent), Doncaster Racecourse (hotel and residential with planning consent) and Royal Windsor Racecourse (grandstand enhancement that has yet to be presented for planning consent) is unchanged from previous statements.

Employees

The continued growth of attendances, as well as the successful diversification of the Group's revenues, is a testament to the excellent work of Arena's employees. Our customers often highlight the friendly welcome, professional approach and dedication of our teams and the Board would like to thank all employees for their continued efforts on behalf of the Company.

Strategic Review

In June 2011, the Board announced that it is reviewing possible options to increase value for its shareholders. The review process is continuing and the Board will provide updates on the outcome of the review as and when appropriate.

Outlook and Current Trading

During the period Arena has performed well and in line with expectations, particularly with regard to the continued development of the elements of the business that rely directly on consumer demand, the growth of

ATR and the increased diversification of income streams. These have all helped to mitigate the shortfalls in funding from the Levy. Trading in July continued to reflect the growth trends of the previous months, with good racing attendances and further increases in hospitality. Booking patterns for September's Ladbrokes St Leger Festival at Doncaster Racecourse are ahead of the same period last year and in line with expectations. Net debt is expected to reduce further in the second half of the year and through 2012, with a consequent benefit on interest costs.

From January 2012 the new media rights contract from SIS commences with its estimated £10.0m per annum uplift. The Board believes that the nature of the racecourse estate, in particular the all-weather assets, will be advantageous to Arena in the event of a Levy replacement that is predicated on a commercial relationship with bookmakers. The recent pronouncements by the Government on licensing and taxation of overseas bookmaking is seen as extremely encouraging with regards to a precedent for a potential solution to the Levy's structural deficiencies in regard to overseas operations.

David Thorpe
Chairman

Mark Elliott
Chief Executive

1 August 2011

**Condensed Consolidated Interim
Statement of Comprehensive Income**

| | Note | Six months ended 30 June 2011 Unaudited £'000 | Six months ended 30 June 2010 Unaudited £'000 | Year ended 31 December 2010 Audited £'000 |
|---|------|---|---|---|
| Revenue | 6 | 28,233 | 30,142 | 63,983 |
| Cost of sales | | (20,969) | (22,117) | (46,897) |
| Gross profit | | 7,264 | 8,025 | 17,086 |
| Administrative expenses | | (6,586) | (6,618) | (13,024) |
| Profit from operating activities | | 678 | 1,407 | 4,062 |
| Share of joint venture's profit from operations | | 669 | 548 | 1,126 |
| Share of joint venture's interest and tax | | 32 | 91 | 226 |
| Share of post-tax results of joint venture | | 701 | 639 | 1,352 |
| Profit before interest and taxation | | 1,379 | 2,046 | 5,414 |
| Finance expense | 7 | (1,092) | (1,204) | (2,058) |
| Finance income | 7 | 215 | 94 | 267 |
| Net finance expense | 7 | (877) | (1,110) | (1,791) |
| Profit before taxation | | 502 | 936 | 3,623 |
| Income tax expense | 8 | - | - | - |
| Profit for the period and total comprehensive income | | 502 | 936 | 3,623 |
| Profit and total comprehensive income attributable to: | | | | |
| Equity shareholders of the parent company | | 588 | 1,021 | 3,731 |
| Non-controlling interest | | (86) | (85) | (108) |
| | | 502 | 936 | 3,623 |
| | | Pence | Pence | Pence |
| Earnings per share | 9 | | | |
| Basic earnings per share | | 0.16 | 0.28 | 1.02 |
| Diluted earnings per share | | 0.16 | 0.28 | 1.02 |

