

ARENA LEISURE PLC

Preliminary Results for the year ended 31 December 2009

Transforming the business

Dividend resumed

Arena Leisure Plc ("Arena" or "the Group"), the UK's leading operator of horseracing fixtures which owns and operates seven racecourses in the UK comprising Doncaster, Royal Windsor, Lingfield Park, Southwell, Wolverhampton, Folkestone and Worcester, today announces audited preliminary results for the year ended 31 December 2009.

Highlights

Financial performance:

- Revenue increased to £65.2m (2008: £64.8m)
- Profit before tax increased by 3% to £4.1m (2008: £4.0m)
- Earnings per share increased by 3% to 1.16p (2008: 1.12p)
- Dividend resumed; proposed final dividend of 0.38p per share (2008: nil)

Operational:

- Arena staged 370 fixtures (2008: 363), representing 26% of all UK racing fixtures
- Total attendance at the Group's racecourses increased by 2% to 639,000 (2008: 629,000)
- UK racing remained resilient with the industry attracting 5.7m visitors (2008: 5.7m)
- Impact of the predicted shortfall in hospitality income offset by increased media rights income, efficiency measures and improved catering profits
- At The Races ('ATR'), in which Arena has a 45.85% shareholding, delivered a 66% increase in post tax profit contribution of £0.5m (2008: £0.3m)

Future growth and recent developments:

- Enhanced media rights contract signed with SIS for the provision of content to UK and Irish betting shops over the 5-year period from 2012 with an estimated total value of £106m, representing an approximate doubling in value. £12.5m was received on signing as part of a total of £32m of advanced payments
- Folkestone Racecourse included in Shepway Council's consultation document as the potential site for a high-quality, mixed use development incorporating at least 400 homes as part of the redevelopment of the Racecourse
- Lingfield Park Marriott hotel and leisure project on target to be fully operational by May 2010
- Joint venture formed between ATR and RMG creating a unified service for the international sale of all UK and Irish racecourse media rights
- In February 2010, £55m of new banking facilities arranged with Lloyds Banking Group, securing financing through to the end of 2013
- Trading to date in 2010 is in line with expectations

Mark Elliott, Chief Executive of Arena Leisure Plc, commented:

"Arena has delivered another robust operational performance this year. We are proud of this achievement in what remains a challenging consumer market.

"2009 has clearly demonstrated our ability to realise further significant value from Arena's assets, in addition to the core business of owning and operating a leading portfolio of racecourses. The SIS agreement is transformational in crystallising the value of our racing product. This, together with the other development projects currently underway, has the added benefit of further strengthening and diversifying the Group's revenue streams in related areas as Arena evolves into a broader leisure business.

"We are encouraged that the broad appeal of racing continues to underpin Arena's resilient performance in spite of the continued unpredictable economic environment and we remain optimistic of another good year of development in 2010."

1 March 2010

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Forward-looking statements

This report may contain certain statements about the future outlook for Arena. Although we believe our expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

The preliminary results presentation will be available on Arena's website at: www.arenaleisureplc.com

Chairman's Statement

In 2009 Arena clearly demonstrated its ability to deliver significant long term value, most notably through its transformational deal over future media rights with Satellite Information Services Ltd ('SIS'), announced in July. Arena has continued to trade well through difficult market conditions and is reporting earnings ahead of those achieved last year. In addition, good progress was made on the Group's strategy for asset value creation.

Revenue in the year to 31 December 2009 increased to £65.2m (2008: £64.8m) principally as a result of increased income from Levy prize money contributions, and through contractual increases in media rights income from BAGS. The additional revenues from industry sources compensated for a shortfall in revenues from our consumer business, most notably in corporate and private hospitality.

Profit before tax increased by 3% to £4.1m (2008: £4.0m). Included within this is a gain on disposal of non-core land assets of £0.4m (2008: £1.7m) and finance costs £2.2m lower at £1.2m (2008: £3.4m). In 2008, the significant reduction in market interest rates resulted in a £1.5m non-cash charge on the movement in valuation of our interest rate hedge instruments (2009: £nil). Lower prevailing interest rates and the reduction in the Group's net borrowings (following receipt of the £12.5m advanced payment from the media rights deal with SIS in July 2009) also had a positive impact on finance costs. Basic earnings per share were 3% higher at 1.16p (2008: 1.12p).

During 2009 Arena staged 370 fixtures (2008: 363), again representing 26% of all UK racing fixtures (2008: 26%). Total attendance at our seven racecourses increased by 2% to 639,000 (2008: 629,000) and we maintained average attendance per fixture at 1,727 (2008: 1,733). The UK racing industry as a whole attracted over 5.7m (2008: 5.7m) visitors on course during the year and average industry attendance was also maintained at 4,008 (2008: 4,017).

