

ARENA LEISURE PLC
INTERIM REPORT 2008



HIGHLIGHTS

Financial:

- Revenue increased by 23% to £31.2m (2007: £25.3m) due to the in-house catering business and the re-opened Doncaster Racecourse operating throughout the period (2007: three months only and closed throughout, respectively)
- Profit before interest and tax increased by 43% to £2.3m (2007: £1.6m)
- Profit before tax reduced by 41% to £1.4m (2007: £2.3m) following a £1.0m year-on-year, one-off, non-cash movement in net finance expense as a result of the IFRS treatment of interest free loans

Operational:

- Total attendances during the period increased to 305,000 (2007: 226,000). Fixtures staged increased to 205 (2007: 177)
- First full year for Doncaster Racecourse after its August 2007 re-opening, with attendances of 93,000 (2007: nil) from 17 fixtures (2007: nil)
- Southwell and Worcester Racecourses now fully operational following the 2007 flood damage
- The new in-house catering business is delivering clear operational benefits and, importantly, improvements in customer service and food quality
- Arena's 47.5% shareholding in At The Races generated £0.1m profit after tax (2007: £0.3m loss). In June, ATR was named winner of the Best Sports Service category at the Broadcast Digital Channel Awards

Estate development:

- Franchise agreed with Marriott International enabling the new Lingfield Park hotel to operate under the Marriott Hotel & Country Club brand. Construction commenced on 116-bedroom hotel and leisure development in May 2008, with £23.0m of additional debt financing secured
- Parliament approved Wolverhampton City Council as the recipient of one 'small' casino licence, which Arena remains hopeful of obtaining in due course

HALF YEAR REVIEW

Overview

The first six months of 2008 have proved a challenging trading environment for Arena, in common with most consumer facing leisure businesses in the UK. Attendances at Doncaster Racecourse, now in its first full year of operation following its re-opening in August 2007, are taking longer to rebuild than expected. Both private and corporate hospitality at all courses have been impacted, notably at Lingfield Park and Royal Windsor, but public attendances have proved more resilient.

The catering operation, which we recently brought in-house, has performed well, delivering clear operational benefits to the business and, importantly, its customers. However, income levels in the first half were lower than expected as a result of the reduced hospitality business and lower public spend per head. The in-house model is right for the Group in terms of delivering a customer focused service and growing a sustainable, profitable income stream.

Income from both the Horserace Betting Levy ('Levy') and BAGS is more resilient to economic downturns and we have seen an increase in funding from both sources in the period. The anticipated increase in BAGS income was, however, impacted by lower field sizes arising from a significant increase in new winter evening fixtures.

The Lingfield Park hotel development has commenced, with financing secured and a franchise agreement with Marriott International signed. A review of the timing of the Doncaster hotel and residential development is underway in light of the current economic environment. The Wolverhampton 'racino' scheme has taken another step forward with the Government awarding Wolverhampton City Council one of the 'small' casino licences and we remain hopeful of obtaining this licence in due course.

Financial Review

Revenue in the period increased by 23% to £31.2m (2007: £25.3m). Profit before interest and tax increased by 43% to £2.3m (2007: £1.6m), although profit before tax reduced by 41% to £1.4m (2007: £2.3m). Earnings per share decreased by 38% to 0.40p (2007: 0.65p).

The £5.9m increase in revenue arose principally as a result of the in-house catering business and the re-opened Doncaster Racecourse operating throughout the period (2007: three months only and closed throughout, respectively). In the first three months of 2007 catering was out-sourced and, as a consequence, catering revenue over that period represented only commission related income. Principally as a result of Doncaster Racecourse having staged 17 fixtures in the period (2007: nil), total attendances for the period increased to 305,000 (2007: 226,000).

