

ARENA LEISURE PLC
INTERIM REPORT 2009



HIGHLIGHTS

Financial:

- Revenues were broadly maintained at £30.9m (2008: £31.2m), reflecting the resilient nature of the Group's income streams.
- Profit before tax at £1.1m (2008: £1.4m) was 17% lower largely due to the impact of eight fewer fixtures in the period (2009: 197 and 2008: 205) and the absence of management fee income from Great Leighs Racecourse in 2009.
- Earnings per share at 0.33 pence (2008:0.40 pence) were similarly 17% lower.

Operations:

- Operational improvements put in place have delivered savings which, coupled with increased income from the Group's LBO media rights contract, fully offset a shortfall in private and corporate hospitality business.
- Additional fixtures acquired for the remainder of the year bring the total anticipated number of meetings to be staged at Arena's racecourses in 2009 to 370 (2008: 363).
- Average attendance was 1,464 (2008: 1,488) in line with industry trends.

Outlook and current trading:

- The 2009 fixture list is more second half weighted than in 2008, with 15 more meetings scheduled (2009: 173 and 2008: 158).
- Shepway Council has recommended a high quality mixed use development at Folkestone Racecourse that includes at least 400 homes and would secure the future of the Racecourse.
- Construction of the Lingfield Park Marriott Hotel and Country Club is progressing to budget and is on schedule for its Spring 2010 opening.
- New LBO media rights contract with Satellite Information Services ('SIS') was signed on 22 July 2009 for a five year term commencing on 1 January 2012. Total revenues receivable under the contract are estimated at £106m - compared to the current contract that delivers an estimated £55m over its five year term - and results in an annual increase in profitability from 2012 of an estimated £10m. Advanced payments of £32m are receivable over the next two years.

HALF YEAR REVIEW

Overview

The first half of 2009 has seen Arena continue to perform well in a difficult market with average attendances at Arena's racecourses showing a slight 1.6% drop in line with the UK racing industry. Profitability of the underlying racecourse business has been maintained at the same level as the first six months of 2008, with the Group staging eight fewer fixtures during the period. This performance has been achieved through the success of the cost saving initiatives that were established at the end of 2008 and through the continued progress of the in-house catering operation. These operational improvements, coupled with increased income from the current licensed betting office ('LBO') media rights contract, fully mitigated a predicted shortfall in private and corporate hospitality business.

The announcement on 22 July 2009 of the LBO media rights contract with Satellite Information Services Limited ('SIS') secures a very important revenue stream for Arena and reflects the value of Arena's media rights product in the UK market. The five-year new contract will lead to a substantial uplift in profitability of an estimated £10m per annum from 2012, and the advanced payments due under this contract will allow the Group to reduce its net borrowings and significantly enhance future operating cash flows.

Arena has made further progress on its estate development strategies. Notably, Shepway Council has included Folkestone Racecourse in its recent development consultation document with an allocation of at least 400 residential homes as part of a mixed use scheme that will secure the future of racing on the site. The exciting hotel and leisure project at Lingfield Park Racecourse is progressing towards its Spring 2010 opening date and remains on schedule and on budget.

Operational Review

Arena staged 197 fixtures during the period (2008: 205). 19 were additional unscheduled fixtures (2008: 16), of which 16 resulted from Great Leighs Racecourse entering administration in January 2009 and being unable to race from that date. Arena has also acquired a further 22 fixtures for the second half of 2009 that were originally scheduled to be staged at Great Leighs. These help bring the current expected total fixtures for 2009 to 370 (2008: 363), after allowing for the seven fixtures that were abandoned due to weather conditions in the period. Arena's fixture calendar is therefore more weighted towards the second half of the year than in 2008.

