

Arena Leisure PLC - Final Results

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ARENA LEISURE PLC

PRELIMINARY RESULTS FOR YEAR ENDED 31 DECEMBER 2007

Arena Leisure Plc ('Arena'), the operator of seven racecourses and 26% of the UK 's annual horseracing fixtures, today announces its audited preliminary results for the year ended 31 December 2007.

Financial highlights

- * Revenue increased by 28.0% to £57.9m (2006: £45.3m), principally due to the re-opening of Doncaster Racecourse and the creation of a new catering business.
- * Profit before interest and tax increased by 6.9% to £6.0m (2006: £5.6m).
- * Earnings per share increased by 1.2% to 1.63p (2006: 1.61p).
- * Proposed final dividend of 0.30p per share, giving a total dividend of 0.55p per share - an increase of 7.8% (2006: 0.51p per share).

Operating highlights

- * Wolverhampton Racecourse staged a record 121 fixtures (2006: 111) and Lingfield Park staged 106 fixtures (2006: 95).
- * Unprecedented wet weather throughout much of the summer caused extensive flooding at Worcester and Southwell Racecourses. As a consequence, Arena was unable to stage 19 scheduled fixtures (2006: 4). Southwell Racecourse recommenced operations in December 2007 following the receipt of insurance proceeds totalling £6.6m.
- * 347 fixtures held in the year (2006: 353), representing 26% of all UK fixtures.
- * At The Races delivered an operating profit for the first time - Arena's share of operating profit was £0.2m (2006: loss of £0.3m).
- * Successful creation of an 'in-house' catering business to direct, manage and operate all catering activities across Arena's racecourses.
- * Contract signed in January 2008 with Great Leighs to manage its race-day operations.

Development highlights

- * The first phase of the redevelopment of Doncaster Racecourse completed on time for a trial fixture in August and the successful staging of the St Leger festival in September.
- * Planning permission received for a combined 120-bedroom hotel and 34-unit residential development at Doncaster Racecourse.
- * Planning permission received for Wolverhampton Racecourse to expand the current hotel to 170-bedrooms and incorporate a casino to create the UK's first 'racino'. Government go-ahead given for the creation of eight 'large' and eight 'small' casinos, with the City of Wolverhampton recommended to receive a 'small' casino licence.
- * Planning permission received for a 116-bedroom hotel and leisure development at Lingfield Park Racecourse.

Commenting on the results, Arena's Chairman, Raymond Mould, said:

'Without doubt, 2007 was a very challenging year for Arena. I am delighted that, despite the severe adverse weather experienced during the middle of the year and an unprecedented level of abandoned fixtures, Arena was able to meet revised market expectations with profit before interest and tax of £6.0m. Despite the loss of two racecourses for a significant part of the year, Arena retained its position of staging over one-quarter of all horseracing in the UK.' 'Importantly, Arena made significant progress with each of the strategically important developments that will yield value in the coming years, in particular with the re-opening of Doncaster Racecourse, the creation of the catering business and the receipt of planning permission for hotels at Doncaster, Wolverhampton and Lingfield Park. The Board is optimistic that Arena will continue to make good progress in 2008.'

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Chairman's Statement

Without doubt, Arena has had a challenging 2007. I am delighted that, despite the severe, adverse wet weather experienced during the middle of the year and an unprecedented level of abandoned fixtures, Arena was able to meet revised market expectations with profit before interest and tax of £6.0m (2006: £5.6m) and a growth in earnings per share of 1.2% to 1.63p. Despite the loss of two racecourses for a significant part of the year, Arena retained its position of staging over one-quarter of all horseracing in the UK.

Importantly, Arena made significant progress with each of the strategically important developments that will yield value in the coming years.

The first phase of the redevelopment of Doncaster Racecourse concluded on schedule with a trial fixture staged in mid-August and the successful staging of the Ladbrokes St Leger festival in September. The second phase involves the construction of a 120-bedroom hotel with 34 residential apartments, for which planning permission was received during the year. Planning permission was also finalised for a development at Lingfield Park Racecourse incorporating a 116-bedroom hotel, leisure club, restaurant and bar, golf club house and hospitality boxes. At Wolverhampton Racecourse, planning permission was received for an expansion of the existing hotel from 54 to 170-bedrooms, the construction of a new conference, exhibition and banqueting suite, a new leisure facility featuring a swimming pool and the incorporation of a casino, thereby creating the UK's first 'racino'. In a related development, the Government laid an order before Parliament at the end of February 2008 that confirmed the City of Wolverhampton as the intended recipient of one of the new 'small' casino licences. Arena hopes that Wolverhampton Racecourse will subsequently be chosen as the site for the new casino. Given the scale of developments now in the pipeline for 2008/9, the Board decided to defer consideration of any major enhancements at Royal Windsor Racecourse for at least one year. It also decided to write-down the carrying value of related development costs incurred in prior

years by £1.05m.

Credit Committee approval has been received from Arena's relationship bank to provide new banking facilities to undertake the first two of the hotel projects. The Board is confident that funding will be available for the Wolverhampton development once it is confirmed that the 'racino' project will proceed.

In March 2007, Arena created its own catering business and took over the operation of all food and beverage activities at six of its racecourses. Operations at the seventh track, Worcester, commenced at the beginning of March 2008. The set-up costs of the catering operation in 2007, which were exacerbated by start-up costs incurred on the re-opening of Doncaster Racecourse, amounted to around £0.4m in 2007. The business is progressing on track and is expected to increase the long-term profitability of Arena's racecourse operations.

In January 2008, Arena signed an initial one-year contract to oversee the management of racing operations at the new Great Leighs Racecourse at Chelmsford in Essex. This arrangement reflects Arena's status as the clear market leader in all-weather racing in the UK and is expected to generate the Group a profit of around £0.25m.

Trading in the important summer months was impacted by severe wet weather conditions which culminated in unprecedented and extensive flooding at both Southwell and Worcester Racecourses. As a consequence, Arena was unable to stage 19 scheduled fixtures in 2007 (2006: 4). Equally significant was the severe reduction in anticipated attendance levels at many of the high profile summer fixtures that were held across the Group, notwithstanding the weather. However, once conditions improved later in the summer, Royal Windsor Racecourse was able to break its attendance record with one crowd of over 10,000 people.

