



# ARENA LEISURE PLC

## Results for the six months ended 30 June 2010

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 its results for the six month period from 1 January 2010 to 30 June 2010 (the 'period'). The highlights of the statement are as follows:

### Financial:

- Profits before interest and tax increased by 25% to £2.0m (2009: £1.6m). This is after absorbing £0.5m of one-off pre-opening costs of the new Lingfield Park Marriott Hotel and Country Club, and reflects a £0.3m improvement in operating performance and a £0.6m increased contribution from At The Races.
- Adjusted\* earnings per share increased by 25% to 0.35 pence (2009: 0.28 pence). Basic unadjusted earnings per share were 0.28 pence (2009: 0.33 pence).
- Adjusted\* profit before tax increased by £0.3m to £1.2m (2009: £0.9m). Profit before tax was £0.2m lower at £0.9m (2009: £1.1m).
- Net bank borrowings at 30 June 2010 were £47.7m. This has since been reduced significantly by the receipt on 22 July 2010 of the second advance payment of £12.5m from SIS under the terms of the new media rights agreement.

*\* before a charge for the movement in valuations of interest rate hedges of £0.3m (2009: £0.2m credit)*

### Operations:

- The Lingfield Park Marriott Hotel and Country Club successfully opened on 10 May 2010 and is trading in line with expectations.
- Average attendance was up by 3% at 1,498 (2009: 1,450) with hospitality attendance increasing by 13% to 17,000 (2009: 15,000).
- At The Races continues to make good progress, notably from international media distribution.

### Outlook:

- The Group currently expects to stage 353 fixtures in the full year (2009: 370 fixtures), in line with our original expectation of 356.
- The profit impact of known reductions in Levy funding remains as previously estimated at £0.2m for 2010 and £0.8m for 2011.
- Levy funding for UK horseracing in 2011 is estimated to reduce to £70.0m (2010: £94.5m, forecast). We continue to monitor and input into the resulting ongoing racing industry discussions about the size of the 2011 fixture list and how the funding for those fixtures will be impacted. We will update the market as necessary once this process has concluded. This is not expected before September 2010.
- Current trading continues to reflect the trends experienced in the first half of the year and is in line with expectations.

David Thorpe, Arena's Chairman, said:

***"This is a commendable performance from the Group across a number of fronts.***

***"Arena has delivered improved operational performance with average attendance at our racecourses increasing year-on-year and there are encouraging initial signs that corporate hospitality business is beginning to pick up. The expected increase in income from international media rights through ATR has also helped to deliver an increase in operating profit for the period, albeit from nine fewer fixtures.***

***"We have also significantly reduced Group net debt. Current trading remains in line with expectations and we made good progress on our estate strategy. Trading at the Lingfield Park Marriott Hotel and Country Club since its May opening is in line with our expectations and development plans at Folkestone continued to progress.***

***"The forecast reduction in Levy spending in 2011 is a major concern for the racing industry and we are playing our part in achieving a resolution. However, with our portfolio of fixtures the Board believes that we are well positioned to manage the challenges that this represents."***

**2 August 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.

**[www.arenaleisureplc.com](http://www.arenaleisureplc.com)**

## **HALF YEAR REVIEW**

### Overview

Arena continued to make progress within its operating business with an improved performance over the period and with moderate positive trends on key indicators. Average attendances have improved 3% year-on-year. Encouragingly, hospitality covers rose by 13% in the period, with most of the important summer months and the Ladbrokes St Leger Festival at Doncaster Racecourse still to come. The expected increase in income from international media rights, as distributed by At The Races, has helped to deliver increased operating profits, despite the staging of nine fewer fixtures than in the corresponding period.

The Group's development programme showed notable progress in the period with the successful opening of the Lingfield Park Marriott Hotel and Country Club on 10 May 2010. The opening was the culmination of a two-year construction programme and an investment of £30m in hotel, golf and racecourse assets. Initial trading has been as expected, with the operation already reaching high levels of quality and service standards.