In July we announced the signing of an agreement with SIS for the provision of horse racing content into licensed betting offices ('LBOs') in the UK and Ireland for a five year period from 1 January 2012. Over this period, we estimate that the total revenues receivable by Arena will be £106m, nearly double the value of our current contract with BAGS for which revenues are estimated at £55m. Arena will receive a total of £32m of this revenue in advance of the contract start date, with £12.5m already having been received. With a substantial uplift in profitability resulting from 2012, this transformational agreement will further reduce net borrowings and enhance future operating cashflows.

Arena has continued to progress its real estate development opportunities in line with its stated strategy. The Lingfield Park Marriot hotel and country club construction is now nearing completion and this significant development will be fully operational, as planned, by May 2010, completing a £30m development. In addition, following our representations, Shepway Council is recommending a high quality mixed use development at Folkestone Racecourse to include at least 400 homes as part of the redevelopment of the Racecourse which would help secure its future.

At The Races ('ATR'), in which Arena owns a 45.85% stake, has built on the improved performance of 2008 with Arena's share of ATR's post tax result for 2009 increasing by 66% to £0.5m (2008: £0.3m). Following the year end, in January 2010, ATR announced a joint venture with Racecourse Media Group ('RMG') for the pooling of the international distribution of media rights of all racecourses in the UK and Ireland which further enhances ATR's strong position for future growth.

The media rights agreement with SIS further strengthened Arena's financial position and we have agreed £55m of renewed banking facilities, on good commercial terms, with our relationship bank, Lloyds Banking Group. We are grateful for the Bank's continued commitment to Arena.

In light of the recent robust performance and the new media rights agreement, the Board is pleased to announce that it is proposing to recommence dividend payments with a final dividend for 2009 of 0.38p per share (2008: nil). No interim dividend was paid during the year (2008: 0.25p per share) and it is the Board's intention to pay future dividends in one annual instalment as a final dividend.

The Board recognises the significant contribution that all of Arena's staff have made to the business during the year. Whilst adverse economic conditions increased the operational challenges, our people continue to deliver consistently high standards of professionalism and quality of customer service of which we are justly proud.

The economic outlook remains uncertain. However, our trading performance in the year to date has been robust and is in line with the Board's expectations. Whilst the industry suffered multiple abandonments due to the prolonged cold weather in January and February, Arena's all-weather racecourses have meant that we were able to stage additional fixtures at short notice during this period and our total programme for the year remains virtually intact.

We are excited about the imminent opening of the Lingfield Park Marriott hotel and leisure project and look forward to another year in which we continue to evolve Arena's multiple sources of value creation.

Raymond Mould
Chairman
26 February 2010

Chief Executive's Statement

Delivering the strategy

With racecourses and horse racing at the heart of its business, Arena has continued to evolve its multiple sources of value creation. The core elements of value in the business are:

- The racing content that we license to bookmakers both in the UK through our contract with BAGS, and from 2012 with SIS, and internationally through ATR. Arena's product is unique to UK racing with our seven racecourses accounting for over one quarter of all UK horseracing and able to supply live content throughout the year, throughout the day and into the evening.
- The cash generative operational business has remained consistently profitable through a difficult trading market and has continued to develop both in terms of operating margins and in the quality and variety of product that we offer our customers.
- The securing of planning consents and the subsequent development of leisure assets on our racecourses has seen Doncaster Racecourse fully redeveloped and reopened in 2007 and will see the Lingfield Park Marriott hotel and leisure project complete in the early part of 2010. Other future projects for which we have planning permission include the Wolverhampton 'racino' and the Doncaster hotel and residential scheme.
- The realisation of the value of surplus land. This includes good potential for a successful residential planning application at Folkestone Racecourse as part of a comprehensive redevelopment of the Racecourse and the recent disposals of smaller non-core land assets at Royal Windsor and Lingfield Park Racecourses.
- The investment in ATR media distribution business continues to make exciting progress both in its UK focused television and internet business and with recent advances internationally. ATR contributes to Arena both through our relationship as a supplier of content and as a 45.85% shareholder in this profitable company.

Transformational media rights deal

We were delighted to enter into a long term media rights agreement with SIS for the provision of racing content to LBOs in the UK and Ireland. The agreement will replace Arena'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 by Arena under the agreement are estimated by the Board to be £106m, significantly in excess of the revenues receivable under the existing five year contract which are estimated by the Board at £55m. Arena received an initial advanced payment from SIS of £12.5m upon signing of the agreement. Two further advance payments of £12.5m and £7.0m will be paid to Arena on 22 July 2010 and 22 July 2011 respectively, upon the provision of security by Arena. The balance of the estimated revenues will be receivable by Arena throughout the five year term of the agreement on a per race basis.

This agreement has secured an important revenue stream for Arena and reflects the substantial value of the Group's media rights product by virtue of its unique composition of all year round racing. The new contract will lead to a substantial uplift in profitability from our media rights from 2012 and the advanced payments have allowed us to reduce Arena's net borrowings.