An insurance settlement of £6.6m was negotiated following the closure of Southwell Racecourse due to the effects of severe flooding. This sum covered the financial impact of both business interruption and the physical repair and replacement of assets; the latter resulting in a gain of £1.35m due to the 'new-for-old' nature of the policy. The settlement allowed an accelerated

refurbishment programme and the re-opening of the Racecourse in mid-December. No insurance claim was possible in respect of the flooding at Worcester.

Revenue increased by 28.0% to £57.9m (2006: £45.3m), largely driven by the creation of the new catering business and the re-opening of Doncaster Racecourse. Profit before interest and tax for 2007 was £6.0m, in line with revised market expectations (2006: £5.6m). This includes a one-off net profit of £0.3m arising from the gain on the damaged assets element of the insurance settlement at Southwell Racecourse, net of the partial write-down of the Royal Windsor development costs. Profit before tax remained stable at £5.8m (2006: £5.8m) and earnings per share increased by 1.2% to 1.63p (2006: 1.61p).

The racecourse operations performed admirably, responding extremely well to very difficult trading conditions during the middle part of the year, and delivered an operating profit of £8.4m (2006: £8.7m). Total attendances at 573,000 were up 12.4% (2006: 510,000). This growth was aided by the re-opening of Doncaster Racecourse, offset to a large extent by flooding-related closures at Southwell and Worcester. Attendances for the UK racing industry as a whole were down by 1.0% at 5.8 million. Importantly, Arena's number of private hospitality customers, who provide the highest spend per head, grew by 30.1% to 62,700 (2006: 48,200).

At The Races ('ATR'), which is 47.5% owned by Arena, progressed well. Arena's share of ATR's maiden operating profit was £0.2m (2006: loss of £0.3m). Arena's share of ATR's post tax result was a loss of £0.2m (2006: loss of £0.8m).

As a reflection of the Board's confidence for the future, an interim dividend of 0.25p per share was paid in October and the Board has proposed a final dividend for 2007 of 0.30p per share (2006: 0.26p). This will give a total dividend in relation to 2007 of 0.55p per share - an increase of 7.8% over the 0.51p per share declared for 2006. This dividend is proposed to be paid on 2 May 2008 to shareholders on the register on 4 April 2008.

The dedication and hard work demonstrated by Arena's employees over the last

12-months has been tremendous and I am extremely grateful to them all. Their passion for this Company and its customers is fundamental to the future success of Arena.

Outlook

Despite the weather-related challenges that arose in 2007, the Group achieved many of its objectives. With Doncaster Racecourse successfully re-opened and

looking forward to a full year of operations, Southwell and Worcester Racecourses restored following the summer flood damage and planning permission received for the major hotel-based developments, the Board is optimistic that Arena will continue to make good progress in 2008.

Raymond Mould
Chairman
5 March 2008

Chief Executive's statement and review of operations

Whilst 2007 was a difficult year, particularly in terms of profitability as a result of exceptionally wet weather during the important summer months, Arena made strong progress. It was a year in which the staff responded magnificently and, in many ways, was a successful year, particularly with regard to the progress made with the business' exciting growth opportunities and the delivery of profit before interest and tax ahead of last year.

Throughout 2007, Arena owned and operated seven racecourses at Royal Windsor, Lingfield Park, Wolverhampton, Southwell, Folkestone, Worcester and Doncaster. The last of these, Doncaster, was closed for the majority of the year as it underwent a major redevelopment. It successfully re-opened in August and staged the Ladbrokes St Leger festival in September. Southwell and Worcester were both badly affected by flooding in the summer. In total, Arena's seven courses staged 26% of all horseracing in the UK in 2007. Arena's joint venture company, At The Races, delivered an operating profit for the first time.

Significant value will be generated from Arena's racecourse assets as the Group

invests in new or expanded profit generating opportunities that complement existing activities. Progress was made in this area with the re-opening of the redeveloped Doncaster Racecourse and the creation of an 'in-house' catering business to service all of Arena's racecourses. Planning permission was also received for three major developments: a hotel and residential development at Doncaster, a hotel, leisure and residential development at Lingfield Park and a hotel and casino development at Wolverhampton Racecourse.

Review of operations

Arena's racecourses achieved an operating profit in 2007 of £8.4m (2006: £8.7m). In what was otherwise a year of strong underlying performances, the start-up costs incurred in 2007 associated with the new Doncaster Racecourse and catering businesses and the impact of heavy rainfall during much of the summer combined to reduce operating profit below last year and, in particular, below our expectations.

Revenue grew by 28.0% to £57.9m (2006: £45.3m) principally from the creation of Arena's new catering business which took over the majority of Arena's food and beverage contracts in April. The full revenue from the catering activities is included for the last nine months of the year, compared to a commission receipt for both the first three months of 2007 and the whole of 2006. This additional revenue amounted to around £7.4m. The re-opening of Doncaster Racecourse in August 2007 also had a net positive effect on revenue. During Doncaster's redevelopment, most of the corresponding fixtures in 2006 had been staged elsewhere in the Arena racecourse portfolio, although generally in front of smaller crowds, and with the St Leger festival staged outside the Group at York.

Doncaster Racecourse is one of the UK's major racecourses, hosting the opening race of the flat racing season as well as the last classic race of the season - the 230-year old St Leger. The Racecourse closed for redevelopment in January 2006 and re-opened for a trial event in mid-August 2007. It then staged the

four-day Ladbrokes St Leger festival in mid-September as scheduled, with HRH the Princess Royal performing the official opening. Attendances across the four days exceeded expectations, with a modern day record of 31,000 attending the Ladbrokes St Leger, which bodes well for the future. Having taken 'delivery' of the new building only a short period before both the August fixture and the September fixture, Arena incurred some significant one-off costs which, when combined with the start-up costs incurred in establishing the new business, resulted in Doncaster Racecourse generating a loss in 2007 of £0.5m (2006: loss of £0.1m). The performance since its re-opening gives re-assurance that it will operate in line with expectations and generate an increasing level of operating profit. 'Snagging' works are still being undertaken by the building contractor and the final cost is subject to final account; thus the total cost for the redevelopment remains an estimate at £34.9m. Arena has an 81% stake in the company that operates the Racecourse via a 99-year lease, with the local council owning the remaining 19%. For the first 30 years of operation, Arena will receive 92.5% of profits, with the council receiving the balance.