Profit before interest and tax increased by 43% to £2.3m (2007: £1.6m). Within this, profit from the racecourse operation increased by 9% to £3.5m (2007: £3.2m). This increased racecourse profit includes a £0.5m contribution from the business interruption insurance proceeds received in 2007 following the extensive flooding at Southwell Racecourse and reflects the fact that the racecourse was not fully operational until July 2008. Last year the Group incurred start-up costs of £0.8m (2008: £nil) relating to the catering operation and the re-opening of Doncaster Racecourse. Excluding these start-up costs, the adjusted profit before interest and tax from the racecourse operation declined 12% to £3.5m (2007: £4.0m), reflecting the tough economic environment of the first half and, in particular, the impact on both private hospitality and catering spend. The total number of hospitality customers reduced by 7% to 20,000 (2007: 21,500), despite an additional 3,500 hospitality customers (2007: nil) at Doncaster Racecourse. This net drop in our high value business, which particularly affected Royal Windsor and Lingfield Park

Racecourses, together with the underlying lower average attendances, had a negative impact on Arena's overall profitability of approximately £0.4m. Central costs remained largely constant at £1.3m (2007: £1.2m).

Profit before tax reduced by 41% to £1.4m (2007: £2.3m) largely as a result of a £1.0m year-on-year, non-cash movement in the net finance expense resulting from the IFRS treatment of interest free loans (2008: £0.2m expense; 2007: £0.8m income). Excluding these non-cash accounting adjustments, profit before tax would have increased by 7% to £1.6m (2007: £1.5m). Within this, the actual interest charge for the period increased by £0.6m to £0.7m (2007: £0.1m) as, following completion of the Doncaster Racecourse development, interest on the associated loan is no longer being capitalised.

At The Races ('ATR'), in which Arena had a 47.5% share in the first half of the year, continued to progress and recorded its first profit after tax. Total revenue for the period increased by 8% to £7.9m (2007: £7.3m). Arena's share of ATR's operating profit and profit after tax in the period was £0.3m (2007: £0.1m loss) and £0.1m (2007: £0.3m loss), respectively.

Operating Review

Arena staged 205 fixtures during the period (2007: 177 fixtures), an increase of 16%. Total attendances increased by 35% to 305,000 (2007: 226,000), with the average attendance rising 17% to 1,488 (2007: 1,274). For the UK racing industry as a whole, total attendances for the period increased by 4% to 2.8 million, from 728 fixtures staged (2007: 640), an increase of 14%. The corresponding average attendance per fixture fell by 9%.

The increases in Arena's total and average attendances were predominantly as a result of Doncaster Racecourse being in operation for the full period. Doncaster attendances were 93,000 (2007: nil) from 17 fixtures (2007: nil). Attendances at Arena's six other racecourses were 212,000 (2007: 226,000) from 188 fixtures (2007: 177). The additional fixtures in the period were staged at our all-weather courses; of these, 34 (2007: 2) were new winter evening fixtures, largely staged to provide additional live racing to UK betting shops. Attendances at these fixtures tended to be low and, as a consequence, Arena's average attendance, excluding Doncaster, reduced by 12% to 1,128 (2007: 1,274).

The increase in fixtures staged was not matched by a corresponding increase in the number of horses running, resulting in an increased incidence of races featuring fewer than eight horses and, as a consequence, a lower than anticipated level of BAGS revenue. Nevertheless, the revenue generated by Arena's BAGS contract increased by 13% to £6.0m (2007: £5.3m). The Levy – which largely funds prize-money and is generated from UK bookmakers' domestic horseracing profits – has been settled at £116m for 2007/08, significantly above the expected level, resulting in increased prize-money levels from July 2008. The amount available for the winter evening fixtures will increase from £20,000 to £30,000 which should help to increase the number of runners at these fixtures later this year and avoid further impact on BAGS revenue. The additional Levy generated in 2007/8 will be distributed over the next three years, with the aim of providing a sustainable funding level in the medium term. For the first half of this year the Levy's contribution to Arena's income increased by 4% to £10.4m (2007: £10.0m).

Attendances at Doncaster Racecourse, which re-opened in August 2007 following a 19-month closure for redevelopment, were noticeably impacted by the economic downturn and have yet to return to pre-closure levels. Poor weather resulted in one fixture being lost and lower than expected attendance at the Lincoln meeting over the early Easter weekend in March, which was also subject to snow fall. Trading at Doncaster Racecourse tends to be weighted towards the second half, which includes the important four-day St. Leger meeting in September, and results

in nearly two-thirds of its revenues being generated in the second half of the year. Following the successful staging of a *Madness* concert after racing on 28 June 2008, which attracted 15,000 people, we anticipate staging further such concerts in 2009.

Following flood damage in 2007, the refurbishment work at Southwell Racecourse completed in July and it is now fully operational. Racing has also recommenced at Worcester Racecourse.