On 22 July 2010, the second advanced payment of £12.5m was received from Satellite Information Services ('SIS') relating to the new media rights agreement that was signed on 22 July 2009. This five-year contract for the provision of our racing into licensed betting shops in the UK and Ireland will commence on 1 January 2012. At the time of signing, Arena received an initial payment of £12.5m. A third advanced payment of £7.0m is due on 22 July 2011. Aggregate revenues, estimated at £106m including these upfront payments, will be recognised over the five-year period of the contract commencing in 2012.

A final dividend of 0.38p per share relating to the year ended 31 December 2009 was paid on 21 May 2010 totalling £1.4m. It is the Board's intention to pay future dividends in one instalment as a final dividend and hence no interim dividend will be payable for 2010.

### Operational Review

During the period, Arena staged 188 fixtures (2009: 197 fixtures) across its seven racecourses, nine fewer than in 2009 which benefited from 16 fixtures transferred from Great Leighs following that racecourse entering administration in January 2009. In the early part of 2010, heavy snow and poor weather conditions caused the abandonment of 11 fixtures (2009: 7 fixtures). This is an unusually high number for Arena and was mainly due to problems with local infrastructure rather than at the racecourses themselves. During that time, our all-weather tracks were able to stage eight additional fixtures at short notice and hence the net impact on profits was not significant. The Group is scheduled to stage a total of 353 fixtures for the full year compared to the original schedule of 356 (2009: 370 fixtures).

Total attendance at Arena's racecourses over the period was 282,000 (2009: 286,000) from nine fewer fixtures. The average attendance showed an increase of 3.3% to 1,498 (2009: 1,450) and would have been higher were it not for the impact of the World Cup on attendance levels in June. Preliminary statistics from the Racecourse Association show a similar growth for the UK racing industry as a whole. Our first after racing concert of the year attracted a good crowd, with an X-Factor line up performing at Doncaster Racecourse in May. A second major concert featuring Scouting for Girls is scheduled at the Racecourse in August. Corporate and private hospitality revenues continue to be susceptible to the economic conditions, however, the period has seen a moderate improvement in hospitality attendances to 17,000 (2009: 15,000). We remain cautious about the outlook in terms of both attendance numbers and spend per head for this important revenue segment which remains some way off the peak levels of 2007 and 2008. Summer hospitality performances at Royal Windsor and Lingfield Park Racecourses and bookings for the Ladbrokes St Leger Festival at Doncaster Racecourse in September are slightly above 2009 levels, and in line with our expectations.

Our catering operation is now established as a core element of our business and continues to perform profitably with already high quality standards improving further. Notably, during the period we have made good progress on our retail product offering as we further standardise concepts for areas such as coffee shops, fish & chips and upscale seafood restaurants. The commercial advantage of in-house catering has again enabled us to capitalise on admission promotions – the free admission days at Doncaster and Wolverhampton Racecourses under the racing industry’s “Racing for Change” banner having proved successful.

We indicated in our May 2010 interim management statement (‘IMS’) that reductions in the Levy yield will result in lower levels of funding. In the period, the amount received by Arena racecourses from the Levy reduced to £10.6m (2009: £11.7m), with the majority of this shortfall impacting prize money. In addition to these prize money shortfalls, we also highlighted the estimated impact of future planned cuts to the fixture incentive payments made to racecourses as compensation for scheduling fixtures at less profitable times of the year. These fixtures are important for their positive contribution to the Levy. A reduction in the incentive payments does not have a commensurate reduction in costs and will have a direct negative impact on racecourse profitability. At the time of the IMS we estimated the impact on Arena to be £0.2m for the second half of 2010 and £0.8m for the full year of 2011. The total amount of industry funding from the Levy is now forecast to reduce further in 2011 to £70m (2010: £94.5m, forecast). The UK racing industry is currently discussing how to deal with this reduced level of funding, with consequent reductions in the 2011 fixture list and/or reduced funding levels being contemplated. We continue to monitor and input into these discussions about the 2011 fixture list and will update the market as necessary once this process has concluded. This is not expected before September 2010. The impact on Arena in 2011 will depend on whether the changes take the form of reductions to Levy funding that Arena would need to subsidise, fixture list reductions or a combination of the two. Arena’s racecourses currently ‘own’ 268 fixtures and ‘lease’ 88 additional fixtures on a one to three year basis from the British Horseracing Authority (‘BHA’). It is these BHA fixtures that may be subject to reduction as a result of funding shortfalls. The Board currently expects the majority of Arena’s leased fixture list to be maintained given that they make a positive contribution to the Levy. Notwithstanding the current discussions over the Levy, the Directors remain confident that the quality and value of Arena’s racing product is such that the Group is well placed for any eventual outcome.