Arena's new catering business successfully launched in April 2007, taking over the catering activities at six of the Group's racecourses. On 1 March 2008, it also took over the catering operations at the seventh racecourse, Worcester. Catering is a fundamental part of the racecourse experience, becoming a central aspect of a successful and enjoyable day at the races. The Board decided that only a dedicated in-house operation could provide the passion, innovation and excellence that it demands for its customers. It recruited an enthusiastic and experienced central catering management team that relishes the opportunity that has been created; building a catering business whose objectives are perfectly aligned with those of the venues it serves, namely customer satisfaction and the generation of profitable growth. The transfer from the external caterer was successful and the new business has performed well, having a positive impact on the customer experience. The business will work with the racecourses to further

improve the food and beverage offering, thereby increasing repeat business and spend per head, with a consequent increase in bottom line profitability. The costs incurred in setting up the new business include start-up costs arising on the re-opening of Doncaster Racecourse and amount to around £0.4m in 2007.

Together, the catering and Doncaster Racecourse businesses contributed a one-off loss in 2007 of £0.9m (2006: £0.1m). Without these costs, which were incurred for the long-term benefit of the Group, the operating profit from Arena's racecourses would have grown in 2007 by 5.7% to £9.3m (2006: £8.8m).

The second major impact on profitability was the severe adverse weather throughout much of the summer that culminated in the flooding of both Southwell and Worcester Racecourses.

Worcester Racecourse is within a flood plain of the River Severn and often floods during the winter months, but extremely rarely during its summer racing season. In the period to June 2007, eight fixtures were staged before the Racecourse flooded and the remainder of the season was lost. The eight fixtures staged in 2007 compare to the 21 staged in 2006. Four of the abandoned fixtures were transferred elsewhere in the Group but the remainder were lost. The loss of fixtures is unusual and arose largely due to the turf course at Southwell also being under water at the same time. Whilst none of the buildings were severely damaged, there was a significant financial impact as the Racecourse, due to its location, does not have business interruption insurance. As a consequence, the Racecourse generated a loss of £0.4m, compared to a marginal profit in 2006. The track is now in good condition and Arena looks forward to a successful 2008 summer jumping season at Worcester commencing on 6 April.

Southwell Racecourse has not flooded in living memory. However, storms in June resulted in all buildings at the Racecourse, certain areas of both the all-weather and turf courses and the golf course flooding. The damage caused to many of the buildings was severe and, with some impact on the upper levels of the all-weather track surface, the Racecourse was unable to operate. The

insurance policy provided compensation for both business interruption and for damaged buildings and equipment to be repaired and/or replaced. A negotiated settlement was reached with the insurers for a sum of £6.6m and the Racecourse re-opened in mid-December. The settlement covered the financial impact of both business interruption and the physical repair and replacement of assets. The latter contributed to a net gain of £1.35m due to the 'new-for-old' nature of the policy. Taking into account the business interruption element within the insurance settlement, Southwell Racecourse traded in line with original expectations in 2007. Some repair work is still ongoing, particularly to the catering facilities, and, consequently, there is an element of the business interruption insurance settlement that has been deferred and will be recognised in 2008. The Racecourse is expected to be fully operational by the end of April 2008.

At Royal Windsor Racecourse, after a positive first half of the year in which average attendances had increased by around 20%, the third quarter of the year was particularly weather impacted. One fixture was lost to a waterlogged surface and, on a number of the usually popular Monday evenings, the wet weather caused significant reductions in attendance levels. As such, whilst Royal Windsor only lost one fixture, it was affected by generally reduced attendance levels and, consequently, profits in 2007 fell slightly below those generated in 2006. Once more settled weather returned, it was very pleasing that on a Saturday in August Royal Windsor Racecourse broke the record for its highest attendance with a crowd of just over 10,000. Early sales levels for the forthcoming season which commences on 14 April are encouraging.

At each of Wolverhampton, Lingfield Park and Folkestone Racecourses the adverse weather also had an impact. At both Wolverhampton and Lingfield Park, the proportion of advance on-line customer bookings was increased with a view to increasing cash flow, ensuring customer attendance and gaining valuable marketing data. This initiative was encouraged by offering significant price

reductions to on-line bookings and generated a great deal of valuable customer information that has made possible highly targeted internet-based marketing campaigns although, in the short term, this may have held back on-the-gate attendance figures early in the year. New ticket pricing strategies and new marketing initiatives were introduced at both courses to encourage a greater number and frequency of visits. At Lingfield Park, a series of Saturday night

post-racing concerts were held, although a large proportion of these were unfortunately affected by wet weather. A similar series of concerts will be staged in 2008 as an added attraction on a Saturday evening.

The various costs and shortfalls in income were mitigated to some extent by a new five year agreement with 'BAGS' that commenced on 1 January 2007 for the supply of Arena's live horseracing pictures to Britain's licensed betting shops. This new contract generated around £9.9m (2006: £8.8m).

The introduction of an integrated ticketing and admission system commenced with its successful installation at Doncaster and Royal Windsor. The roll-out to the remaining racecourses in the Group will continue during 2008. The new system ensures that admissions procedures are standardised and tightened and that a greater level of information on Arena's customers is captured for marketing purposes.

Attendances and fixtures

Arena's racecourses stage fixtures throughout the year. The fixtures in June and July attract the largest crowds and, in 2007, these two months were forecast to account for around 28% of annual attendance-related income. The poor weather in these key months impacted the anticipated attendances across all Arena's courses.

Race-day attendances showed a 12.4% increase to 573,000 (2006: 510,000). Attendances for the UK racing industry as a whole were down by 1.0% at 5.8 million. Arena's increase resulted from the re-opening of Doncaster Racecourse

in August, with attendances of 102,000 achieved at the nine fixtures staged in the year. In 2008, its first full year of operation, Doncaster Racecourse is expected to attract race-day crowds totalling around 250,000 and to reduce the proportional importance of June and July due to its relatively large crowds throughout the year, particularly with the St Leger festival in September.