Evolving our operating business

The performance of Arena's racecourses in 2009, through difficult trading conditions, has demonstrated the robust and cash generative nature of the business. Revenues for the year increased to £65.2m (2008: £64.8m), with income from the Levy prize money funding increasing to £21.5m (2008: £19.0m) and income from the BAGS media rights increasing to £11.6m (2008: £10.4m). Profit before tax increased by 3% to £4.1m (2008: £4.0m).

With racecourses at the heart of our business Arena provides a range of products and services to a broadening customer base. The core raceday experience provides a unique sporting occasion with excellent facilities serving the full range of retail and private and corporate hospitality customers. Similarly, a wide customer range is catered for as a result of the diversification of our offering into a

variety of leisure and hospitality related products - including hotels, golf, banqueting, conferences and exhibitions. We have created value through the successful establishment of our own in-house catering operation in 2007 which services all of our leisure offerings and has the capacity for further profit growth as hospitality markets return. In due course we believe this business will offer a service to third parties, creating another value stream and we are currently evaluating this opportunity.

The ongoing profitability, combined with the restructuring undertaken over the last few years, leaves Arena very well placed to benefit from improving economic circumstances. Profitability and operating cashflow will be further enhanced from 2012 as a result of the new media rights contract with SIS.

Developing our estate

Arena has a proven track record in obtaining planning consent and subsequently developing leisure assets on its racecourses.

Most recently, our development focus has been on the Lingfield Park hotel and leisure scheme which commenced construction in May 2008 and is on schedule to be fully operational by May 2010. This scheme, which incorporates a 116 bedroom 4* hotel, a health club and spa as well as a new golf clubhouse, will be branded as a Marriott Hotel and Country Club. The complementary nature of this asset to Lingfield Park is central to our development strategy allowing us to exploit synergies in operations, notably in catering, and to maximise the existing facilities which include a championship standard golf course, and extensively refurbished conference and meeting suites.

Arena continues to progress other major projects of which two have planning consent:

- At Wolverhampton Racecourse, the 'racino' scheme will involve a partial redevelopment of the site to incorporate a casino and an extension of the existing hotel from 56 bedrooms to 170. This scheme has planning consent but is dependent upon the grant of a small casino licence from Wolverhampton City Council, which was granted the right to award a licence in May 2008. Since then, progress by central and local government in enacting the tender process for such licences has been slow. Recent indications are that a formal process could commence in 2010 for completion in 2011 or 2012. We remain keen to tender for the licence and to undertake this major development opportunity.
- At Doncaster Racecourse, planning consent is in place for a 120 bedroom hotel and 34 residential units. The Board remains confident that this is a commercially attractive opportunity that will provide a highly complementary asset to the Racecourse operation, particularly as the current grandstand facilities provide 3,400m² of exhibition space that is rapidly establishing itself as a major venue for trade shows and other events.

In addition to these schemes, we consider that there is opportunity to significantly further enhance the facilities at Royal Windsor Racecourse and we continue to work with our planning advisors on proposals that will both improve the Racecourse facilities and meet the requirements of the local 'Green Belt'.

Realising value from surplus land

Good progress has been made on our strategy for the utilisation of surplus land at Folkestone Racecourse based on a part residential and part leisure development and which will involve a comprehensive redevelopment of the Racecourse. The Racecourse has been included in Shepway Council's Local Development Framework – Core Strategy Preferred Options document. In this, the Racecourse is recommended for a high quality mixed use development that would improve, and hence secure the future of, the Racecourse and provide a site for at least 400 new homes. This project has the potential to be significant in realising value from surplus land.

On a smaller scale, in November 2009, a small plot of land at Lingfield Park, that was previously the site of an unused leisure club, was sold realising a net gain of £0.4m. In 2008, the sale of the marina and caravan park freeholds at Royal Windsor Racecourse realised a gain of £1.7m. We continue to explore the potential for opportunistic realisation of value from the Group's assets in this way.

At The Races ('ATR')

ATR, the media distribution business, is a joint venture between Arena, Sky and a number of racecourses including Ascot, of which Arena and Sky are the major partners, each with a shareholding of 45.85%. ATR continues to develop its business from multiple media platforms that include both the UK and Ireland's most watched dedicated horseracing television channel and the leading website attheraces.com.

In the year to 31 December 2009 ATR generated an operating profit of £1.4m (2008: £1.4m) from revenue of £16.1m (2008: 15.6m). Operating profit was recorded after payments to racecourses in excess of £3.1m (2008: £2.4m), with the total payments made by ATR now exceeding £13m (2008: £10m) since June 2004. Arena's share of ATR's post-tax profit was £0.5m (2008: £0.3m), building on the first year of profit achieved in 2008. The development in 2009 was largely driven by growth in the international distribution of its racing product, offset by declines in some domestic revenues such as advertising caused by the current economic conditions. ATR's interest costs were also substantially reduced as a result of the lower prevailing interest rates.