The new in-house catering business is delivering clear operational benefits and, importantly, improvements in customer service and food quality. Whilst we are mindful of the need to keep focused on the additional cost base that Arena has taken on in this regard, particularly in the much quieter first and fourth quarters of the year, the in-house model is expected to provide significant additional benefits to the Group. The profit contribution of the business this year, although weighted to the second half, is expected to exceed the amount generated in any year under the original outsourced arrangement, primarily as a result of the re-opening of Doncaster Racecourse. It is, however, more exposed to seasonality than the previous commission-based, out-sourced model and we have seen this effect in the first half of the year due to the weighting of our business towards the second half of the year.

ATR has continued to develop and build upon its audience base. Of particular note was a growth in advertising revenue from the number of TV channel viewers and the naming of ATR as winner of the Best Sports Service category at the Broadcast Digital Channel Awards. ATR remains the UK and Ireland's most watched, dedicated horseracing channel, with over 1.5 million individual viewers per month. attheraces.com also remains the UK's largest horseracing website with over 490,000 unique users, making it one of the UK's most visited sports betting websites. Advertising revenues in the second half of the year are expected to be impacted as a result of the reduced advertising rates currently being paid. On 24 July 2008, ATR issued new shares to a number of racecourse partners in accordance with long standing commitments. As a result, from that date, Arena's holding in the ordinary shares of ATR is 45.85%.

Estate development

Clearance work on the site of the 116-bedroom hotel and leisure development at Lingfield Park Racecourse commenced in May 2008 and construction of the new hotel, golf clubhouse, restaurant, bar, hospitality boxes, staff offices and ticketing entrance building has now commenced. Arena has entered into a franchise agreement with Marriott International to operate the hotel under the Marriott Hotel & Country Club brand. The Lingfield Park development has an anticipated opening date of spring 2010. In order to reduce the risk associated with this development, the Board has taken the decision to sell the site of the former leisure club adjacent to the Racecourse and on which residential planning permission has been obtained. As a consequence, the net cost of the project will be £27.0m.

Financing for the development is in the form of a £23.0m five-year term loan at a margin of 250bps over LIBOR. The Group's total committed debt facilities now stand at £62.5m. Due to the current economic climate and the inflated costs of development debt financing, we are reviewing the timing of our capital development projects, in particular the hotel and residential development at Doncaster Racecourse. The Board remains confident that this is a commercially exciting opportunity and will commence the project when market conditions improve.

During the period, Parliament granted a 'small' casino licence to Wolverhampton City Council. This is an important step forward for our proposed integrated hotel, racecourse and casino ('racino') scheme at Wolverhampton Racecourse. We remain hopeful that our site will be the chosen location for the subsequent grant of a licence; however, current indications are that the process for awarding the 'small' casino licence will not conclude until the end of 2009.

Board of Directors

Tony Harris joined the Board as Finance Director on 1 May 2008 having previously been Chief Financial Officer of The UNITE Group plc. Prior to this he spent 13 years working in the hotel industry with Inter-Continental Hotels Group and, more recently, Hilton International. Tony's appointment is a key part of the Group's focus on the successful delivery of its important development projects.

Employees

The Board is extremely grateful to the hard work and dedication of Arena's staff and looks forward to their ongoing commitment as the business continues to progress.

Dividend

In accordance with its stated dividend policy, the Board has declared an interim dividend of 0.25 pence per share (2007: 0.25 pence per share) that will be paid on 30 September 2008 to shareholders on the register at the close of business on 22 August 2008.

Outlook and Risk Assessment

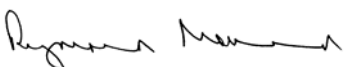
The Board expects that Arena will continue to experience challenging trading conditions in the second half of the year with pressure remaining on both attendances and spend per head. Doncaster Racecourse's four-day St. Leger festival in September is an important profit contributor and current booking patterns indicate a reasonable performance can be expected.

As highlighted above, the Levy and bookmaker related media income streams (BAGS) are more resilient in nature. The Board considers that attendances, particularly from the corporate sector, have been impacted by the current economic climate. The nature of Arena's portfolio of seven racecourses, encompassing flat, jump and all-weather racing, gives a degree of diversification to trading risk. Similarly the increasing focus on non-raceday activities adds an element of diversification, although this is currently a relatively small part of total revenue. The Group's cost base is largely fixed in nature. These costs, together with the variable costs incurred in particular on race days, are very carefully monitored to ensure that they remain appropriate to the level of revenue generated.