Excluding Doncaster, attendances at Arena's six other courses fell 7.7% to 471,000 (2006: 510,000); a reduction that is more than accounted for by the combined 48,000 year-on-year shortfall caused by flooding-related closures at Southwell and Worcester. If Southwell and Worcester are also excluded, attendances grew by 2.3% to 398,000 (2006: 389,000), which compares favourably with the racing industry as a whole (down 2.0% on the same basis). Total attendances grew at Folkestone, Wolverhampton and Lingfield Park, in part due to additional fixtures being staged at each course. At all three, the average attendance per fixture declined very slightly due to the greater frequency of racing. Despite the underlying growth on 2006, the attendance figures fell short of both expectations and where management had positioned the cost base of the business, directly impacting profitability.

The number of private hospitality customers grew by 30.1% to 62,700 (2006: 48,200), helped by the re-opening of Doncaster and small levels of growth at Royal Windsor, Wolverhampton and Lingfield Park, offset by the closures of Worcester and Southwell. This underlying growth reflects Arena's focus on this important customer base; one that generates the highest spend per head and typically pays in advance, thereby guaranteeing attendance regardless of the weather, but also offers a market that Arena believes has strong growth potential.

The increased attendances were achieved from 347 fixtures (2006: 353). These fixtures represented 26% of the UK horse racing fixture list (2006: 26%). The reduction in fixtures staged arose from an unprecedented level of lost fixtures (2007: 19; 2006: 4), primarily due to weather-related abandonments. Of the fixtures staged, 36 were obtained due to the delayed opening of the new

racecourse at Great Leighs (2006: 19) and 22 were internal transfers from the two flooded courses. These fixtures were all transferred and staged at relatively short notice which is not ideal for generating large attendances. Wolverhampton Racecourse, with its floodlit all-weather surface, staged over one-third of all Group fixtures at 121 (2006: 111) and Lingfield Park, with its all-weather and turf courses, staged 106 fixtures (2006: 95). The significant increase in short-notice fixtures contributed to the reductions at both courses in average attendance in 2007. In addition, in the last quarter of the year, around 17 new evening fixtures were staged under floodlights at Wolverhampton following the legalisation of the evening opening of betting shops during the winter months. We are optimistic that a substantially greater level of attendances at these fixtures can be generated over time. It is also notable that in the periods of increased racing frequency, there are more races run with fields of less than eight runners, which reduces the amount received from BAGS for those races. Consequently, whilst the additional fixtures proved profitable, they have had the effect of reducing average race profitability.

In 2008, Arena is currently scheduled to stage 370 fixtures, again representing around 26% of the UK horse racing fixture list. This includes 17 fixtures transferred from Great Leighs that are not expected to be repeated in 2009 and 85 fixtures acquired in the British Horseracing Authority ('BHA') fixture bidding process (2007: 66), of which 18 are additional new floodlit winter evening fixtures in the first quarter. In 2009, the number of fixtures is currently expected to be around 354, assuming a similar number of acquired BHA fixtures.

Racing industry developments

In December 2006, the Government announced the extension of the Levy until such time as a secure and adequate alternative commercial funding arrangement could be identified. The Levy is the major source of funding for the UK racing industry. In 2007, Arena received £19.4m from the Levy (2006: £19.1m), representing 33.5% of Arena's revenue (2006: 42.2%), the majority of which funds

prize money payments. In October 2007, no agreement was reached on the funding level for the year 2008/9. In February 2008, the Department of Culture Media and Sport announced a continuation of the funding at the same level as for 2007/8 i.e. a 10% charge on gross profits. The announcement highlighted the need for racing and the betting industry to move away from an adversarial approach and to engage in a modernisation of the Levy process. Modernisation is a central element in improving the dialogue between the racing and betting industries within the Levy Board. In subsequent speeches, the Sports Minister has reiterated that the Levy will remain in place until such time as both parties can agree on an appropriate alternative.

The BHA came into existence in July 2007, combining racing's regulatory and governance functions. Ian Renton, Arena's Racing Director, is a member of the BHA board, nominated by the UK's racecourses. Racing Enterprises Limited was also established as the industry's commercial entity, jointly owned by the UK racecourses and the Horsemen's Group.

The Gambling Act 2005 came into effect in September 2007 enabling the previously mentioned evening opening of betting shops. It also removes the 'five-times rule' which states that bookmakers can only be charged five-times the admission price for the section of the racecourse in which they operate. As a result, from 2012, racecourses will be able to enter into direct commercial arrangements with the on-course bookmakers.

The Government has recently rejected a bid by a consortium of racing interests for the privatisation of the Horserace Totalisator Board (the 'Tote'), which owns 540 betting shops and has the exclusive licence to run pool betting on horseracing in the UK. The Government now intends to prepare for an open market sale and will appoint advisers to advise it on its strategic options. The Government confirmed its intention to make available to racing half the net proceeds of any open market sale in the event that a sale to racing itself did not prove possible and is considering how best to give effect to that

undertaking in ways which meet the needs of racing, do not add unnecessary bureaucracy and are consistent with European state aid and competition regulations.

At The Races ('ATR')

The media rights value of the races staged at Arena's courses is delivered through ATR, a joint venture in which Arena and BSkyB both have a 47.5% stake.

ATR has media rights arrangements in place with 30 UK racecourses, providing it with the exclusive right to broadcast nearly 60% of all UK fixtures on non-terrestrial television and other platforms. ATR also has exclusive rights to broadcast racing from all 27 Irish racecourses and consequently broadcasts more than 1,100 UK and Irish meetings each year. It maximises the value of the media rights licensed to it by making its racing product as widely available as possible, both domestically and internationally and has commercial agreements in place with all of the UK's major bookmaking companies. It generates revenue through both the facilitation of bets placed with its betting partners and the driving of ancillary revenues, such as sponsorship and advertising.

ATR continued to make good progress in 2007 and its relationship with the Irish racing industry was strengthened further. ATR had the exclusive rights to broadcast racing from all 27 Irish racecourses through to the end of 2008 and, through its arrangements with SIS, these rights have now been extended for the period 2009 to 2013. This was an important 'win' for ATR, ensuring long-term access to a very important content source and reflecting the strength of the ATR proposition to the owners of racing media rights.