Internationally, in January 2010, ATR created a joint venture with Racecourse Media Group ('RMG') providing a unified service for the international sale of the media rights content of all UK and Irish racecourses. The two parties have pooled their respective rights into the venture which will be tasked with maximising the revenue opportunities for British and Irish racing in important pari-mutuel markets such as Italy, France, South Africa, Turkey and Australia as well as further developing opportunities in newer markets such as Singapore, Malaysia and Hong Kong. ATR owns the international distribution rights to 30 UK racecourses and all 26 Irish racecourses and RMG owns the international distribution rights to the remaining 30 UK racecourses. As a combined and unified product, British and Irish racing is a hugely powerful proposition for racing fans and betting audiences around the world and is, arguably, unrivalled in terms of quality, depth and variety.

The joint venture will start trading on 1 March 2010 and is expected to achieve an immediate reduction in duplicated costs. For ATR, the cost reduction benefit in the year to 31 December 2010 is estimated at around £0.5m. Revenue growth is expected over the longer term. ATR is well placed for continued future growth.

Review of operations

Overview

Arena staged 370 fixtures in 2009, seven more than in 2008 (2008: 363), representing 26% of all UK racing fixtures (2008: 26%). 336 fixtures had been scheduled for 2009 (2008: 354). However, during the year, Arena obtained an additional 42 fixtures at short notice (2008: 16); 38 as a result of the closure of Great Leighs racecourse (2008: 16) and four from the British Horseracing Authority ('BHA') due to the impact of adverse weather conditions (2008: nil). Eight fixtures were abandoned during the year due to poor weather conditions (2008: 7). The net effect of the significant number of unscheduled fixtures staged at short notice was a comparative profit shortfall of around £0.2m.

Total attendances increased by 2% to 639,000 (2008: 629,000), with the average attendance being maintained at 1,726 (2008: 1,733).

Attendance from corporate and private hospitality was 38,600 (2008: 53,700) and was negatively impacted by the economic downturn, as anticipated given the patterns we had seen through 2008. This lower number accounted for a net reduction in profitability of around £1.1m and, for those attending, margins were also generally lower. In anticipation of these difficult trading conditions, we took action at the end of 2008 to realign the cost base of our operation to match these reduced levels of business. Major savings were achieved at Doncaster Racecourse and the progress of our in-house catering operation has seen significant margin improvements across all of our racecourses.

Within the profit before tax figure of £4.1m, the racecourse operation delivered operating profits of £6.8m (2008: £7.7m). During 2008, Arena benefited from £0.6m (2009: £nil) of insurance claim proceeds recognised in relation to Southwell Racecourse's flood damage caused in 2007; £0.3m (2009: £nil) of income from its management contract with Great Leighs Racecourse; and £0.1m (2009: £nil) of rental income from the leaseholds of the marina and caravan park at Royal Windsor Racecourse, the freeholds of which were sold in December 2008. As mentioned, the large number of unscheduled fixtures staged at short notice caused a comparative shortfall of around £0.2m.

The 2009 profit also included costs relating to the pre-opening activities of the Lingfield Park hotel and leisure development of £0.2m (2008: £nil). We expect to incur a further £0.5m in 2010 in the run up to the scheduled opening of the Marriott hotel in May 2010.

Taking into account each of these factors, the implemented operational efficiencies in both the racing and catering activities, coupled with the additional media rights income from BAGS, successfully protected underlying profits.

Racecourses

Doncaster Racecourse staged its second full year of trading following its reopening in August 2007 and its third St Leger festival in the new facilities. A crowd of 27,000 at the St Leger itself on the Saturday beat the 2008 attendance by 1,000. Total attendance over the four days of the St Leger was 53,000 (2008: 59,000), with the shortfall predominantly from corporate hospitality clients from the banking and construction industries. Ladbrokes were again the main sponsor of the St Leger and a successful new partnership with DFS provided additional support this year for this major event in our calendar. As in 2008, we hosted post-racing music evenings with some major acts on three nights in the summer. These events have successfully attracted a broader audience to racing and we continue to review the best way to provide a whole package of entertainment at Doncaster and all of our courses. Outside of racing, the meeting and exhibition facilities at Doncaster Racecourse have developed very well in tough market conditions and are establishing themselves as a venue of choice for major local and national events.