Income from the Group’s current media rights contract for the provision of our racing into licensed betting shops in the UK and Ireland was unchanged at £6.3m (2009: £6.3m). A contractual increase in the standard per race fee, combined with an increase in the average number of races we were able to stage at each meeting, compensated for the nine fewer fixtures being held.

At The Races (‘ATR’), in which Arena holds a 45.85% shareholding, has continued to progress and recorded revenues of £9.8m in the period (2009: £7.4m). Arena’s share of ATR’s operating profit for the period was £0.5m (2009: £0.1m). With effect from 1 March 2010, ATR entered into a joint venture for the unified international distribution of media rights from all UK and Irish racecourses. This joint venture, GBI Racing, is on course to deliver annualised cost savings to ATR of £0.5m. International revenues have increased year-on-year as expected, as a result of greater penetration of international markets such as Australia. Future growth is expected as the joint venture develops over time. Arena benefits from these increased revenues in two ways: as both a supplier of content, with royalty payments made directly into the racecourses, and as a 45.85% shareholder in ATR. ATR’s increased profitability has allowed it to recognise certain deferred tax assets based on the likelihood of future taxable profits now crystallising. The impact of the recognition of these tax assets resulted in Arena’s share of ATR’s net interest and tax being a £0.1m credit in the period (2009: £0.1m charge). As a consequence of the improved operating results and the deferred tax asset, Arena’s share of the post tax profit of ATR in the period was £0.6m (2009: £nil).

## Financial Review

Revenue in the period was slightly reduced at £30.1m (2009: £30.9m) as a result of the £1.1m reduction in industry funding through the Levy.

Profit from the underlying racecourse operations was £3.2m (2009: £2.7m), stated before £0.5m of pre-opening costs relating to the Lingfield Park Marriott Hotel and Country Club. This increase was predominantly driven by the improvement in public and hospitality attendances and a £0.3m increase in media rights payments from ATR. The Group's overall profit from operating activities was 10% lower at £1.4m (2009: £1.6m) as a result of the £0.5m (2009: £nil) hotel pre-opening costs and a non-cash share-based expense of £0.1m (2009: £nil).

The net interest expense for the period increased to £1.1m (2009: £0.5m). £0.4m of this increase arises from a non-cash charge of £0.3m (2009: £0.2m credit) that has resulted from the IFRS revaluation of the Group's interest rate hedging instruments and a non-cash charge of £0.1m (2009: £0.2m) that has been recognised as a result of the IFRS treatment of interest free loans. Net trading interest expense, before these non-cash items, increased by £0.2m to £0.7m (2009: £0.5m) mainly as a result of the interest costs relating to the debt funding the Lingfield Park Marriott Hotel and Country club development which were capitalised during the project construction phase up to the opening in May 2010.

Profit before tax for the period was £0.9m (2009: £1.1m), with earnings per share of 0.28 pence (2009: 0.33 pence). Excluding the non-cash movements on the valuation of interest rate hedging instruments, the adjusted profit before tax increased by 33% to £1.2m (2009: £0.9m) and adjusted earnings per share increased by 25% to 0.35 pence (2009: 0.28 pence).

At 30 June 2010, the Group had £55.0m of available bank facilities of which £47.7m was drawn (net of cash balances). Following the period end, on 22 July 2010, the second advanced payment was received from SIS as part of the new media rights contract reducing net borrowings by £12.5m. A scheduled loan repayment of £5.0m took place on 31 July 2010 and a further repayment of £5.0m is due on 31 January 2011. Both reduce available facilities accordingly.