Condensed Consolidated Interim Statement of Cash Flows

| | Note | Six months ended 30 June 2011 Unaudited £'000 | Six months ended 30 June 2010 Unaudited £'000 | Year ended 31 December 2010 Audited £'000 |
|--|------|---|---|---|
| Cash flows from operating activities | | | | |
| Profit for the period | | 502 | 936 | 3,623 |
| Adjustment for: | | | | |
| Depreciation | | 1,973 | 1,787 | 3,786 |
| Share-based payment expense | 14 | 289 | 149 | 320 |
| Net finance expense | 7 | 877 | 1,110 | 1,791 |
| Share of profit of joint venture | | (701) | (639) | (1,352) |
| (Profit)/loss on sale of property, plant and equipment | | (36) | 7 | (31) |
| Grant amortisation | | (36) | (36) | (72) |
| Cash flows from operating activities before changes in working capital and provisions | | | | |
| | | 2,868 | 3,314 | 8,065 |
| Increase in trade and other receivables | | (1,785) | (3,923) | (8,390) |
| Increase in inventories | | (82) | (95) | (49) |
| Increase in trade and other payables | | 3,910 | 2,057 | 18,857 |
| Net cash from operating activities | | 4,911 | 1,353 | 18,483 |
| Cash flows from investing activities | | | | |
| Purchases of property, plant and equipment | | (1,922) | (5,877) | (8,554) |
| Proceeds from sale of property, plant and equipment | | 24 | 3 | 295 |
| Additions to intangibles | | - | - | (37) |
| Repayment of loans to joint venture | | 575 | 515 | 515 |
| Interest received | | - | 58 | 72 |
| Net cash used in investing activities | | (1,323) | (5,301) | (7,709) |
| Net cash used in financing activities | | | | |
| Proceeds from bank and other borrowings | | 5,213 | 51,000 | 38,987 |
| Repayment of loans | | (5,000) | (39,520) | (41,120) |
| Repayment of finance lease liabilities | | (60) | (35) | (119) |
| Interest paid | | (1,069) | (1,243) | (2,516) |
| Dividends paid | 10 | (1,384) | (1,384) | (1,384) |
| Net cash from financing activities | | (2,300) | 8,818 | (6,152) |
| Increase in cash and cash equivalents | | | | |
| | | 1,288 | 4,870 | 4,622 |
| Net cash and cash equivalents at beginning of the period | | 3,099 | (1,523) | (1,523) |
| Net cash and cash equivalents at end of the period | | 4,387 | 3,347 | 3,099 |

Condensed Consolidated Interim Balance Sheet

| | Note | At 30 June 2011 Unaudited £'000 | At 30 June 2010 Restated* Unaudited £'000 | At 31 December 2010 Audited £'000 |
|--|------|---|--|---|
| Non-current assets | | | | |
| Property, plant and equipment | 11 | 140,276 | 140,308 | 140,685 |
| Intangible assets | 12 | 6,072 | 6,035 | 6,072 |
| Investment in joint venture | | | | |
| – Share of gross assets | | 4,284 | 3,985 | 4,028 |
| – Share of gross liabilities | | (5,090) | (6,205) | (5,535) |
| | | (806) | (2,220) | (1,507) |
| Goodwill in respect of joint venture | | 1,580 | 1,580 | 1,580 |
| Loans to joint venture | | 3,767 | 4,275 | 4,308 |
| | | 4,541 | 3,635 | 4,381 |
| Trade and other receivables | | 465 | - | - |
| Total non-current assets | | 151,354 | 149,978 | 151,138 |
| Current assets | | | | |
| Inventories | | 553 | 517 | 471 |
| Trade and other receivables | | 15,192 | 8,772 | 13,238 |
| Cash and cash equivalents | | 4,387 | 3,347 | 3,099 |
| Total current assets | | 20,132 | 12,636 | 16,808 |
| Total assets | | 171,486 | 162,614 | 167,946 |
| Current liabilities | | | | |
| Trade and other payables | | (7,880) | (7,419) | (5,821) |
| Loans and borrowings | 13 | (11,508) | (11,373) | (11,242) |
| Accruals and deferred income | | (9,620) | (6,653) | (4,618) |
| Total current liabilities | | (29,008) | (25,445) | (21,681) |
| Non-current liabilities | | | | |
| Loans and borrowings | 13 | (31,711) | (45,018) | (31,669) |
| Accruals and deferred income | | (32,072) | (15,721) | (35,308) |
| Total non-current liabilities | | (63,783) | (60,739) | (66,977) |
| Total liabilities | | (92,791) | (86,184) | (88,658) |
| Net assets | | 78,695 | 76,430 | 79,288 |
| Equity | | | | |
| Share capital | | 18,210 | 18,210 | 18,210 |
| Share premium | | 223 | 223 | 223 |
| Merger reserve | | 5,417 | 5,417 | 5,417 |
| Retained earnings | | 53,322 | 50,948 | 53,829 |
| Equity attributable to shareholders of the parent company | | 77,172 | 74,798 | 77,679 |
| Non-controlling interest | | 1,523 | 1,632 | 1,609 |
| Total equity | | 78,695 | 76,430 | 79,288 |