Together with Doncaster, Royal Windsor and Lingfield Park Racecourses are the two courses which were most exposed to the reduced levels of hospitality business over the past two years as both have previously had a core level of summer business from this important segment. At Lingfield Park, the construction of the hotel temporarily reduced the hospitality capacity and we have been able to operate efficiently at lower levels of business. The racecourse has been very successful at replacing this lost business with new income and in particular has been able to host a number of evening concerts after racing, which attracted good crowds. Similarly, at Royal Windsor, the extension of themed racedays to the already successful Monday night and weekend family programmes has, on a few occasions, generated crowds approaching the record of 10,000. At both of these racecourses, the restaurant and retail catering offerings have also increased average spend per head, serviced by our in-house catering operation, and helped to mitigate the reduction in hospitality income.

Arena's all-weather tracks are a profitable mainstay of the Group and Wolverhampton, Southwell and Lingfield Park hosted 98, 98 and 78 fixtures respectively in 2009. Their ability to provide a consistent racing programme throughout the year is of value to race-goers, bookmakers and punters alike and, in October 2009, Lingfield Park celebrated the 20th anniversary of the introduction of all-weather racing in the UK. Southwell completed its first full year of operation following the flood damage in 2007. This had necessitated a major reinstatement of the facilities that was finally completed in July 2008. Wolverhampton is one of only two floodlit racecourses in the UK and the attractiveness of this product allows a versatile approach to racing times through the early and later parts of the year that can help fill racing content in bookmakers' shops in the late afternoon and early evening. All-weather racing is a net contributor to Levy generation for the UK racing industry, receiving less in funding than it consequently generates in Levy contribution.

Worcester Racecourse enjoyed a full programme of 16 scheduled race meetings in 2009 with no repeat of the flooding that had disrupted racing in both 2007 and 2008. Folkestone hosted 22 meetings from a scheduled 24, with a meeting in each of February and December being lost to adverse weather conditions.

Industry revenue sources

Arena's media rights contract with BAGS for the provision of racing content to LBOs generated income of £11.6m (2008: £10.4m). In part, the increase was due to a contractual 4.1% inflationary uplift (2010 increase will be approximately 2% with inflation indexes below the contractual minimum threshold). The amount due under the contract also varies with the number of races staged and, in 2009, a slightly increased number of fixtures, coupled with a slightly increased average number of races per fixture predominantly in the last quarter, resulted in additional income. In the early part of 2008 there were also more races than expected featuring field sizes of less than eight runners which reduced BAGS income. These races were mostly as a result of the newly introduced winter evening programme and, in 2009, changes to this programme, together with increased prize money, resulted in better field sizes.

Arena's total income from the Levy was £21.5m in 2009 up by 13% (2008: £19.0m). Income from the Levy predominantly funds prize money, with the remainder contributing to the integrity costs of staging racing. A declining Levy yield, caused by a combination of the current economic situation and the move by certain bookmakers of their online business 'offshore', is likely to impact negatively on prize money levels in the second half of 2010 and through 2011, where a 20% reduction in prize money funding is anticipated.

Arena continues its close involvement with key racing bodies with Mark Elliott holding the role of Vice Chairman of the Racecourse Association and Ian Renton continuing as the member-nominated representative of the UK's racecourses on the board of the BHA.

Capital expenditure

During 2009 Arena invested £19.2m on capital assets (2008: £15.1m). Of this investment, £17.6m (2008: £6.9m) was incurred on the Lingfield Park hotel and leisure scheme as part of the anticipated total of around £30.0m. The remaining £1.6m spend was predominantly incurred on smaller scale projects at the racecourse level. The project is scheduled to complete, as planned, in April 2010 incurring an estimated £5.5m of further expenditure, with total Group capital spend in 2010 reducing considerably as a result when compared to 2009. Capital additions include £0.7m (2008: £0.5m) of interest costs related to development projects during the planning and construction phases.

Bank facilities

In February 2010, Arena agreed £55m of new banking facilities with its relationship bank, Lloyds Banking Group, which will replace existing facilities. These new facilities comprise a term loan of £35m which will amortise over the period to its maturity on 31 October 2013 and a £20m revolving credit facility which is committed until 31 December 2013. The interest margin over LIBOR on these facilities is variable between 2.00% and 3.25%, dependent on the leverage of the Group. The margin on commencement will be 2.50%. Bank arrangement fees of £0.4m are payable. These facilities increase the financial strength of Arena and provide further capacity for growth, as well as allowing for the provision of the security in favour of SIS that is required to facilitate the second and third advanced media rights payments of £12.5m and £7.0m due on 22 July 2010 and 22 July 2011, respectively.

Outlook

Whilst the economic outlook for 2010 remains uncertain, we would expect public attendances to continue to be stable. The football World Cup will potentially have some impact on summer attendance levels in June and July; although in 2006 this was not noticeably significant across UK racing as a whole. UK racing has scheduled 1,503 fixtures for 2010 (2009: 1,490) of which Arena is scheduled to host 356 (2009: 336 scheduled, 370 staged).

Trading to date in 2010 is in line with expectations.