In 2007, ATR's revenue rose by 8.2% to £14.5m (2006: £13.4m) and it delivered an operating profit for the first time. This growth in revenue occurred across all the major areas of international distribution, sponsorship and advertising. The re-opening of Doncaster Racecourse and ATR's access to all of its racing was an important step forward.

Arena's share of ATR's operating profit was £0.2m (2006: loss of £0.3m). This

improvement arose from increased revenue and reduced costs of some infrastructure contracts. ATR's operating profit, combined with a small residual cost from litigation that ended in 2006, interest on shareholder loans and a small amount of tax payable on some overseas income resulted in Arena's share of ATR's loss after tax improving by 75% to £0.2m (2006: £0.8m).

During 2007, the ATR television channel remained the UK and Ireland's most watched, dedicated horseracing channel, regularly attracting over 1.5 million

different individuals every month (2006: 1.45 million) and with channel ratings and reach at record levels. Importantly, these customers have been watching for longer and at more lucrative times, helping to drive advertising revenues. The latter is attributable to ATR's focus on maximising the number of ad breaks and ensuring their positioning as close to race 'off times' as possible, thereby encouraging viewers to stay through the ad breaks, helping to increase advertising revenues.

ATR's website, attheraces.com, has grown to be the number one horseracing and betting website in the UK and Ireland with over 500,000 unique monthly users (2006: 400,000), making it also one of the UK's most visited sports betting websites.

ATR made good progress in 2007 and, from its strong financial and operational position, this progress is expected to continue in 2008, resulting in further growth in profitability.

Racecourse developments

Significant progress was made with Arena's major new or expanded profit generating opportunities. The first of these came to fruition with the re-opening of Doncaster Racecourse and the creation of the catering business.

The remaining three projects were all dependent on the receipt of planning permission and in 2007 success was achieved with all three.

In the second phase of Doncaster's redevelopment, planning permission was received for a combined 120-bedroom four-star hotel with associated restaurant

and bar areas on the lower floors and 34 residential apartments on the upper floors. Negotiations over the terms of a fixed price contract are ongoing in order to ensure that the project is delivered within Arena's cost requirements. It is hoped that the project will commence in the middle of 2008 and complete by the end of 2009. The hotel is expected to operate as a Copthorne hotel, with a management agreement close to being signed with Millennium & Copthorne. The hotel will operate closely with the extensive new facilities on the Racecourse, for the benefit of both, and will play an integral role in helping to transform Doncaster Racecourse into a world-class leisure, business and racing venue. The estimated net cost of the project is £12.0m.

At Lingfield Park, detailed permission was received in 2006 for the conversion of a leisure club into 22 residential apartments, together with the provision of a further three houses within its grounds. Outline planning permission was also received for significant improvements to the Racecourse itself and, in November 2007, detailed planning permission was received. A total of 22 buildings will be demolished, to be replaced by a new integrated leisure building incorporating a 116-bedroom hotel, a new golf club house, restaurants and bars and extensive new leisure facilities including a leisure club with a swimming pool, as well as improvements to the racing facilities. Negotiations for the fixed price contract are progressing well and a franchise agreement with Marriott is expected to be signed soon. It is expected that the development will commence in the next few months and complete by the end of 2009. The estimated net cost of the two related developments is in the region of £26.0m. The Board is exploring the option of selling the existing leisure club site with its associated planning permission and thereby reducing both the initial gross outflow and the risk associated with the additional construction and subsequent sale of the residential development.

At Wolverhampton Racecourse, planning permission was received for an expansion of the existing hotel from 54 to 170-bedrooms, the construction of a new

conference, exhibition and banqueting suite, a new leisure facility featuring a swimming pool and the incorporation of a casino, thereby creating the UK's first 'racino'. The proposed expansion will help secure the long-term future of the Racecourse and will further enhance its status as a leading racing, conferencing and leisure destination for the West Midlands region. In conjunction with the change in the catering provision to Arena's in-house team, an extensive refurbishment of the Racecourse's 370-seat grandstand viewing restaurant, Horizons, was successfully undertaken, with both changes helping to improve the customer experience.

Running alongside this planning process is the City of Wolverhampton's desire to receive one of the proposed new casino licences. The City was recommended as a location for a 'small' casino by the Casino Advisory Panel in January 2007, with Wolverhampton Racecourse playing a prominent role in the City's application. Arena's proposed racino is capable of accommodating such a 'small' casino. The Panel commented that: 'Wolverhampton well satisfies all of our criteria and if the casino happens to end up at the racecourse it would add to its uniqueness and provide an interesting and unusual social impact test'. The Panel's recommendations require the endorsement of Parliament and, in February 2008, the Government laid an order before Parliament that confirmed the City of Wolverhampton as the intended recipient of one of the new 'small' casino licences. Should a small casino licence be confirmed for the City of Wolverhampton, Arena will partner with an experienced casino operator and hopes that Wolverhampton Racecourse will be chosen as the best site in the City for the casino. The integrated nature of the proposal, together with the jobs that would be both safeguarded and indeed created, would make a casino at Wolverhampton Racecourse a very exciting addition to the City. The cost of the development is estimated at £25.0m and will generate up to 280 additional jobs once fully operational. It currently looks as though this project is unlikely to commence before the start of 2009.

The Board continued to review the development opportunity at Royal Windsor Racecourse. As a result of the planning successes and the consequent scale of

developments expected to be undertaken in 2008/9, the Board has deferred further consideration of any major enhancements at Royal Windsor Racecourse for at least one year. It also decided to write-down the carrying value of related development costs incurred in prior years by £1.05m.

Arena expects to conclude the documentation with its relationship bank within the next few weeks on a further £38.5m of banking facilities. This brings Arena's total facilities to £78.0m which allows Arena to undertake the Doncaster and Lingfield Park hotel projects. The Board is confident that further funding will be available for the Wolverhampton development once it is confirmed that the 'racino' project will proceed.