* - Relates to a change in the accounting policy for leased assets. See Note 3.

Condensed Consolidated Interim Statement of Changes in Equity

Attributable to the equity holders of the parent company

| | | Share capital | Share premium | Merger reserve | Retained earnings | Total | Non- controlling interest | Total equity |
|--|------|------------------|------------------|-------------------|----------------------|---------------|---------------------------------|-----------------|
| | Note | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2010 (As reported)* | | 18,210 | 223 | 5,417 | 51,170 | 75,020 | 1,717 | 76,737 |
| Impact of change in accounting policy* | | - | - | - | (8) | (8) | - | (8) |
| At 1 January 2010 (Restated)* | | 18,210 | 223 | 5,417 | 51,162 | 75,012 | 1,717 | 76,729 |
| Profit for the period and total comprehensive income | | - | - | - | 1,021 | 1,021 | (85) | 936 |
| Transactions with owners: | | | | | | | | |
| – Dividends paid | | - | - | - | (1,384) | (1,384) | - | (1,384) |
| – Share-based payment | | - | - | - | 149 | 149 | - | 149 |
| Total transactions with owners | | - | - | - | (1,235) | (1,235) | - | (1,235) |
| At 30 June 2010 (Restated)* (Unaudited) | | 18,210 | 223 | 5,417 | 50,948 | 74,798 | 1,632 | 76,430 |
| Profit for the period and total comprehensive income | | - | - | - | 2,710 | 2,710 | (23) | 2,687 |
| Share-based payment and total transactions with owners | | - | - | - | 171 | 171 | - | 171 |
| At 31 December 2010 (Audited) | | 18,210 | 223 | 5,417 | 53,829 | 77,679 | 1,609 | 79,288 |
| Profit for the period and total comprehensive income | | - | - | - | 588 | 588 | (86) | 502 |
| Transactions with owners: | | | | | | | | |
| – Dividends paid | 10 | - | - | - | (1,384) | (1,384) | - | (1,384) |
| – Share-based payment | 14 | - | - | - | 289 | 289 | - | 289 |
| Total transactions with owners | | - | - | - | (1,095) | (1,095) | - | (1,095) |
| At 30 June 2011 (Unaudited) | | 18,210 | 223 | 5,417 | 53,322 | 77,172 | 1,523 | 78,695 |

* - Relates to a change in the accounting policy for leased assets. See Note 3.

Notes to the Condensed Consolidated Interim Financial Statements

1 Reporting entity

Arena Leisure Plc (the 'Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2011 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities.

The consolidated financial statements of the Group as at and for the year ended 31 December 2010 are available on the Company's website at: www.arenaleisureplc.com.

The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2011 will also be available on the Company's website.

2 Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2010.

The comparative figures for the financial year ended 31 December 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 July 2011.

These condensed consolidated interim financial statements have not been subject to an audit or review pursuant to Auditing Practices Board guidance on Review of Interim Financial Information.