## Development Projects

The Lingfield Park Marriott Hotel and Country Club successfully opened for business on 10 May 2010. Dame Judi Dench formally opened the hotel at a ceremony on 21 June 2010. This major construction project has been completed on time at the budgeted total cost of £30.0m (including racecourse improvements of £4.0m) and the quality of the finished product has received much positive comment. The hotel team's customer service standards are already reaching the high Marriott benchmark and initial trading has been in line with our expectations. Pre-opening costs incurred in the period of £0.5m (2009: £nil) are in line with the guidance given.

In 2009 Folkestone Racecourse was included in the Shepway District Council ('SDC') Local Development Framework ('LDF') – Core Strategy Preferred Options document as the site of a high quality mixed use development that would provide a site for "at least 400" new homes. As part of the district-wide consultation on the development of the LDF, Arena is currently engaging in a wide-scale consultation process to help inform our plans for the redevelopment of the Racecourse. We anticipate submitting our masterplan to SDC in October 2010. We remain hopeful that the Racecourse will be identified by SDC as a strategic site within the final LDF and that this will incorporate sufficient housing to ensure the long term future of the Racecourse by providing a commercial redevelopment proposition. SDC expects to have its approved LDF in place by December 2011.

The status of the other real estate projects at Wolverhampton Racecourse (casino and hotel with planning consent), Doncaster Racecourse (hotel and residential with planning consent) and Royal Windsor Racecourse (grandstand enhancement that has yet to be presented for planning consent) is unchanged from previous statements. We continue to expect that the Wolverhampton casino license tender process is unlikely to conclude before the end of 2011. Planning permission for a new entrance building incorporating offices and a retail outlet has been obtained at Royal Windsor Racecourse and construction will commence in the autumn.

## Employees

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

## Board

David Thorpe was appointed non-executive Chairman of Arena on 19 May 2010 replacing Raymond Mould who resigned from the Board on that date as a result of his increasing commitments as Chairman of London & Stamford Property Ltd. The Board would like to express its gratitude to Raymond for his significant contribution to Arena during his four years as Chairman, a period that saw the Company establish and deliver on a substantial programme of strategic change including construction of the Lingfield Park Marriott Hotel and Country Club, the successful establishment of a the in-house catering operation and the signing of the new media rights agreement with SIS that will fundamentally transform Arena's profitability from 2012.

## Outlook and Current Trading

The trading trends that developed in the period have continued into July, with both public and hospitality attendances showing a moderate increases over 2009 levels. The early bookings for September's Ladbrokes St Leger Festival at Doncaster Racecourse are ahead of the same period last year and again in line with the expected moderate uplift. The Group is currently trading in line with management expectations.

The Levy and media rights income streams for the remainder of this year are relatively predictable 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, provides a degree of diversification to trading risk.

Arena has shown further improvement in its operational performance over the period by capitalising on some moderately better market conditions and increasing the diversification of its income streams with the opening of the new Lingfield Park Marriott Hotel and Country Club and with ATR's increasing international distribution of our media rights. The Group has a very solid financial base, with net debt forecast to reduce rapidly over the next two years. The forecast reduction in Levy spending in 2011 is a major concern for the racing industry and we are playing our part in achieving a resolution. However, with our portfolio of fixtures the Board believes that we are well positioned to manage the challenges that this represents.