In January 2008, Arena signed an initial one-year contract to manage the racing operations at the new Great Leighs Racecourse in Essex. Arena will work alongside the Racecourse's management team and bring its world-class expertise in the management of all-weather tracks to assist Great Leighs with the approximate 80-days racing it is set to stage each year. This arrangement is expected to net the Group a profit of around £0.25m in 2008. Arena is also seeking to realise value from any surplus or under-utilised land assets within its extensive portfolio of freehold properties, with particular focus on surplus land at Folkestone and Lingfield Park Racecourses. In January 2008, Folkestone Racecourse's local planning authority commenced consultation on the new Local Development Framework. Arena has made a submission in which a bright future for the Racecourse is portrayed, but only in conjunction with a residential development on a major element of the approximate 50-acres of surplus land within the Racecourse. The Channel Corridor Partnership ('the Partnership') - a multi-agency body focused on the area around the Racecourse - is attempting to achieve the designation of the adjacent train station as a parkway stopping station on the new high-speed route from St Pancras to Folkestone. The Partnership is expected to issue its report later in March 2008. It is likely that the benefits of a redevelopment of the Racecourse and the unlocking of value from the surplus land, if any, will be seen in the medium to longer term. At Lingfield Park, a review of the approximate 125-acres of surplus land will commence shortly with a view to determining the potential long-term development opportunities.

Arena is in good shape to continue to deliver increasing shareholder value from the Group's extensive asset base.

Mark Elliott
Chief Executive
5 March 2008

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

| 2006 | Notes | Separately disclosed | | 2007 |
|-------------------------------------------------------|-------|----------------------|---------|----------|
| | | Trading | items | Total |
| £'000 | | £'000 | £'000 | £'000 |
| ----- | | | | |
| Revenue | 2 | 57,920 | - | 57,920 |
| 45,259 | | | | |
| Cost of sales | | (42,024) | - | (42,024) |
| (30,033) | | | | |
| ----- | | | | |
| Gross profit | | 15,896 | - | 15,896 |
| 15,226 | | | | |
| Other operating income | 8 | 1,352 | - | 1,352 |
| 133 | | | | |
| Administrative costs excluding impairment losses | | (11,351) | - | (11,351) |
| (9,031) | | | | |
| Impairment losses | | - | (1,050) | (1,050) |
| - | | | | |
| ----- | | | | |
| Profit from operations | 2 | 5,897 | (1,050) | 4,847 |
| 6,328 | | | | |
| Non-operating income and expense | 2, 8 | - | 1,370 | 1,370 |
| - | | | | |
| Share of post tax results of joint venture | 2 | (215) | - | (215) |
| (812) | | | | |
| Reversal of provision against investment in associate | 2 | - | - | - |
| 100 | | | | |
| ----- | | | | |
| Profit before interest and taxation | | 5,682 | 320 | 6,002 |
| 5,616 | | | | |
| ----- | | | | |

| | | | | |
|-------------------------------------|---|---------|---|---------|
| Finance expense (848) | | (2,053) | - | (2,053) |
| Finance income 1,049 | | 1,895 | - | 1,895 |
| Net finance (expense)/income 201 | 2 | (158) | - | (158) |

| | | | | |
|---------------------------------|---|-------|-----|-------|
| Profit before taxation 5,817 | 2 | 5,524 | 320 | 5,844 |
| Income tax expense - | 3 | - | - | - |

| | | | | |
|------------------------------|--|-------|-----|-------|
| Profit for the year 5,817 | | 5,524 | 320 | 5,844 |
|------------------------------|--|-------|-----|-------|

Attributable to:

| | | | | |
|---------------------------------------------------------|--|-------|-----|-------|
| - Equity shareholders of the parent company 5,850 | | 5,615 | 320 | 5,935 |
| - Minority interest (33) | | (91) | - | (91) |

| | | | | |
|------------------------------|--|-------|-----|-------|
| Profit for the year 5,817 | | 5,524 | 320 | 5,844 |
|------------------------------|--|-------|-----|-------|

| | | | | |
|-----------------------------|---|--|--|-------|
| Earnings per share Pence | 4 | | | Pence |
|-----------------------------|---|--|--|-------|

| | | | | |
|------------------------------------|--|--|--|------|
| Basic earnings per share 1.61 | | | | 1.63 |
| Diluted earnings per share 1.60 | | | | 1.63 |

Consolidated Statement of Changes in
Shareholders' Equity

| | | | | |
|-------|--|--|--|-------|
| 2006 | | | | 2007 |
| £'000 | | | | £'000 |

| | | |
|---------------------------------------------|---|---------|
| Profit for the period | | 5,844 |
| 5,817 | | |
| Share-based payment expense | | 153 |
| 34 | | |
| Exercise of employee share options | | - |
| 287 | | |
| Minority interest equity contribution | 6 | 2,000 |
| - | | |
| Dividends paid | 5 | (1,858) |
| (1,639) | | |
| ----- | | ----- |
| | | 6,139 |
| 4,499 | | |
| Total equity at the beginning of the period | | 64,272 |
| 59,773 | | |
| ----- | | ----- |
| Total equity at the end of the period | | 70,411 |
| 64,272 | | |
| ----- | | ----- |
| Attributable to: | | |
| - Equity shareholders of the parent company | | 68,535 |
| 64,305 | | |
| - Minority interest | 6 | 1,876 |
| (33) | | |
| ----- | | ----- |
| | | 70,411 |
| 64,272 | | |

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|-------------------------------|-------|---------------|---------------|
| ----- | | ----- | ----- |
| Non-current assets | | | |
| Property, plant and equipment | | 108,283 | 86,054 |
| Intangible assets | | 5,596 | 5,596 |
| Investment in joint venture: | | | |
| Share of gross assets | | 2,624 | 1,770 |
| Share of gross liabilities | | (6,437) | |
| (5,368) | | | |
| | | (3,813) | |
| (3,598) | | | |