Total attendance at Arena's racecourses in the period was 288,000 (2008: 305,000). The average attendance for the period was 1,464 (2008: 1,488), a decrease of 1.6%, which is in line with the average fall in attendance across all UK racecourses, based on preliminary statistics from the Racecourse Association. We have indicated in previous statements over the last 18 months that corporate and private hospitality business has been the revenue most susceptible to the current economic conditions and the period has seen hospitality attendances of 15,000 (2008: 20,000) across the Group, with a consequent negative profit impact of £0.4m compared to the same period in 2008. As anticipated, lead times for bookings of hospitality packages have shortened, with each racecourse operating discount and promotional offers in order to secure business. We are able to offer a highly flexible product across multiple price points, from hospitality boxes to restaurants to admission-only packages and, where customers are prepared to buy, we are generally successful in securing business. The quality of the Group's catering offering has become a key strength of the Arena business since bringing that operation in-house during 2007. Not only does this provide an opportunity to drive important revenue contributions both from an increasingly recognised product and through the flexibility of the packages we can offer, but it also enables us to deliver operational margin improvements which have helped to protect profits. Sponsorship levels have remained relatively robust helped by new arrangements entered into with DFS for major sponsorship at the St Leger in September.

The Group's income from its current LBO media rights contract increased to £6.3m (2008: £6.0m), despite a reduced number of fixtures. This increase was driven by a contractual increase in the standard per race fee, together with a reduced proportion of races with less than eight runners – the latter causing a reduction in the standard fee. The Levy, which largely funds prize money and is generated from the UK bookmakers' domestic horseracing profits, has been settled at £91.6m for 2008/09, substantially lower than the windfall level in 2007/08 of £115.3m. The reduction in 2008/09 could potentially be an indication of future reduced Levy contributions into the industry.

Doncaster Racecourse, which was reopened in August 2007 following a major redevelopment, has faced a challenging market over the last 18 months. In late 2008, a review of the operational base at Doncaster resulted in a significant cost saving programme being implemented and 2009 has seen the benefit of this. The new facilities are proving successful in attracting a variety of conference and other non race day business and the two St Leger festivals in September 2007 and 2008 were the most profitable in the Racecourse's history. Following the success of the 'Madness' concert in June 2008, we expanded the programme of race-music nights in 2009 to three. Although these events have not seen attendance numbers as high as those for the first event in 2008, they continue to form part of our core strategy of expanding the utilisation of the Group's racecourse assets and we will continue to explore these and other raceday events in order to broaden our customer base and further increase revenues.

In 2008, £0.5m (2009: £nil) of insurance proceeds were recognised in relation to lost profits resulting from the flooding of Southwell Racecourse in 2007. The Racecourse has now been fully operational for more than one year.

On 16 January 2009, Great Leighs Racecourse closed and entered administration and has not reopened since that date. Arena had managed the racing operations at the course under an operating agreement that generated £0.3m profit in the six months to 30 June 2008 (2009: £nil). In the second half of 2008, Arena recorded no net income from Great Leighs after providing for amounts receivable from the Racecourse of £0.3m. The Group has, however, benefited from 16 unscheduled meetings which were re-allocated from Great Leighs to Arena's courses during the period as a result of Great Leighs being non-operational.

Newton Abbot Racecourse has signed as an Arena associate member and will benefit from the expertise and experience within Arena as well as having access to the many in-house operations in which Arena specialises. This model could potentially be replicated with other independent UK racetracks should the opportunity arise.

At The Races ('ATR'), in which Arena holds a 45.85% shareholding, recorded revenues of £7.4m in the period (2008: £7.9m). Arena's share of ATR's operating profit and profit after tax for the period was £0.2m (2008: £0.3m) and £nil (2008: £0.1m), respectively. This reduction resulted, in part, from tougher market conditions for advertising revenues but also from the impact of lower incomes from certain European markets received in two months at the beginning of the year. ATR has continued to make progress in developing its business model both online and internationally and the company has been recognised with two major industry awards.

Media Rights

Post the period end on 22 July 2009, Arena contracted with SIS for the provision of coverage of horse racing content from the Group's seven racecourses into licensed betting offices in the UK and Ireland. The contract 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 under the contract over this period are estimated at £106m, which compares to revenues under the existing five year contract of an estimated £55m, and results in an annual increase in profitability from 2012 of an estimated £10m. Arena received an initial advanced payment from SIS of £12.5m. Further advanced payments of £12.5m and £7.0m are due on 22 July 2010 and 22 July 2011, respectively and are dependent upon the provision of appropriate security by Arena. The balance of the estimated revenues will be received by Arena throughout the five year term on a per race basis.