David Thorpe  
**Chairman**

Mark Elliott  
**Chief Executive**

2 August 2010

**Condensed Consolidated Interim  
Statement of Comprehensive Income**

		<b>Six months ended 30 June 2010 Unaudited £'000</b>	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
	<b>Note</b>			
<b>Revenue</b>	6	<b>30,142</b>	30,878	65,239
Cost of sales		<b>(22,117)</b>	(22,965)	(47,749)
<b>Gross profit</b>		<b>8,025</b>	7,913	17,490
Other operating income	11	-	-	418
Administrative expenses before pre-opening costs		<b>(6,120)</b>	(6,353)	(12,938)
Pre-opening costs associated with Lingfield Park Marriott Hotel		<b>(498)</b>	-	(163)
Total administrative expenses		<b>(6,618)</b>	(6,353)	(13,101)
<b>Profit from operating activities</b>		<b>1,407</b>	1,560	4,807
Share of joint venture's profit from operations		<b>548</b>	87	646
Share of joint venture's interest and tax		<b>91</b>	(70)	(131)
Share of post-tax profit of joint venture		<b>639</b>	17	515
<b>Profit before interest and taxation</b>		<b>2,046</b>	1,577	5,322
Finance expense	7	<b>(1,204)</b>	(859)	(1,659)
Finance income	7	<b>94</b>	407	458
Net finance expense	7	<b>(1,110)</b>	(452)	(1,201)
<b>Profit before taxation</b>		<b>936</b>	1,125	4,121
Income tax expense	8	-	-	-
<b>Profit for the period</b>		<b>936</b>	1,125	4,121
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		<b>936</b>	1,125	4,121
<b>Profit and total comprehensive income attributable to:</b>				
Owners of the Company		<b>1,021</b>	1,201	4,213
Minority interest		<b>(85)</b>	(76)	(92)
<b>Profit for the period</b>		<b>936</b>	1,125	4,121
		<b>Pence</b>	Pence	Pence
<b>Earnings per share</b>	9			
Basic earnings per share		<b>0.28</b>	0.33	1.16
Diluted earnings per share		<b>0.28</b>	0.33	1.16

**Condensed Consolidated Interim  
Statement of Cash Flows**

	<b>Six months ended 30 June 2010</b>	Six months ended 30 June 2009	Year ended 31 December 2009
<b>Note</b>	<b>Unaudited £'000</b>	Unaudited £'000	Audited £'000
<b>Cash flows from operating activities</b>			
Profit for the period	<b>936</b>	1,125	4,121
Adjustment for:			
Depreciation	<b>1,787</b>	1,748	3,479
Share-based payment expense/(credit)	14 <b>149</b>	11	(28)
Net finance expense	8 <b>1,110</b>	452	1,201
Share of post-tax profit of joint venture	<b>(639)</b>	(17)	(515)
Loss/(profit) on sale of property, plant and equipment	<b>7</b>	(4)	(420)
Grant amortisation	<b>(36)</b>	(35)	(74)
<b>Cash flows from operating activities before changes in working capital</b>	<b>3,314</b>	3,280	7,764
(Increase)/decrease in trade and other receivables	<b>(3,923)</b>	(1,975)	567
(Increase)/decrease in inventories	<b>(95)</b>	(3)	122
Increase in trade and other payables	<b>2,057</b>	64	11,227
Net cash from operating activities	<b>1,353</b>	1,366	19,680
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	<b>(5,877)</b>	(7,381)	(20,385)
Proceeds from sale of property, plant and equipment	<b>3</b>	11	625
Additions to intangibles	<b>-</b>	-	(27)
Repayment of loans to joint venture	<b>515</b>	-	300
Interest received	<b>58</b>	180	367
Net cash used in investing activities	<b>(5,301)</b>	(7,190)	(19,120)
<b>Net cash used in financing activities</b>			
Proceeds from bank and other borrowings	<b>51,000</b>	5,000	3,900
Capital grants received	<b>-</b>	-	98
Repayment of loans	<b>(39,520)</b>	(750)	(3,237)
(Repayment of)/increase in finance lease liabilities	<b>(35)</b>	12	(45)
Interest paid	<b>(1,243)</b>	(1,037)	(1,975)
Dividends paid	10 <b>(1,384)</b>	-	-
Net cash from financing activities	<b>8,818</b>	3,225	(1,259)
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>4,870</b>	(2,599)	(699)
Net cash and cash equivalents at beginning of the period	<b>(1,523)</b>	(824)	(824)
<b>Net cash and cash equivalents at end of the period</b>	<b>3,347</b>	(3,423)	(1,523)