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2009**

	Note	2009 Trading £'000	Separately disclosed items £'000	2009 Total £'000	2008 Trading £'000	Separately disclosed items £'000	2008 Total £'000
Revenue	4	65,239	–	65,239	64,825	–	64,825
Cost of sales		(47,749)	–	(47,749)	(47,270)	–	(47,270)
Gross profit		17,490	–	17,490	17,555	–	17,555
Other operating income	5	–	418	418	760	1,667	2,427
Administrative costs		(13,101)	–	(13,101)	(12,848)	–	(12,848)
Profit from operations		4,389	418	4,807	5,467	1,667	7,134
Share of post-tax results of joint venture		515	–	515	310	–	310
Profit before interest and taxation		4,904	418	5,322	5,777	1,667	7,444
Finance expense	6	(1,659)	–	(1,659)	(3,064)	(1,455)	(4,519)
Finance income	6	456	2	458	1,091	–	1,091
Net finance expense	6	(1,203)	2	(1,201)	(1,973)	(1,455)	(3,428)
Profit before taxation		3,701	420	4,121	3,804	212	4,016
Income tax expense	7	–	–	–	–	–	–
Profit for the year and total comprehensive income		3,701	420	4,121	3,804	212	4,016

Attributable to:

– Equity shareholders of the parent company	3,793	420	4,213	3,871	212	4,083
– Minority interest	(92)	–	(92)	(67)	–	(67)
	3,701	420	4,121	3,804	212	4,016

		Pence	Pence
Earnings per share:			
Basic earnings per share	8	1.16	1.12
Diluted earnings per share	8	1.16	1.12

**Consolidated Statement of Changes in Shareholders' Equity
for the year ended 31 December 2009**

	Note	2009 £'000	2008 £'000
Total comprehensive income		4,121	4,016
Attributable to:			
– Equity shareholders of the parent company		4,213	4,083
– Minority interest		(92)	(67)
Share-based payment		(28)	220
Dividends paid	9	–	(2,003)
		4,093	2,233
Total equity at the beginning of the period		72,644	70,411
Total equity at the end of the period		76,737	72,644
Attributable to:			
– Equity shareholders of the parent company		75,020	70,835
– Minority interest		1,717	1,809
		76,737	72,644

**Consolidated Balance Sheet
at 31 December 2009**

	Note	2009 £'000	2008 £'000
Non-current assets			
Property, plant and equipment	10	135,350	119,734
Intangible assets		6,035	5,596
Investment in joint venture			
– Share of gross assets		3,307	2,699
– Share of gross liabilities		(6,166)	(6,073)
		(2,859)	(3,374)
Goodwill in respect of joint venture		1,580	1,580
Loans to joint venture		4,754	4,965
		3,475	3,171
Total non-current assets		144,860	128,501
Current assets			
Inventories		422	544
Trade and other receivables		4,848	5,415
Assets classified as held for sale		–	100
Cash and cash equivalents	12	351	179
Total current assets		5,621	6,238
Total assets		150,481	134,739
Current liabilities			
Bank overdraft	12	(1,874)	(1,003)
Trade and other payables		(6,750)	(7,850)
Loans and borrowings	12	(12,851)	(2,940)
Accruals and deferred income	11	(4,799)	(6,691)
Total current liabilities		(26,274)	(18,484)
Non-current liabilities			
Loans and borrowings	12	(31,574)	(40,448)
Accruals and deferred income	11	(15,896)	(3,163)
Total non-current liabilities		(47,470)	(43,611)
Total liabilities		(73,744)	(62,095)
Total net assets		76,737	72,644
Equity			
Share capital		18,210	18,210
Share premium		223	223
Merger reserve		5,417	5,417
Retained earnings		51,170	46,985
Equity attributable to shareholders of the parent company		75,020	70,835
Minority interest		1,717	1,809
Total equity		76,737	72,644

**Consolidated Cash Flow Statement
for the year ended 31 December 2009**

	Note	2009 £'000	2008 £'000
Cash flows from operating activities			
Profit for the year		4,121	4,016
Adjustments for:			
Depreciation		3,479	3,370
Dilution gain		–	(129)
Share-based payment (credit)/expense		(28)	220
Net finance expense	6	1,201	3,428
Share of profit of joint venture		(515)	(310)
Profit on sale of property, plant and equipment		(420)	(1,615)
Grant amortisation		(74)	(71)
Cash flows from operating activities before changes in working capital and provisions		7,764	8,909
Decrease in trade and other receivables		567	776
Decrease/(Increase) in inventories		122	(129)
Increase/(Decrease) in trade and other payables		11,227	(1,003)
Net cash from operating activities		19,680	8,553
Cash flows from investing activities			
Purchases of property, plant and equipment		(20,385)	(13,905)
Proceeds from sale of property, plant and equipment		625	1,760
Additions to intangibles		(27)	–
Decrease in loans to joint venture		300	300
Interest received		367	805
Net cash used in investing activities		(19,120)	(11,040)
Cash flows from financing activities			
Proceeds from bank and other borrowings		3,900	6,243
Capital grants received		98	–
Repayment of loans		(3,237)	(3,243)
Repayment of finance lease liabilities		(45)	14
Interest paid		(1,975)	(3,083)
Dividends paid		–	(2,003)
Net cash from financing activities		(1,259)	(2,072)
(Decrease)/increase in cash and cash equivalents		(699)	(4,559)
Net cash and cash equivalents at beginning of year		(824)	3,735
Net cash and cash equivalents at end of year		(1,523)	(824)