Financial Review

Revenue in the period was broadly flat at £30.9m (2008: £31.2m).

Profit from the underlying racecourse operations was £2.7m (2008: £2.7m, excluding £0.3m fee received from Great Leighs and £0.5m of Southwell insurance proceeds), despite the impact of the eight fewer fixtures and a reduction in contribution from private and corporate hospitality in the first half. The Group's profit from operating activities reduced to £1.6m (2008: £2.2m), after mitigation by a £0.2m decrease in central overheads to £1.1m (2008: £1.3m).

The net interest expense for the period reduced to £0.5m (2008: £0.9m), mainly as a result of the prevailing lower interest reference rates on the Group's bank debt. A non-cash charge of £0.2m (2008: £0.2m) has been recognised as a result of the IFRS treatment of interest free loans and a non-cash credit of £0.2m (2008: £nil) resulted from the revaluation of the Group's interest rate hedge instruments. As a consequence, profit before tax decreased by £0.3m (17%) to £1.1m (2008: £1.4m), with earnings per share similarly reducing to 0.33 pence (2008: 0.40 pence).

During the period the Group repaid £0.75m of bank facilities. At 30 June 2009, the Group had £60.25m of available bank facilities, including overdrafts, of which £45.2m was drawn. Following the period end, the advanced payment received from SIS as part of the new LBO media rights contract reduced net borrowings by a further £12.5m. The earliest loan maturity, other than the Group's overdraft, is a £10.0m credit facility due in October 2010, the repayment of which the Group expects to meet from existing facilities. The Group is projected, taking into account reasonable possible changes in trading performance, to continue to be able to operate within the level and covenant conditions of its bank facilities.

Related party transactions that have taken place in the period are disclosed in Note 16 to the condensed set of interim financial statements.

Development Projects

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. The Racecourse has been included in Shepway Council's Local Development Framework – Core Strategy Preferred Options document, which was recently published for consultation. In the document, 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.

The Lingfield Park Marriott Hotel and Country Club development is progressing to budget and on schedule for its planned opening in Spring 2010. An experienced General Manager has been recruited and he is working actively to build his team towards the hotel's opening.

The 'racino' scheme, which incorporates an extension to the existing hotel and a new casino at Wolverhampton Racecourse, remains a strategic objective and is dependent upon obtaining a 'small' casino license in the envisaged local government tender process. The timing of the tender process has yet to be confirmed and the status is therefore unchanged from previous statements. Other ongoing projects include a hotel and residential development at Doncaster Racecourse, for which planning consent exists, and the potential for an improvement scheme at Royal Windsor Racecourse. We continue to make progress on these estate strategies as well as reviewing the appropriate timing for development projects based on the economic cycle and the cost and availability of financing.

Employees

Arena's employees make a significant contribution to the performance of the business through their hard work and dedication. The Board would like to recognise and thank all of the Group's employees for their continuing efforts in making Arena the leading racecourse operator in the UK.

Dividend

In line with the decision not to pay a final dividend for 2008, the Board has decided not to pay an interim dividend for 2009 (2008: 0.25p per share).

Outlook and Current Trading

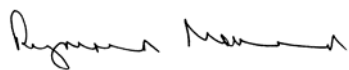
Arena's performance has proved to be relatively resilient in the period with operational improvements and enhanced industry revenue streams having mitigated the impact of the anticipated reduction in the number of corporate and private hospitality guests. Current trading in the initial weeks of the second half continued this trend. Forward bookings for the remaining summer period and Doncaster's St Leger festival in September, which is an important constituent of the overall result for the year, are continuing to display shorter lead times.

As a result of Great Leighs' closure, Arena will host an additional 22 fixtures in the second half of 2009, bringing the expected total number of meetings for the six months to 31 December 2009 to 173 (2008: 158).