Going concern

The Group has sufficient bank facilities to enable it to complete its committed expenditure and to continue to meet day-to-day working capital requirements. Although the current economic conditions create uncertainty, particularly over funding levels from the Levy on bookmakers, the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, together with mitigating actions that are within management's control, show that the Group is expected to be able to operate within the level and covenant conditions of its debt facilities. Further information on the Group's borrowings is provided in Note 13.

The Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

3 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2010.

4 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2010. During the six months to 30 June 2011, there has been no material change in the risks to which the Group is exposed.

5 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2010 other than the new standards adopted in the period as set out below.

The retrospective change in accounting policy for leased assets applied in the consolidated financial statements as at and for the year ended 31 December 2010 has also been applied in these condensed consolidated interim financial statements. In accordance with IAS 8, the prior year balance sheet figures have been restated, with the net effect recognised in equity. The net effect is not material.

The following International Accounting Standards ('IAS' or 'IFRS'), issued by the International Accounting Standards Board, and interpretations, issued by the International Financial Reporting Interpretations Committee ('IFRIC'), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- Amendments to IAS 32 'Financial Instruments: Presentation'
- Revised IAS 24 'Related Party Disclosures'
- Improvements to IFRS (issued by IASB in May 2010)
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
- Amendments to IFRIC 14 'The Limit on a Defined Benefit'

6 Segment information

The Group only has one operating segment: racecourse operations. This business segment arises in the UK. Additional information on this segment is as follows:

| | Six months ended 30 June 2011 Unaudited £'000 | Racecourse operations Six months ended 30 June 2010 Restated* Unaudited £'000 | Year ended 31 December 2010 Audited £'000 |
|--|---|---|---|
| Total external revenue | 28,233 | 30,142 | 63,983 |
| Segment profit from operations | 1,975 | 2,748 | 6,763 |
| Central operations | (1,008) | (1,192) | (2,381) |
| Share-based payment | (289) | (149) | (320) |
| Share of joint venture result | 701 | 639 | 1,352 |
| Finance income | 215 | 94 | 267 |
| Finance expense | (1,092) | (1,204) | (2,058) |
| Profit for the year | 502 | 936 | 3,623 |
| Other information | | | |
| Additions to property, plant and equipment | 2,185 | 6,461 | 9,089 |
| Segment assets | 171,486 | 162,614 | 167,946 |
| Segment liabilities | (92,791) | (86,184) | (88,658) |
| Intangible assets | 6,072 | 6,035 | 6,072 |
| Investment in joint ventures | 4,541 | 3,635 | 4,381 |

* - Relates to a change in the accounting policy for leased assets. See Note 3.

7 Finance income and expense

| | Six months ended 30 June 2011 Unaudited £'000 | Six months ended 30 June 2010 Unaudited £'000 | Year ended 31 December 2010 Audited £'000 |
|--|--|--|--|
| Finance income | | | |
| Bank interest receivable | - | 58 | 72 |
| Other interest receivable | 34 | 36 | 69 |
| Derivative liability held for risk management | 181 | - | 126 |
| | 215 | 94 | 267 |
| Finance expense | | | |
| Bank interest payable | (939) | (779) | (1,672) |
| Finance lease interest | (58) | (33) | (113) |
| Amortisation of previous gain on present value of interest-free loans | (95) | (137) | (273) |
| Derivative liability held for risk management | - | (255) | - |
| | (1,092) | (1,204) | (2,058) |
| Net finance expense | (877) | (1,110) | (1,791) |

8 Income tax expense

The tax charge for the period is £nil (six months to 30 June 2010: £nil and the year to 31 December 2010: £nil) due to the utilisation of Horserace Betting Levy Board capital credits, which are not assessable to tax, and the utilisation of tax losses brought forward.

9 Earnings per share

Basic earnings per share ('EPS') have been calculated using the weighted average number of shares in issue during the periods. The weighted average number of shares in issue for the six months to 30 June 2011 is 364,202,007 (six months to 30 June 2010: 364,202,007 and the year to 31 December 2010: 364,202,007).