Notes forming part of the financial statements

1. Reporting entity

Arena Leisure Plc ('the Company') is a company domiciled in the UK. The address of the Company's registered office is 408 Strand, London WC2R 0NE. The consolidated financial statements of the Company as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as 'the Group') and the Group's interest in jointly controlled entities. The Group is primarily involved in the ownership and operation of racecourses, and the worldwide broadcast and exploitation of racecourse media rights via the Group's shareholding in its At The Races joint venture.

2. Basis of preparation

Statement of compliance

The Group financial statements ('financial statements') have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRS').

The financial information set out in this document does not constitute the Group's statutory accounts for the year ended 31 December 2009 or 31 December 2008. The annual report and financial statements for the year ended 31 December 2009 were approved by the Board of Directors on 26 February 2010 along with this preliminary announcement, but have not yet been delivered to the Registrar of Companies. The auditor's report on the statutory accounts for the year ended 31 December 2009 was unqualified and did not contain a statement under section 498 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies. The auditor's report on the statutory accounts for the year ended 31 December 2008 was unqualified and did not contain a statement under section 237 of the Companies Act 1985. The consolidated financial statements of the Group as at and for the year ended 31 December 2008 are available on the Company's website: www.arenaleisureplc.com.

The financial statements were approved by the Board of Directors on 26 February 2010.

Going concern

The Group continues to be a cash-generative operational business with good quality assets. Revenues are generated from a variety of sources including industry funding through the Horserace Betting Levy Board ('HBLB') and income from its five-year (to 31 December 2011) BAGS media rights contract to provide live racing pictures to UK licensed betting offices, both of which have proven to be highly resilient to economic downturn. In addition, on 22 July 2009, the Group signed a new five year agreement commencing on 1 January 2012 for the provision of media rights with Satellite Information Services Ltd ('SIS') that provides for £32m in advance payments of which £12.5m has already been received and the balance of which is secured by Letters of Credit.

Post the year end, the Group agreed new banking facilities with its relationship lender, Lloyds Banking Group, totalling £55m that will replace all existing bank facilities and which are committed until 31 December 2013.

Although the current economic conditions create uncertainty, particularly over levels of private hospitality attendance at the Group's racecourses, 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, the Group is expected to be able to operate within the level and covenant conditions of its new debt facilities.

The Directors believe that the Group is well placed to manage its business risks successfully. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

3. Estimates

The preparation of consolidated 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.

4. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors of Arena Leisure Plc. The segment information set out below is consistent with the information presented to the Board for the purposes of evaluating performance and deciding upon resource allocation.

The Group has one reportable operating segment: racecourse operations. This business segment arises in the UK.

Additional information on this segment is as follows:

	Racecourse operations		Total	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Total external revenue	65,239	64,825	65,239	64,825
Segment profit from operations	6,985	6,988	6,985	6,988
Other operating income	–	760	–	760
Pre-opening costs associated with Lingfield Park hotel development	(163)	–	(163)	–
Segment profit from operations before asset disposals	6,822	7,748	6,822	7,748
Profit on disposal of property, plant and equipment	418	1,667	418	1,667
Segment profit from operations	7,240	9,415	7,240	9,415
Central operations	–	–	(2,461)	(2,061)
Share based payment	–	–	28	(220)
Share of joint venture result	–	–	515	310
Finance income	–	–	458	1,091
Finance cost	–	–	(1,659)	(4,519)
Profit for the year	7,240	9,415	4,121	4,016

The Group derives a significant proportion of its annual revenue from the HBLB and from its media rights agreement with BAGS, as disclosed below:

	2009 £'000	2008 £'000
HBLB	21,542	18,993
BAGS (media rights income in relation to licensed betting offices)	11,628	10,399
Other racecourse-related revenue	32,069	35,433
Total external revenue	65,239	64,825

5. Other operating income

In November 2009 the Group sold the land and buildings and fixtures and fittings associated with the Lingfield Park leisure club for £615,000, resulting in a profit on disposal of £418,000.