The Lingfield Park project has undergone rigorous market assessment before commencement, has suitably competent project management, a fixed price construction contract with an experienced main contractor and a franchise contract with Marriott International. The Board is comfortable that from a financial and development risk perspective the Group's short and medium term gearing levels and operational leverage will remain at acceptable levels.

Arena is well placed to operate through this difficult phase of the economic cycle, with an operating model that is cash positive, with manageable gearing levels and sufficient debt headroom to support any further downturn. Based upon the current economic conditions, we anticipate trading in line with recently revised market expectations.

The strategy for the development of the Group's real estate assets remains robust, with the Group positioning itself to benefit strongly from the economic recovery that is generally anticipated from 2010.



Raymond Mould

Chairman

30 July 2008



Mark Elliott

Chief Executive

Condensed Consolidated Interim Income Statement

	Note	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Revenue	6	31,189	25,320	57,920
Cost of sales		(23,044)	(18,092)	(42,024)
Gross profit		8,145	7,228	15,896
Other operating income	7	529	-	1,352
Administrative costs excluding impairment losses		(6,486)	(5,275)	(11,351)
Impairment losses	11	-	-	(1,050)
Profit from operations	6	2,188	1,953	4,847
Non-operating income and expense		-	-	1,370
Share of post-tax profit/(loss) of joint venture		116	(338)	(215)
Profit before interest and taxation		2,304	1,615	6,002
Finance expense	8	(1,095)	(399)	(2,053)
Finance income	8	152	1,081	1,895
Net finance (expense)/income	8	(943)	682	(158)
Profit before taxation		1,361	2,297	5,844
Income tax expense	9	-	-	-
Profit for the period		1,361	2,297	5,844
Attributable to:				
Equity shareholders of the parent company		1,440	2,349	5,935
Minority interest		(79)	(52)	(91)
Profit for the period		1,361	2,297	5,844
		Pence	Pence	Pence
Earnings per share	10			
Basic earnings per share		0.40	0.65	1.63
Diluted earnings per share		0.40	0.64	1.63

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

	Note	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Profit for the period		1,361	2,297	5,844
Share-based payment expense	16	172	48	153
Minority interest equity contribution	13	-	-	2,000
Dividends paid	14	(1,093)	(947)	(1,858)
		440	1,398	6,139
Total equity at the beginning of the period		70,411	64,272	64,272
Total equity at the end of the period		70,851	65,670	70,411
Attributable to:				
Equity shareholders of the parent company		69,054	65,755	68,535
Minority interest	13	1,797	(85)	1,876
		70,851	65,670	70,411

**Condensed Consolidated Interim
Balance Sheet**

	Note	At 30 June 2008 Unaudited £'000	At 30 June 2007 Unaudited £'000	At 31 December 2007 Audited £'000
Non-current assets				
Property, plant and equipment	11	113,971	102,806	108,283
Intangible assets	12	5,596	5,596	5,596
Investment in joint venture				
– Share of gross assets		2,713	2,344	2,624
– Share of gross liabilities		(6,410)	(6,280)	(6,437)
		(3,697)	(3,936)	(3,813)
Goodwill in respect of joint venture		1,580	1,580	1,580
Loans to joint venture		5,132	5,055	4,979
		3,015	2,699	2,746
Total non-current assets		122,582	111,101	116,625
Current assets				
Inventories		451	226	415
Trade and other receivables		9,831	9,544	6,191
Cash and cash equivalents		170	161	3,735
Total current assets		10,452	9,931	10,341
Total assets		133,034	121,032	126,966
Current liabilities				
Bank overdraft		(3,987)	(2,248)	-
Trade and other payables		(5,922)	(8,009)	(6,475)
Loans and borrowings	15	(3,080)	(136)	(2,796)
Accruals and deferred income		(9,016)	(8,958)	(6,585)
Total current liabilities		(22,005)	(19,352)	(15,856)
Non-current liabilities				
Loans and borrowings	15	(36,905)	(33,053)	(37,145)
Accruals and deferred income		(3,273)	(2,957)	(3,554)
Total non-current liabilities		(40,178)	(36,010)	(40,699)
Total liabilities		(62,183)	(55,362)	(56,555)
Total net assets		70,851	65,670	70,411
Equity				
Share capital	13	18,210	18,210	18,210
Share premium	13	223	223	223
Merger reserve	13	5,417	5,417	5,417
Retained earnings	13	45,204	41,905	44,685
Equity attributable to shareholders of the parent company		69,054	65,755	68,535
Minority interest	13	1,797	(85)	1,876
Total equity		70,851	65,670	70,411