| | | |
|--------------------------------------|----------|---------|
| Goodwill in respect of joint venture | 1,580 | 1,580 |
| Loans to joint venture | 4,979 | 3,976 |
| | 2,746 | 1,958 |
| Investment in associate | - | 100 |
| ----- | | |
| Total non-current assets | 116,625 | 93,708 |
| Current assets | | |
| Inventories | 415 | 17 |
| Trade and other receivables | 6,191 | 6,454 |
| Other financial assets | - | 58 |
| Cash and cash equivalents | 3,735 | 50 |
| ----- | | |
| Total current assets | 10,341 | 6,579 |
| ----- | | |
| Total assets | 126,966 | 100,287 |
| ----- | | |
| Current liabilities | | |
| Bank overdraft | - | |
| (2,920) | | |
| Trade and other payables | (6,475) | |
| (7,187) | | |
| Loans and borrowings | (2,796) | |
| (135) | | |
| Accruals and deferred income | (6,585) | |
| (4,477) | | |
| ----- | | |
| Total current liabilities | (15,856) | |
| (14,719) | | |
| ----- | | |
| Non-current liabilities | | |
| Loans and borrowings | (37,145) | |
| (18,641) | | |
| Accruals and deferred income | (3,554) | |
| (2,655) | | |
| Total non-current liabilities | (40,699) | |
| (21,296) | | |
| ----- | | |
| Total liabilities | (56,555) | |
| (36,015) | | |
| ----- | | |
| Total net assets | 70,411 | 64,272 |
| ----- | | |
| Equity | | |
| Share capital | 18,210 | 18,210 |
| Share premium | 6223 | 223 |
| Merger reserve | 65,417 | 5,417 |

| | | |
|--------------------------------------------------------------|---------|--------|
| Retained earnings | 644,685 | 40,455 |
| ----- | | |
| Equity attributable to shareholders of the parent company | 68,535 | 64,305 |
| Minority interest (33) | 61,876 | |
| ----- | | |
| Total equity | 70,411 | 64,272 |
| ----- | | |

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

| 2006 | Notes | 2007 £'000 |
|------------------------------------------------------------------------------------------|-------|---------------|
| £'000 | | ----- |
| ----- | | |
| Cash flows from operating activities | | |
| Profit for the year | | 5,844 |
| 5,817 | | |
| Adjustments for: | | |
| Depreciation | | 2,616 |
| 2,051 | | |
| Insurance surplus in respect of Southwell flood - damaged assets | 2 | (1,370) |
| | | 1,050 |
| - | | |
| Impairment provision | | 153 |
| Share-based payment expense | | 34 |
| 34 | | |
| Net finance expense/(income) | | 158 |
| (201) | | |
| Share of loss of joint venture | | 215 |
| 812 | | |
| Reversal of provision against investment in associate | | - |
| (100) | | |
| Profit on sale of property, plant and equipment | | (4) |
| (14) | | |
| Grant amortisation | | (53) |
| (53) | | |
| ----- | | |
| Cash flows from operating activities before changes in working capital and provisions | | 8,609 |
| 8,346 | | |
| Decrease/(increase) in trade and other | | |

| | | |
|-------------------------------------------------------|---|----------|
| receivables | | 263 |
| (1,165) | | |
| (Increase)/decrease in inventories | | (398) |
| 2 | | |
| Decrease in trade and other payable | | (125) |
| (1,463) | | |
| ----- | | |
| Net cash from operating activities | | 8,349 |
| 5,720 | | |
| ----- | | |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | | (27,250) |
| (14,505) | | |
| Proceeds from sale of property, plant and equipment | | 66 |
| 144 | | |
| Insurance proceeds in respect of flood damaged assets | | 4,586 |
| - | | |
| Sale of investment in Trackplay LLC | | 100 |
| - | | |
| Loans to joint venture | | (1,003) |
| (692) | | |
| Interest received | | 962 |
| 353 | | |
| ----- | | |
| Net cash used in investing activities | | (22,539) |
| (14,700) | | |
| ----- | | |
| Cash flows from financing activities | | |
| Proceeds from issue of ordinary share capital | | - |
| 287 | | |
| Minority interest equity contribution | 6 | 2,000 |
| - | | |
| Proceeds from bank and other borrowings | | 21,687 |
| 11,812 | | |
| Capital grant received | | 882 |
| - | | |
| Repayment of loans | | (143) |
| (302) | | |
| Repayment of finance lease liabilities | | (2) |
| (2) | | |
| Interest paid | | (1,771) |
| (848) | | |
| Dividends paid | 5 | (1,858) |
| (1,639) | | |
| ----- | | |

| | |
|-----------------------------------------------|---------|
| Net cash from financing activities | 20,795 |
| 9,308 | |
| ----- | ----- |
| Increase in cash and cash equivalents | 6,605 |
| 328 | |
| Net cash and cash equivalents at beginning of | |
| year | (2,870) |
| (3,198) | |
| Net cash and cash equivalents at end of year | 7 3,735 |
| (2,870) | |
| ----- | ----- |

Notes to the accounts

1. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2007 or 2006 but is derived from those accounts. Statutory accounts for 2006 have been delivered to the registrar of companies, and those for 2007 will be delivered in due course. The auditors have reported on those accounts; their report 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 237(2) or (3) of the Companies Act 1985.

2. Additional profit disclosure

| Profit/(loss) | Revenue | | |
|-------------------------------------------|---------|--------|---------|
| | 2007 | 2006 | 2007 |
| ----- | ----- | ----- | ----- |
| 2006 | 2007 | 2006 | 2007 |
| £'000 | £'000 | £'000 | £'000 |
| ----- | ----- | ----- | ----- |
| Racecourse operations | 57,920 | 45,259 | 8,358 |
| 8,701 | | | |
| Central costs | - | - | (2,461) |
| (2,506) | | | |
| ----- | ----- | ----- | ----- |
| Revenue and profit from operations before | 57,920 | 45,259 | 5,897 |
| one-off operating items | | | |
| 6,195 | | | |