The Levy and LBO media rights income streams have proven to be resilient in nature. The composition of Arena's portfolio of seven racecourses, encompassing flat, jump and all-weather racing, as well as the increasing levels of non raceday business, mainly as a result of our development programme, gives a degree of diversification to trading risk. The Group's cost base is largely fixed in nature. All costs, including the variable costs incurred, in particular, on race days, have been realigned to current trading levels and are very carefully monitored to ensure that they remain at an appropriate level.

Estate development projects undergo rigorous market assessment before commencement, have suitably experienced project management and utilise fixed price construction contracts with experienced main contractors. 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. In this last reporting period, Arena has proven its ability to stabilise operating performance in the current difficult trading environment with effective management action at an operational level and as a result of the resilience of its industry revenue sources.

The SIS media rights contract, with £32m in upfront payments and an estimated £10m per annum increase in Group profits from 2012, confirms the strength of Arena Leisure Plc and positions it very well to face the current uncertain short term economic situation. It is a fundamental step forward and a salient reminder of the value of the Group's assets and will provide a strong cashflow position enabling the Group to exploit its strategic development opportunities.



Raymond Mould
Chairman



Mark Elliott
Chief Executive

29 July 2009

**Condensed Consolidated Interim
Statement of Comprehensive Income**

	Note	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Continuing Operations				
Revenue	6	30,878	31,189	64,825
Cost of sales		(22,965)	(23,044)	(47,270)
Gross profit		7,913	8,145	17,555
Other operating income	7	-	529	2,427
Administrative expenses		(6,353)	(6,486)	(12,848)
Profit from operating activities	6	1,560	2,188	7,134
Share of post-tax profit of joint venture		17	116	310
Profit before interest and taxation		1,577	2,304	7,444
Finance expense	8	(859)	(1,095)	(4,519)
Finance income	8	407	152	1,091
Net finance expense	8	(452)	(943)	(3,428)
Profit before taxation		1,125	1,361	4,016
Income tax expense	9	-	-	-
Profit for the period		1,125	1,361	4,016
Other comprehensive income		-	-	-
Total comprehensive income for the period		1,125	1,361	4,016
Profit and total comprehensive income attributable to:				
Owners of the Company		1,201	1,440	4,083
Minority interest		(76)	(79)	(67)
Profit for the period		1,125	1,361	4,016
		Pence	Pence	Pence
Earnings per share	10			
Basic earnings per share		0.33	0.40	1.12
Diluted earnings per share		0.33	0.40	1.12

**Condensed Consolidated Interim
Statement of Cash Flows**

	Note	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Cash flows from operating activities				
Profit for the period		1,125	1,361	4,016
Adjustment for:				
Depreciation		1,748	1,645	3,370
Dilution gain in respect of At The Races	7	-	-	(129)
Deferred business interruption income in respect of Southwell Racecourse	7	-	(529)	(631)
Share-based payment expense	15	11	172	220
Net finance expense	8	452	943	3,428
Share of post-tax profit of joint venture		(17)	(116)	(310)
Profit on sale of property, plant and equipment		(4)	-	(1,615)
Grant amortisation		(35)	(35)	(71)
Cash flows from operating activities before changes in working capital and provisions				
		3,280	3,441	8,278
(Increase)/decrease in trade and other receivables		(1,975)	(3,640)	776
Increase in inventories		(3)	(36)	(129)
Increase/(decrease) in trade and other payables		64	961	(372)
Net cash from operating activities		1,366	726	8,553
Cash flows from investing activities				
Purchases of property, plant and equipment		(7,381)	(6,133)	(13,905)
Proceeds from sale of property, plant and equipment		11	-	1,760
(Increase)/decrease in loans to joint venture		(49)	(153)	14
Interest received		229	153	1,091
Net cash used in investing activities		(7,190)	(6,133)	(11,040)
Net cash used in financing activities				
Proceeds from bank and other borrowings	14	5,000	643	6,243
Repayment of loans	14	(750)	(835)	(3,243)
Increase/(repayment) of finance lease liabilities		12	(1)	14
Interest paid		(1,037)	(859)	(3,083)
Dividends paid	11	-	(1,093)	(2,003)
Net cash used in financing activities		3,225	(2,145)	(2,072)
Decrease in cash and cash equivalents				
		(2,599)	(7,552)	(4,559)
Net cash and cash equivalents at beginning of the period		(824)	3,735	3,735
Net cash and cash equivalents at end of the period		(3,423)	(3,817)	(824)