**Condensed Consolidated Interim
Cash Flow Statement**

	Note	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Cash flows from operating activities				
Profit for the period		1,361	2,297	5,844
Adjustment for:				
Depreciation		1,645	1,177	2,616
Insurance surplus in respect of Southwell Racecourse flood damaged assets		-	-	(1,370)
Deferred business interruption income in respect of Southwell Racecourse	7	(529)	-	-
Impairment provision		-	-	1,050
Share-based payment expense	16	172	48	153
Net finance expense/(income)		943	(682)	158
Share of post-tax (profit)/loss of joint venture		(116)	338	215
Profit on sale of property, plant and equipment	11	-	(12)	(4)
Grant amortisation		(35)	20	(53)
Cash flows from operating activities before changes in working capital and provisions				
		3,441	3,186	8,609
(Increase)/decrease in trade and other receivables		(3,640)	(3,032)	263
Increase in inventories		(36)	(209)	(398)
Increase/(decrease) in trade and other payables		961	2,980	(125)
Net cash from operating activities		726	2,925	8,349
Cash flows from investing activities				
Purchases of property, plant and equipment		(6,133)	(15,640)	(27,250)
Proceeds from sale of property, plant and equipment		-	28	66
Insurance proceeds in respect of Southwell Racecourse flood damaged assets		-	-	4,586
Sale of investment in associate		-	100	100
Loans to joint venture		(153)	(1,079)	(1,003)
Interest received		153	148	962
Net cash used in investing activities		(6,133)	(16,443)	(22,539)
Cash flows from financing activities				
Minority interest equity contribution		-	-	2,000
Proceeds from bank and other borrowings	15	643	15,621	21,687
Capital grants received		-	-	882
Repayment of loans	15	(835)	(85)	(143)
Repayment of finance lease liabilities		(1)	-	(2)
Interest paid		(859)	(288)	(1,771)
Dividends paid	14	(1,093)	(947)	(1,858)
Net cash from financing activities		(2,145)	14,301	20,795
(Decrease)/increase in cash and cash equivalents		(7,552)	783	6,605
Net cash and cash equivalents at beginning of the period		3,735	(2,870)	(2,870)
Net cash and cash equivalents at end of the period		(3,817)	(2,087)	3,735

Notes to the Condensed Consolidated Interim Financial Statements

1 Reporting entity

Arena Leisure Plc (the 'Company') is a company domiciled in the United Kingdom. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities.

The consolidated financial statements of the Group as at and for the year ended 31 December 2007 are available on the Company's website at: www.arenaleisureplc.com.

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The comparative figures for the financial year ended 31 December 2007 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 July 2008.

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

3 Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

The following interpretation, issued by the International Financial Reporting Interpretations Committee ('IFRIC'), is effective for the first time in the current financial year and has been adopted by the Group with no significant impact on its consolidated results or financial position: IFRIC 11 - IFRS 2 "Group and Treasury Share Transactions".

Notes to the Condensed Consolidated Interim Financial Statements (*Continued*)

4 Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation and uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2007. During the six months to 30 June 2008, there has been no material change in the risks the Group is exposed to.

6 Segment information

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

	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Revenue			
Racecourse operations	31,189	25,320	57,920
Profit from			
Racecourse operations	2,987	3,171	7,006
Other operating income (see Note 7)	529	-	1,352
Central costs	(1,328)	(1,218)	(2,461)
Profit from operations excluding impairment losses	2,188	1,953	5,897
Impairment losses	-	-	(1,050)
Profit from operations	2,188	1,953	4,847
Share of joint venture profit/(loss)	116	(338)	(215)

7 Southwell flood insurance claim

The severe flooding which occurred in the summer of 2007 resulted in the closure of Southwell Racecourse through to December of that year. However, work had been on-going on some areas of the Racecourse since that date and the Racecourse became fully operational at the end of July 2008. As a result of the ongoing work, an element of the business interruption insurance claim proceeds received in 2007 amounting to £629,000 was deferred, of which £529,000 has been released in the six months to 30 June 2008.