Diluted EPS has been calculated by also including the number of potentially dilutive ordinary shares in the periods. At 30 June 2011 the total number of potentially dilutive ordinary shares included in the calculation of diluted EPS was nil (at 30 June 2010: nil and at 31 December 2010: nil). Certain employee options have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of specific criteria that had not been met at the end of the period. In addition, certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the period (i.e. they are out-of-the-money) and therefore would not be dilutive.

10 Dividends

The following dividends were declared and paid by the Group:

| | Six months ended 30 June 2011 Unaudited £'000 | Six months ended 30 June 2010 Unaudited £'000 | Year ended 31 December 2010 Audited £'000 |
|--|--|--|--|
| Final dividend of 0.38p (2010: 0.38p) per ordinary share approved by the shareholders and paid during the period relating to the previous year's results | 1,384 | 1,384 | 1,384 |
| Dividends paid during the period | 1,384 | 1,384 | 1,384 |

In accordance with the Company's policy to pay dividends in one annual instalment as final dividends, the Directors have not approved an interim dividend in respect of the six months ending 30 June 2011 (2010: nil).

11 Property, plant and equipment

During the six months to 30 June 2011, the Group acquired assets with a cost of £2,185,000 (six months to 30 June 2010: £6,461,000 and the year to 31 December 2010: £9,089,000). This figure includes capitalised borrowing costs of £130,000 (six months to 30 June 2010: £465,000 and the year to 31 December 2010: £844,000).

The Board considered the carrying value of assets under construction at 30 June 2011 and concluded that there were no indications of impairment and subsequently no impairment loss has been recognised (at 30 June 2010: no impairment loss and at 31 December 2010: no impairment loss).

At 30 June 2011, the Group remained committed to purchase property, plant and equipment totalling £81,000 (at 30 June 2010: £129,000 and at 31 December 2010: £282,000).

12 Goodwill

At 30 June 2011, the Board considered the carrying value of goodwill and concluded that there were no indications of impairment and subsequently no impairment loss has been recognised (at 30 June 2010: no impairment loss and at 31 December 2010: no impairment loss).

13 Loans and borrowings

The Group had the following interest-bearing loans and other borrowings at each balance sheet date:

| | Six months ended 30 June 2011 Unaudited £'000 | Six months ended 30 June 2010 Restated* Unaudited £'000 | Year ended 31 December 2010 Audited £'000 |
|--------------------------------|--|---|--|
| Current liabilities | | | |
| Bank loans | 10,000 | 10,000 | 9,829 |
| Finance lease liabilities | 2 | 4 | 2 |
| Other loans | 1,506 | 1,369 | 1,411 |
| | 11,508 | 11,373 | 11,242 |
| Non-current liabilities | | | |
| Bank loans | 29,200 | 41,000 | 29,158 |
| Finance lease liabilities | 1,008 | 1,010 | 1,009 |
| Other loans | 1,503 | 3,008 | 1,502 |
| | 31,711 | 45,018 | 31,669 |

* - Relates to a change in the accounting policy for leased assets. See Note 3.

All loans and borrowings are in sterling.

The Group has committed banking facilities with Lloyds Banking Group providing for £45.0m of facilities that amortise over the period to maturity on 31 December 2013, of which £10.0m falls due within one year (£5.0m due in July 2011 and £5.0m due in January 2012). The margin on these facilities is variable between 2.00% and 3.25%, dependent on the Group's leverage ratio. The effective margin is currently 2.50%. An arrangement fee of £412,500 was payable on initial drawing of the facilities in March 2010.

Other loans represent interest-free loans from the HBLB and, as required under IAS 39, they are held at present value, with a net finance cost of £95,000 included in the income statement in the period (six months to 30 June 2010: £137,000 and year to 31 December 2010: £273,000).

14 Share-based payment

The Group operates two share option schemes for employees. Final grants were made under these schemes in 2006. In the six months to 30 June 2011, 710,000 share options lapsed due to the vesting conditions not having been met.