**Condensed Consolidated Interim
Statement of Financial Position**

	Note	At 30 June 2009 Unaudited £'000	At 30 June 2008 Unaudited £'000	At 31 December 2008 Audited £'000
Non-current assets				
Property, plant and equipment	12	125,087	113,971	119,734
Intangible assets	13	5,596	5,596	5,596
Investment in joint venture				
– Share of gross assets		2,936	2,713	2,699
– Share of gross liabilities		(6,293)	(6,410)	(6,073)
		(3,357)	(3,697)	(3,374)
Goodwill in respect of joint venture		1,580	1,580	1,580
Loans to joint venture		5,014	5,132	4,965
		3,237	3,015	3,171
Total non-current assets		133,920	122,582	128,501
Current assets				
Inventories		547	451	544
Trade and other receivables		7,390	9,831	5,415
Assets classified as held for sale		100	-	100
Cash and cash equivalents		405	170	179
Total current assets		8,442	10,452	6,238
Total assets		142,362	133,034	134,739
Current liabilities				
Bank overdraft		(3,828)	(3,987)	(1,003)
Trade and other payables		(6,509)	(5,922)	(7,850)
Loans and borrowings	14	(2,952)	(3,080)	(2,940)
Accruals and deferred income		(7,290)	(9,016)	(6,691)
Total current liabilities		(20,579)	(22,005)	(18,484)
Non-current liabilities				
Loans and borrowings	14	(44,875)	(36,905)	(40,448)
Accruals and deferred income		(3,128)	(3,273)	(3,163)
Total non-current liabilities		(48,003)	(40,178)	(43,611)
Total liabilities		(68,582)	(62,183)	(62,095)
Total net assets		73,780	70,851	72,644
Equity				
Share capital		18,210	18,210	18,210
Share premium		223	223	223
Merger reserve		5,417	5,417	5,417
Retained earnings		48,197	45,204	46,985
Total equity attributable to equity holders of the Company		72,047	69,054	70,835
Minority interest		1,733	1,797	1,809
Total equity		73,780	70,851	72,644

**Condensed Consolidated Interim
Statement of Changes in Equity**

Attributable to the equity holders of the Company

	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Total £'000	Minority interest £'000	Total equity £'000
Note							
Balance at 1 January 2008	18,210	223	5,417	44,685	68,535	1,876	70,411
Profit for the period	-	-	-	1,440	1,440	(79)	1,361
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,440	1,440	(79)	1,361
Dividends to equity holders	11	-	-	(1,093)	(1,093)	-	(1,093)
Share-based payment expense		-	-	172	172	-	172
Total transactions with owners		-	-	(921)	(921)	-	(921)
Balance at 30 June 2008 (Unaudited)	18,210	223	5,417	45,204	69,054	1,797	70,851
Profit for the period	-	-	-	2,643	2,643	12	2,655
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	2,643	2,643	12	2,655
Dividends to equity holders	11	-	-	(910)	(910)	-	(910)
Share-based payment expense		-	-	48	48	-	48
Total transactions with owners		-	-	(862)	(862)	-	(862)
Balance at 31 December 2008 (Audited)	18,210	223	5,417	46,985	70,835	1,809	72,644
Profit for the period	-	-	-	1,201	1,201	(76)	1,125
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	1,201	1,201	(76)	1,125
Dividends to equity holders	11	-	-	-	-	-	-
Share-based payment expense	15	-	-	11	11	-	11
Total transactions with owners		-	-	11	11	-	11
Balance at 30 June 2009 (Unaudited)	18,210	223	5,417	48,197	72,047	1,733	73,780

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 2009 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 2008 are available on the Company's website at: www.arenaleisureplc.com.

The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2009 will also be available on the Company's website.

2 Basis of preparation

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2008.

The comparative figures for the financial year ended 31 December 2008 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 29 July 2009.