Notes to the Condensed Consolidated Interim Financial Statements (*Continued*)

8 Finance income and expense

	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Finance income			
Bank interest receivable	-	-	639
Other interest receivable	152	148	323
Gain on present value of interest-free loans on initial recognition	-	933	933
	152	1,081	1,895
Finance expense			
Bank interest payable	(850)	(288)	(1,740)
Finance lease interest	(29)	(8)	(31)
Amortisation of previous gain on present value of interest-free loans	(216)	(103)	(223)
Loss on derivatives used to manage fair value interest rate risk	-	-	(59)
	(1,095)	(399)	(2,053)
Net finance (expense)/income	(943)	682	(158)

9 Taxation

The tax charge for the period is £nil (six months to 30 June 2007: £nil and the year to 31 December 2007: £nil) due to the utilisation of Horserace Betting Levy Board capital credits which are not assessable to tax.

With effect from 1 April 2008, the UK Government enacted a change to the corporation tax rate from 30% to 28%.

10 Earnings per share

Basic earnings per share ('EPS') have been calculated using the weighted average number of shares in issue during the periods. The weighted average number of shares in issue for the six months to 30 June 2008 is 364,202,007 (six months to 30 June 2007: 364,202,007 and the year to 31 December 2007: 364,202,007).

Diluted EPS have been calculated using the weighted average number of shares in issue, adjusted for the number of outstanding share options capable of being exercised. At 30 June 2008 the total number of shares capable of being exercised was 79,000 (at 30 June 2007: 1,000,000 and at 31 December 2007: 340,000).

11 Property, plant and equipment

During the six months to 30 June 2008, the Group acquired assets with a cost of £7,333,000 (six months to 30 June 2007: £17,944,000 and the year to 31 December 2007: £29,173,000).

The Board considered the carrying value of assets under construction at 30 June 2008 and concluded that there were no indications of impairment and subsequently no impairment loss has been recognised (at 30 June 2007: none and at 31 December 2007: impairment loss of £1,050,000 recognised in respect of Royal Windsor Racecourse).

Notes to the Condensed Consolidated Interim Financial Statements (Continued)

11 Property, plant and equipment (Continued)

At 30 June 2008, the Group remained committed to purchase property, plant and equipment totalling £911,000 (at 30 June 2007: £3,856,000 and at 31 December 2007: £2,794,000).

12 Goodwill

At 30 June 2008, the Board considered the carrying value of goodwill and concluded that there were no indications of impairment and subsequently no impairment loss has been recognised (at 30 June 2007: none and at 31 December 2007: none).

13 Reconciliation of movements in equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Minority interest £'000
At 1 January 2007	18,210	223	5,417	40,455	(33)
Profit for the period	-	-	-	2,349	(52)
Dividends paid	-	-	-	(947)	-
Share-based payment expense	-	-	-	48	-
At 30 June 2007 (Unaudited)	18,210	223	5,417	41,905	(85)
Profit for the period	-	-	-	3,586	(39)
Dividends paid	-	-	-	(911)	-
Share-based payment expense	-	-	-	105	-
Minority interest equity contribution	-	-	-	-	2,000
At 31 December 2007 (Audited)	18,210	223	5,417	44,685	1,876
Profit for the period	-	-	-	1,440	(79)
Dividends paid	-	-	-	(1,093)	-
Share-based payment expense	-	-	-	172	-
At 30 June 2008 (Unaudited)	18,210	223	5,417	45,204	1,797

14 Dividends

The following dividends were declared and paid by the Group:

	Six months ended 30 June 2008 Unaudited £'000	Six months ended 30 June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Final dividend of 0.30p (2007: 0.26p) per ordinary share approved by the shareholders and paid during the period relating to the previous year's results	1,093	947	947
Interim dividend of 0.25p per ordinary share paid during the period relating to the current year's results	-	-	911
Dividends paid during the period	1,093	947	1,858

The Directors approved an interim dividend of 0.25p per ordinary share (2007: 0.25p) in respect of the six months ending 30 June 2008 totalling £911,000 (2007: £911,000) on 30 July 2008. In accordance with IAS 10, this dividend has not been accrued at 30 June 2008.