**Condensed Consolidated Interim  
Balance Sheet**

	At 30 June 2010 Unaudited £'000	At 30 June 2009 Unaudited £'000	At 31 December 2009 Audited £'000
Note			
<b>Non-current assets</b>			
Property, plant and equipment	11 <b>140,014</b>	125,087	135,350
Intangible assets	12 <b>6,035</b>	5,596	6,035
Investment in joint venture			
– Share of gross assets	<b>3,985</b>	2,936	3,307
– Share of gross liabilities	<b>(6,205)</b>	(6,293)	(6,166)
	<b>(2,220)</b>	(3,357)	(2,859)
Goodwill in respect of joint venture	<b>1,580</b>	1,580	1,580
Loans to joint venture	<b>4,275</b>	5,014	4,754
	<b>3,635</b>	3,237	3,475
<b>Total non-current assets</b>	<b>149,684</b>	133,920	144,860
<b>Current assets</b>			
Inventories	<b>517</b>	547	422
Trade and other receivables	<b>8,772</b>	7,390	4,848
Assets classified as held for sale	11 -	100	-
Cash and cash equivalents	<b>3,347</b>	405	351
<b>Total current assets</b>	<b>12,636</b>	8,442	5,621
<b>Total assets</b>	<b>162,320</b>	142,362	150,481
<b>Current liabilities</b>			
Bank overdraft	-	(3,828)	(1,874)
Trade and other payables	<b>(7,419)</b>	(6,509)	(6,750)
Loans and borrowings	13 <b>(11,373)</b>	(2,952)	(12,851)
Accruals and deferred income	<b>(6,700)</b>	(7,290)	(4,799)
<b>Total current liabilities</b>	<b>(25,492)</b>	(20,579)	(26,274)
<b>Non-current liabilities</b>			
Loans and borrowings	13 <b>(44,667)</b>	(44,875)	(31,574)
Accruals and deferred income	<b>(15,721)</b>	(3,128)	(15,896)
<b>Total non-current liabilities</b>	<b>(60,388)</b>	(48,003)	(47,470)
<b>Total liabilities</b>	<b>(85,880)</b>	(68,582)	(73,744)
<b>Net assets</b>	<b>76,440</b>	73,780	76,737
<b>Equity</b>			
Share capital	<b>18,210</b>	18,210	18,210
Share premium	<b>223</b>	223	223
Merger reserve	<b>5,417</b>	5,417	5,417
Retained earnings	<b>50,956</b>	48,197	51,170
<b>Equity attributable to shareholders of the parent company</b>	<b>74,806</b>	72,047	75,020
Minority interest	<b>1,632</b>	1,733	1,717
<b>Total equity</b>	<b>76,438</b>	73,780	76,737

## Condensed Consolidated Interim Statement of Changes in Equity

Attributable to the equity holders of the Company

	Share capital	Share premium	Merger reserve	Retained earnings	Total	Minority interest	Total equity
<b>Note</b>	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2009	18,210	223	5,417	46,985	70,835	1,809	72,644
Total comprehensive income	-	-	-	1,201	1,201	(76)	1,125
Share-based payment expense	-	-	-	11	11	-	11
Balance at 30 June 2009 (Unaudited)	18,210	223	5,417	48,197	72,047	1,733	73,780
Total comprehensive income	-	-	-	3,012	3,012	(16)	2,996
Share-based payment (credit)/expense	-	-	-	(39)	(39)	-	(39)
Balance at 31 December 2009 (Audited)	18,210	223	5,417	51,170	75,020	1,717	76,737
Total comprehensive income	-	-	-	1,021	1,021	(85)	936
Dividends to equity holders	10	-	-	(1,384)	(1,384)	-	(1,384)
Share-based payment expense	14	-	-	149	149	-	149
<b>Balance at 30 June 2010 (Unaudited)</b>	<b>18,210</b>	<b>223</b>	<b>5,417</b>	<b>50,956</b>	<b>74,806</b>	<b>1,632</b>	<b>76,438</b>

## 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 2010 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 2009 are available on the Company's website at: [www.arenaleisureplc.com](http://www.arenaleisureplc.com).

The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2010 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 2009.

The comparative figures for the financial year ended 31 December 2009 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 July 2010.

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 16). The Group has demonstrated its ability to maintain operating performance in the current uncertain economic outlook, and 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.

In February 2010 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. Further information on the Group's borrowings is provided in Note 13.