In 2007, the Group established a long-term incentive plan ('LTIP') that provides for annual conditional awards of shares to be made, subject to performance criteria, to key management personnel and senior employees. In April 2011, awards over 2,361,967 ordinary shares in the Company were granted to certain employees based on a share price of 27.5p per share. Vesting of the shares is expected to occur following the issue of the Group's annual results for 2013, subject to the Company achieving adjusted EPS growth for the year ending 31 December 2013 (compared to the base year of 2010) of RPI+90%. The vesting percentage reduces to 50% if EPS growth is RPI+60% and 0% if EPS growth is less than RPI+30%. Straight line vesting occurs between 0% and 50% and between 50% and 100%.

The share-based remuneration expense recognised in the six months to 30 June 2011 in respect of the LTIP awards is £289,000 (six months to 30 June 2010: £149,000 and year to 31 December 2010: £320,000).

Further details on the share option schemes and the LTIP are disclosed in the consolidated financial statements as at and for the year ended 31 December 2010.

15 Related parties

Directors and key management personnel receive remuneration in the form of wages and salaries, contributions to defined contribution pension plans and share-based payments (see Note 14). Remuneration in respect of Directors and key management personnel for the six months to 30 June 2011 totalled £1,037,000 (six months to 30 June 2010, restated: £888,000 and the year to 31 December 2010: £2,002,000), including share-based payment expense of £264,000 (six months to 30 June 2010: £126,000 and the year to 31 December 2010: £288,000).

Transactions with the other related parties of the Group in respect of the six months to 30 June 2011 (as disclosed in the consolidated financial statements as at and for the year ended 31 December 2010) are as follows:

| Related party and type of | Transaction amount | | | Balance outstanding | | |
|---|--|---|---|--|---|---|
| | Six ended 30 June 2011 Unaudited £'000 | Six months ended 30 June 2010 Unaudited £'000 | Year ended 31 December 2010 Audited £'000 | Six ended 30 June 2011 Unaudited £'000 | Six months ended 30 June 2010 Unaudited £'000 | Year ended 31 December 2010 Audited £'000 |
| Racecourse Association | | | | | | |
| Annual membership fee and related costs | (97) | (72) | (153) | (7) | (4) | (4) |
| Admissions, sponsorship and conference facilities | 5 | 4 | 12 | 3 | 2 | 3 |
| British Horseracing Authority | | | | | | |
| Programme announcements and racing calendar adverts | - | (10) | - | - | (2) | - |
| Admissions, sponsorship and Ian Renton Directorship | 3 | 3 | 29 | 2 | 1 | 4 |
| At The Races | | | | | | |
| Contribution to picture provision, sponsorship | 1,633 | 1,614 | 2,622 | 89 | 1,062 | 373 |
| Interest receivable on loans | 34 | 36 | 69 | - | - | - |
| Loans | (575) | (515) | (515) | 3,767 | 4,275 | 4,308 |

The term of Ian Renton's British Horseracing Authority directorship expired in July 2010. The information for the period to 30 June 2011 is shown for comparative purposes. There were no significant changes in the related party transactions described in the consolidated financial statements as at and for the year ended 31 December 2010.

16 Subsequent event

On 22 July 2011 the third advanced payment of £7.0m was received from Satellite Information Services Limited ('SIS') in respect of the agreement for the provision of coverage of horse racing content from the Group's seven racecourses into Licensed Betting Offices ('LBOs') in the United Kingdom and Ireland. The agreement was signed on 22 July 2009. It will replace the Group's current contract with BAGS at its expiry on 31 December 2011 and has a term of five years to 31 December 2016. Total revenues receivable under the contract over this period are estimated at £106.0m which compares to revenues under the existing five-year BAGS contract of an estimated £55.0m. The Company received an initial advanced payment from SIS of £12.5m upon signing the agreement and a second advanced payment of £12.5m on 22 July 2010. The balance of the estimated revenues will be received by the Group throughout the five-year term on a per race basis.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU; and
- The interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Mark Elliott
Chief Executive

Tony Harris
Finance Director

29 July 2011