Notes to the Condensed Consolidated Interim Financial Statements (*Continued*)

15 Loans and borrowings

The movement in loans and borrowings (non-current and current) during the six months ended 30 June 2008 is as follows:

	Nominal interest rate £'000	Face value £'000	Carrying amount £'000
At 1 January 2008		41,289	39,941
Repayment of secured bank term loan	Base + 1%	(750)	(750)
Drawdown on secured bank term loan	LIBOR + 1%	643	643
Repayment of interest-free loans	0%	(85)	(85)
IAS 39 adjustment to present value of interest-free loans	0%	-	216
Net increase in finance lease liabilities	12.74%	20	20
At 30 June 2008 (Unaudited)		41,117	39,985

All loans and borrowings are in sterling.

16 Share-based payments

The Group operates two share option schemes for employees. Final grants were made under these schemes in 2006. In 2007, the Group established a long-term incentive plan ('LTIP') that provides for annual conditional awards of shares to be made, subject to performance criteria, to key management personnel and senior employees. Further details on the share option schemes and the LTIP are disclosed in the consolidated financial statements as at and for the year ended 31 December 2007.

During the six months ended 30 June 2008, the following further awards were made under the LTIP:

Grant date	Grant price	Number of shares	Vesting conditions (applicable to both awards)
10 April 2008	45.25p	1,560,622	Vesting three years after the date of grant if the Group's adjusted EPS growth over the three year period to 31 December 2010 equals RPI + 30%. Vesting percentage reduces to 25% if growth equals RPI + 12%, and 0% if growth is less than RPI + 12%. Straight-line vesting occurs between 25% and 100%.
8 May 2008	41.30p	338,983	
Total (Unaudited)		1,899,605	

Adjusted EPS in relation to these awards refers to the normalised earnings per share of the Group, which is defined as basic EPS adjusted for certain one-off events.

The share-based remuneration expense recognised in the six months to 30 June 2008 in respect of these awards is £172,000.

Notes to the Condensed Consolidated Interim Financial Statements (*Continued*)

17 Related parties

Directors and key management personnel receive remuneration in the form of wages and salaries, contributions to defined contribution pension plans and share-based payments (see Note 16). Remuneration in respect of Directors and key management personnel for the six months to 30 June 2008 totalled £878,000 (six months to 30 June 2007: £714,000 and the year to 31 December 2007: £1,763,000).

Transactions with the other related parties of the Group in respect of the six months to 30 June 2008 (as disclosed in the consolidated financial statements as at and for the year ended 31 December 2007) are as follows:

Related party and type of transaction	Transaction amount			Balance outstanding		
	Six months ended 30 June 2008 Unaudited £'000	Six months ended June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000	Six months ended 30 June 2008 Unaudited £'000	Six months ended June 2007 Unaudited £'000	Year ended 31 December 2007 Audited £'000
Racecourse Association						
Annual membership fee and related costs	(126)	(124)	(280)	(14)	(6)	(48)
Sponsorship and raceday entry	6	1	2	4	-	1
British Horseracing Authority						
Programme announcements	(371)	(346)	(637)	(130)	(84)	(269)
Hospitality	-	6	7	-	1	-
At The Races						
Contribution to picture provision	979	866	1,161	634	410	324
Interest receivable on loans	153	148	323	-	-	-
Loans	-	931	680	5,132	5,055	4,979

18 Subsequent events

On 15 July 2008, the Group entered into a banking facility agreement with HBOS for a £23.0m term loan. The loan is repayable in five years, following the initial drawdown, with interest chargeable at LIBOR + 2.5%. The loan will initially be used to finance the Lingfield Park hotel and leisure club development.

In conjunction with the new facility agreement, the basis for interest chargeable on £25.0m of the Group's existing £39.5m of bank facilities has moved to LIBOR from the Bank of Scotland base rate.

On 24 July 2008, ATR issued shares to a number of racecourse partners in accordance with long standing commitments. As a result, from that date, Arena's holding in the ordinary shares of ATR is 45.85%.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8T (disclosure of related party transactions and changes therein).

By order of the Board



Mark Elliott
Chief Executive

30 July 2008



Tony Harris
Finance Director