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

Going concern

The Group has sufficient bank facilities to enable it to complete its committed development expenditure and to continue to meet day-to-day working capital requirements. 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 and long-term contracted income from media rights (see Note 17), both of which have proven to be highly resilient to economic downturn. Despite the current uncertain economic outlook, 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 these condensed consolidated interim financial statements.

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

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 2008 other than the new standards adopted in the period as set out below.

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

- IFRS 8 "Operating Segments"
- Revised IAS 23 "Borrowing Costs"
- Amendments to IAS 32 "Financial Instruments: Presentation"
- Amendments to IFRS 2 "Share-based Payment – Vesting Conditions and Cancellations"
- Improvements to IFRSs (issued by IASB in May 2008)
- IFRIC 13 "Customer Loyalty Programmes"

The following IAS is also effective for the first time in the current financial year and has been adopted by the Group with a subsequent impact on the presentation of the financial statements: Amendments to IAS 1 "Presentation of Financial Statements – A Revised Presentation". Comparative information has been re-presented so that it also is in conformity with the revised standard.

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 2008.

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 2008. During the six months to 30 June 2009, there has been no material change in the risks the Group is exposed to.

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

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 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Revenue			
Racecourse operations	30,878	31,189	64,825
Profit from			
Racecourse operations	2,669	2,987	6,988
Other operating income (see Note 7)	-	529	760
Central costs	(1,109)	(1,328)	(2,281)
Profit from operating activities excluding profit on disposal of the freehold interests in the marina and caravan park at Royal Windsor Racecourse	1,560	2,188	5,467
Profit on disposal of the freehold interests in the marina and caravan park at Royal Windsor Racecourse	-	-	1,667
Profit from operating activities	1,560	2,188	7,134
Share of joint venture profit	17	116	310

7 Other operating income

The severe flooding which occurred in the summer of 2007 resulted in the closure of Southwell Racecourse through to December of that year. Reinstatement work was ongoing on some areas of the Racecourse from 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 £631,000 was deferred, of which £529,000 was released in the six months to 30 June 2008 and the remaining £102,000 was released in the six months to 31 December 2008.

Other operating income for the year ended 31 December 2008 also includes £1,667,000 relating to the profit on disposal in December 2008 of the freehold interests in the marina and caravan park at Royal Windsor Racecourse and £129,000 relating to a dilution gain in respect of the reduction in the Company's holding in ordinary shares of At The Races from 47.5% to 45.85% in July 2008.

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

8 Finance income and expense

	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Finance income			
Bank interest receivable	180	-	806
Other interest receivable	49	152	285
Derivative liability held for risk management	178	-	-
	407	152	1,091
Finance expense			
Bank interest payable	(650)	(850)	(2,573)
Finance lease interest	(32)	(29)	(58)
Amortisation of previous gain on present value of interest-free loans	(177)	(216)	(433)
Derivative liability held for risk management	-	-	(1,455)
	(859)	(1,095)	(4,519)
Net finance expense	(452)	(943)	(3,428)

9 Income tax expense

The tax charge for the period is £nil (six months to 30 June 2008: £nil and the year to 31 December 2008: £nil) due to the utilisation of Horserace Betting Levy Board capital credits, which are not assessable to tax, and the utilisation of tax losses.

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 2009 is 364,202,007 (six months to 30 June 2008: 364,202,007 and the year to 31 December 2008: 364,202,007).

Diluted EPS have been calculated by also including the number of potentially dilutive ordinary shares in the periods. At 30 June 2009 the total number of shares included in the calculation of diluted EPS was nil (at 30 June 2008: 79,000 and at 31 December 2008: nil). Certain employee options have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of specific criteria that had not been met at the end of the period. In addition, certain employee options have also been excluded from the calculation of diluted EPS as their exercise price is greater than the weighted average share price during the period (i.e. they are out-of-the-money) and therefore would not be dilutive.