Other operating income in 2008 consisted of £1,667,000 relating to the profit on disposal of the freehold interest in the marina and caravan park at Royal Windsor Racecourse; £631,000 relating to the business interruption insurance in respect of Southwell Racecourse; and £129,000 in respect of a dilution gain relating to the change in Arena's holding in the ordinary shares of At The Races from 47.5% to 45.85% in July 2008.

The severe flooding which occurred in the summer of 2007 resulted in the closure of Southwell Racecourse, with the Racecourse partially re-opening in December of that year. As a result of the ongoing work until the Racecourse became fully operational at the end of July 2008, an element of the business interruption insurance claim proceeds received in 2007 amounting to £631,000 was deferred and released to the income statement in 2008.

6. Finance income and expense

	2009	2008
	£'000	£'000
Finance income		
Bank interest receivable	367	806
Other interest receivable	89	285
Derivative liability held for risk management	2	–
	458	1,091
Finance expense		
Bank interest payable	(1,240)	(2,573)
Finance lease interest	(64)	(58)
Amortisation of previous gain on present value of interest-free loans	(355)	(433)
Derivative liability held for risk management	–	(1,455)
	(1,659)	(4,519)
Net finance expense	(1,201)	(3,428)

The valuation of the Group's interest rate derivative contracts at 31 December 2009 has resulted in a liability of £1,454,000 (2008: £1,456,000) being recorded on the balance sheet and a credit of £2,000 (2008: £1,455,000 charge) to the income statement.

A further £735,000 (2008: £452,000) of interest costs relating to development projects in progress have been capitalised in the year.

7. Taxation

There is no current year tax charge (2008: no tax charge) mainly due to the utilisation of HBLB capital credits which are not assessable to tax. At 31 December 2009, corporation tax losses representing trading and non-trading losses of £63,988,000 (2008: £63,043,000) were available for utilisation in future years, subject to agreement with HM Revenue & Customs.

The Directors have recognised a deferred tax liability on temporary differences of £12,715,000 (2008: £12,909,000). In addition, the Directors have also recognised a deferred tax asset for losses of £12,715,000 (2008: £12,909,000).

8. Earnings per share

	2009	2008
	£'000	£'000
Earnings		
Profit for the year attributable to equity shareholders of the parent company	4,213	4,083
Weighted average number of shares		
Weighted average number of shares used in the calculation of basic and adjusted EPS	364.2	364.2
Dilutive potential ordinary shares		
Employee share options	–	–
Weighted average number of shares used in the calculation of diluted EPS	364.2	364.2

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 2009 was 4.58 million (2008: 5.55 million).

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

9. Dividends

	2009	2008
	£'000	£'000
Final dividend of Nil (2008: 0.30p) per ordinary share proposed and paid during the year relating to the previous year's results	–	1,092
Interim dividend of Nil (2008: 0.25p) per ordinary share proposed and paid during the year relating to the current year's results	–	911

The Directors propose to pay a final dividend for 2009 of 0.38p per ordinary share totalling £1,384,000 (2008: no final dividend).

10. Property, plant and equipment

During the year ended 31 December 2009 the Group acquired assets with a cost of £19,200,000 (2008: £15,066,000).

The Group has capitalised costs in relation to continuing development projects at Doncaster, Lingfield Park, Royal Windsor and Wolverhampton Racecourses. The Board considered the carrying value of assets under construction at 31 December 2009 and 31 December 2008 and concluded that there were no indications of impairment and subsequently no impairment loss has been recognised at either reporting date.

At 31 December 2009, the Group remained committed to purchase property, plant and equipment totalling £409,000 (2008: £461,000).

The transfer of assets to the heading 'held for sale' in 2008 relates to land and buildings associated with the Lingfield Park leisure club amounting to £100,000.

11. Accruals and deferred income

Included within deferred income is a £12,500,000 advanced payment received from SIS in July 2009 upon signing a new agreement for the provision of horse racing content from Arena's racecourses into licensed betting offices in the United Kingdom and Ireland. The income deferred will be recognised in profit and loss on a straight-line basis over the five-year term of the agreement, which commences on 1 January 2012, and is classed as non-current.

12. Statement of net debt

	2009	2008
	£'000	£'000
Cash and cash equivalents	351	179
Bank overdrafts	(1,874)	(1,003)
Net cash and cash equivalents	(1,523)	(824)
Bank loans	(39,500)	(37,100)
HBLB loans (present value of interest-free loans)	(4,260)	(5,642)
Finance lease liabilities (Doncaster and Worcester Racecourses)	(665)	(646)
	(45,948)	(44,212)

13. Events after the reporting date

Following the year end, Arena has agreed £55m of committed banking facilities with its relationship bank, Lloyds Banking Group, that will replace all existing bank facilities and will mature on 31 December 2013.

These facilities consist of a £35m amortising term loan and a £20m revolving credit facility at interest margins over LIBOR of between 2.00% and 3.25%.