| | |
|------------------------------------------------------------------------------------------------------|---------|
| ----- | ----- |
| One-off operating items: | |
| Other operating income --- release of unclaimed share proceeds on purchase of subsidiary undertaking | - |
| 133 | |
| Impairment losses - Royal Windsor | (1,050) |
| - | ----- |
| ----- | |
| Racecourse | |
| Profit from operations | 4,847 |
| 6,328 | |
| Non-operating income and expense: | |
| Insurance proceeds received in respect of Southwell Racecourse material damage claim | 4,586 |
| - | |
| Assets written off in respect of Southwell Racecourse flood | (3,216) |
| - | ----- |
| ----- | |
| | 1,370 |
| - | |
| Share of post tax results of At The Races: Operations | 166 |
| (269) | |
| Finance costs | (284) |
| (158) | |
| Exceptional items | (84) |
| (434) | |
| Tax (charge)/credit | (13) |
| 49 | ----- |
| ----- | |
| | (215) |
| (812) | |
| Reversal of provision against investment in associate | - |
| 100 | ----- |
| ----- | |
| Profit before interest and taxation | 6,002 |
| 5,616 | ----- |
| ----- | |
| Net finance (expense)/income: | |
| Interest payable | (1,771) |
| (848) | |
| Interest receivable | 962 |
| 353 | |
| Gain on present value of interest free loans on initial recognition | 933 |
| 638 | |

| | |
|----------------------------------------------------------------------------|-------|
| Amortisation of previous gain on present value of interest free loans | (223) |
| - | |
| (Losses)/gains on derivatives used to manage fair value interest rate risk | (59) |
| 58 | |
| ----- | |
| | (158) |
| 201 | |
| ----- | |
| Profit before taxation | 5,844 |
| 5,817 | |
| Income tax expense | - |
| - | |
| ----- | |
| Profit for the year | 5,844 |
| 5,817 | |
| ----- | |

Profits and losses from operations are stated before any intra-group management charges. Central costs consist principally of expenditure incurred in respect of the management, control and administration of the Group.

3. Taxation

There is no current year tax charge (2006: no tax charge) mainly due to the utilisation of Horserace Betting Levy Board capital credits which are not assessable to tax. At 31 December 2007, corporation tax losses representing trading and non-trading losses of £58,538,000 (2006: £57,148,000) were available for utilisation in future years subject to agreement with HM Revenue & Customs.

4. Earnings per share

| Earnings | 2007 £'000 | 2006 £'000 |
|----------------------------------------------------|----------------|----------------|
| ----- | | |
| Profit for the year attributable to equity holders | 5,935 | 5,850 |
| ----- | | |
| of the parent company | | |
| Weighted average number of shares | 2007 No. 'm | 2006 No. 'm |

| | | |
|--------------------------------------------------------------------------|-------|-------|
| ----- | ----- | |
| Weighted average number of shares used in the calculation of basic EPS | 364.2 | 364.1 |
| Dilutive potential of ordinary shares: | | |
| Employee share options | 0.3 | 1.0 |
| ----- | ----- | |
| Weighted average number of shares used in the calculation of diluted EPS | 364.5 | 365.1 |
| ----- | ----- | |

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 year. 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 year (i.e. they are out-of-the-money) and therefore would not be dilutive. The total number of share options excluded in 2007 was 5.52 million (2006: 7.25 million).

5. Dividends

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|
| | 2007 | 2006 |
| | £'000 | £'000 |
| ----- | ----- | ----- |
| Final dividend of 0.26 pence (2006: 0.2 pence) per ordinary share proposed and paid during the year relating to the previous year's results | 947 | 728 |
| ----- | ----- | ----- |
| Interim dividend of 0.25 pence (2006: 0.25 pence) per ordinary share paid during the year relating to the current year's results | 911 | 911 |
| ----- | ----- | ----- |
| Dividends paid in the year | 1,858 | 1,639 |
| ----- | ----- | ----- |

The directors have proposed a final dividend of 0.30 pence (2006: 0.26 pence)

per share totalling £1,093,000 (2006: £947,000) to be paid on 2 May 2008 to shareholders on registered on 4 April 2008. In accordance with IAS 10, this dividend has not been accrued at the balance sheet date.

6. Reserves

| Minority interest £'000 | Share premium account £'000 | Merger reserve £'000 | Retained earnings £'000 |
|---------------------------------------------------|--------------------------------------|----------------------------|-------------------------------|
| ----- | | | |
| At 1 January 2006 | 46 | 5,417 | 36,210 |
| - | | | |
| Exercise of employee share options | 177 | - | - |
| - | | | |
| Profit for the year (33) | - | - | 5,850 |
| Dividends paid | - | - | (1,639) |
| - | | | |
| Share-based payment expense | - | - | 34 |
| - | | | |
| ----- | | | |
| At 31 December 2006 (33) | 223 | 5,417 | 40,455 |
| Profit for the year (91) | - | - | 5,935 |
| Minority interest equity contribution 2,000 | - | - | - |
| Dividends paid | - | - | (1,858) |
| - | | | |
| Share-based payment expense | - | - | 153 |
| - | | | |
| ----- | | | |
| At 31 December 2007 1,876 | 223 | 5,417 | 44,685 |
| ----- | | | |

In 2007, the Group received £2,000,000 (2006: £nil) from Doncaster Metropolitan

Borough Council being the equity contribution in respect of their minority interest in Doncaster Management Company Limited.

7. Statement of net debt

| | At 31 | At |
|-----------------------------------------------------|----------|----|
| | December | |
| | 2007 | |
| | £'000 | |
| | ----- | |
| Cash and cash equivalents | 3,735 | |
| 50 | | |
| Bank overdrafts | - | |
| (2,920) | | |
| | ----- | |
| Net cash and cash equivalents | 3,735 | |
| (2,870) | | |
| Bank loans | (32,357) | |
| 14,750) | | |
| HBLB loans (present value of interest free loans) | (6,952) | |
| (3,725) | | |
| Finance lease liabilities - Worcester and Doncaster | (632) | |
| (301) | | |
| | ----- | |
| Racecourses | | |
| Closing net debt | (36,206) | |
| (21,646) | | |
| | ----- | |

8. Summary of Southwell insurance proceeds

| | Cash | Assets written | Other flood- related | |
|----------------------|----------|-------------------|----------------------------|----------|
| Income | proceeds | off | costs | Deferral |
| statement | £'000 | £'000 | £'000 | £'000 |
| £'000 | ----- | | | |
| Flood damaged assets | 4,586 | (3,216) | - | - |
| 1,370 | | | | |

| | | | | |
|--------------------------------|-------|---------|------|-------|
| Business interruption 1,352 | 2,014 | - | (31) | (631) |
| ----- | ----- | | | |
| Total 2,722 | 6,600 | (3,216) | (31) | (631) |
| ----- | ----- | | | |

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