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

11 Dividends

The following dividends were declared and paid by the Group:

	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Final dividend of £nil (2008: 0.30p) per ordinary share approved by the shareholders and paid during the period relating to the previous year's results	-	1,093	1,093
Interim dividend of £nil (2008: 0.25p) per ordinary share paid during the period relating to the current year's results	-	-	910
Dividends paid during the period	-	1,093	2,003

The Directors have not approved an interim dividend in respect of the six months ending 30 June 2009 (2008: 0.25p per ordinary share totalling £910,000).

12 Property, plant and equipment

During the six months to 30 June 2009, the Group acquired assets with a cost of £7,108,000 (six months to 30 June 2008: £7,333,000 and the year to 31 December 2008: £15,066,000).

The Board considered the carrying value of assets under construction at 30 June 2009 and concluded that there were no indications of impairment and subsequently no impairment loss has been recognised (at 30 June 2008: none and at 31 December 2008: none).

At 30 June 2009, the Group remained committed to purchase property, plant and equipment totalling £1,646,000 (at 30 June 2008: £911,000 and at 31 December 2008: £461,000).

13 Goodwill

At 30 June 2009, 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 2008: none and at 31 December 2008: none).

14 Loans and borrowings

The movement in loans and borrowings (non-current and current) during the six months ended 30 June 2009 is as follows:

	Nominal interest rate	Face value £'000	Carrying amount £'000
At 1 January 2009		44,303	43,388
Repayment of secured bank term loan	LIBOR + 1%	(750)	(750)
Drawdown on secured bank term loan	LIBOR + 1%	5,000	5,000
IAS 39 adjustment to present value of interest-free loans	0%	-	177
Net increase in finance lease liabilities	12.74%	12	12
At 30 June 2009 (Unaudited)		48,565	47,827

All loans and borrowings are in sterling.

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

15 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 2008.

During the six months ended 30 June 2009, no further awards were made under the LTIP.

The share-based remuneration expense recognised in the six months to 30 June 2009 in respect of these awards is £11,000.

16 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 15). Remuneration in respect of Directors and key management personnel for the six months to 30 June 2009 totalled £796,000 (six months to 30 June 2008: £878,000 and the year to 31 December 2008: £1,749,000).

Transactions with the other related parties of the Group in respect of the six months to 30 June 2009 (as disclosed in the consolidated financial statements as at and for the year ended 31 December 2008) are as follows:

Related party and type of transaction	Transaction amount			Balance outstanding		
	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008
	Unaudited £'000	Unaudited £'000	Audited £'000	Unaudited £'000	Unaudited £'000	Audited £'000
Racecourse Association						
Annual membership fee and related costs	(92)	(126)	(189)	(32)	(14)	(20)
Raceday entry and BHA directorship fee	13	6	17	10	4	1
British Horseracing Authority						
Programme announcements and racing calendar adverts	(10)	(371)	(478)	-	(130)	(84)
Conferences and hospitality	1	-	3	-	-	-
At The Races						
Contribution to picture provision	885	979	1,265	482	634	84
Interest receivable on loans	49	153	285	-	-	-
Loans	-	-	(14)	5,014	5,132	4,965

With the exception of the reduction in British Horseracing Authority transactions in the period, which is due to many of these costs now being processed by Weatherbys, there were no significant changes in the related party transactions described in the consolidated financial statements as at and for the year ended 31 December 2008.

17 Subsequent event

On 22 July 2009, the Company signed an agreement with Satellite Information Services Limited ('SIS') for the provision of coverage of horse racing content from the Group's seven racecourses into Licensed Betting Offices ('LBOs') in the United Kingdom and Ireland. The agreement will replace the Group's current contract with BAGS at its expiry on 31 December 2011 and has a term of five years to 31 December 2016. Total revenues receivable under the contract over this period are estimated at £106,000,000 which compares to revenues under the existing five-year BAGS contract of an estimated £55,000,000. The Company received an initial advanced payment from SIS of £12,500,000 upon signing the agreement. Further advanced payments of £12,500,000 and £7,000,000 are due on 22 July 2010 and 22 July 2011, respectively, and are dependent upon the provision of appropriate security by the Company. The balance of the estimated revenues will be received by the Group throughout the five year term on a per race basis.

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the EU;
- 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



Tony Harris
Finance Director

29 July 2009