### **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 2009 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 interpretations, issued by the International Financial Reporting Interpretations Committee ('IFRIC'), are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- Amendments to IAS 39 and IFRIC 9 'Embedded Derivatives'
- Amendments to IAS 39 and IFRS 7 'Reclassification of Financial Instruments'
- Revised IFRS 3 'Business Combinations'
- Amendments to IAS 27 'Consolidated and Separate Financial Statements'
- Improvements to IFRS (issued by IASB in April 2009)
- Amendments to IFRS 2 'Share-based Payment'
- IFRIC 17 'Distributions of Non-cash Assets to Owners'
- IFRIC 18 'Transfers of Assets from Customers'

### **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 2009.

### **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 2009. During the six months to 30 June 2010, there has been no material change in the risks to which the Group is exposed.

## 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:

	Racecourse operations		
	Six months ended	Six months ended	Year ended
	30 June 2010 Unaudited £'000	30 June 2009 Unaudited £'000	31 December 2009 Audited £'000
<b>Total external revenue</b>	<b>30,142</b>	30,878	65,239
<b>Profit from operations</b>	<b>3,246</b>	2,716	6,985
Pre-opening costs associated with Lingfield Park hotel development	(498)	-	(163)
<b>Segment profit from operations before asset disposals</b>	<b>2,748</b>	2,716	6,822
Profit on disposal of property, plant and equipment	-	-	418
<b>Segment profit from operations</b>	<b>2,748</b>	2,716	7,420
Central operations	(1,192)	(1,145)	(2,461)
Share-based payment (expense)/credit	(149)	(11)	28
Share of joint venture result	639	17	515
Finance income	36	407	458
Finance cost	(1,146)	(859)	(1,659)
<b>Profit for the year</b>	<b>936</b>	1,125	4,121
<b>Other information</b>			
Additions to property, plant and equipment	6,461	7,108	19,200
Segment assets	162,320	142,362	150,481
Segment liabilities	(85,880)	(68,582)	(73,744)
Intangible assets	6,035	5,596	6,035
Investment in joint ventures	3,635	3,237	3,475

## 7 Finance income and expense

	<b>Six months ended 30 June 2010 Unaudited £'000</b>	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
<b>Finance income</b>			
Bank interest receivable	<b>58</b>	180	367
Other interest receivable	<b>36</b>	49	89
Derivative liability held for risk management	-	178	2
	<b>94</b>	407	458
<b>Finance expense</b>			
Bank interest payable	<b>(779)</b>	(650)	(1,240)
Finance lease interest	<b>(33)</b>	(32)	(64)
Amortisation of previous gain on present value of interest-free loans	<b>(137)</b>	(177)	(355)
Derivative liability held for risk management	<b>(255)</b>	-	-
	<b>(1,204)</b>	(859)	(1,659)
<b>Net finance expense</b>	<b>(1,110)</b>	(452)	(1,201)

## 8 Income tax expense

The tax charge for the period is £nil (six months to 30 June 2009: £nil and the year to 31 December 2009: £nil) due to the utilisation of Horserace Betting Levy Board capital credits, which are not assessable to tax, and the utilisation of tax losses brought forward.

## 9 Earnings per share

Basic earnings per share ('EPS') have been calculated using the weighted average number of shares in issue during the periods. The weighted average number of shares in issue for the six months to 30 June 2010 is 364,202,007 (six months to 30 June 2009: 364,202,007 and the year to 31 December 2009: 364,202,007).

Diluted EPS has been calculated by also including the number of potentially dilutive ordinary shares in the periods. At 30 June 2010 the total number of potentially dilutive ordinary shares included in the calculation of diluted EPS was nil (at 30 June 2009: nil and at 31 December 2009: 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.

'Adjusted EPS' has been calculated using adjusted profit for the period. Adjusted profit reconciles to the profit for the period as follows:

	<b>Six months ended 30 June 2010 Unaudited £'000</b>	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
<b>Profit for the period attributable to equity shareholders of the Company</b>	<b>1,021</b>	1,201	4,213
Adjust for the effects of:			
Fair value loss/(gain) relating to derivative liability held for risk management	<b>255</b>	(178)	(2)
<b>Adjusted profit for the period</b>	<b>1,276</b>	1,023	4,215
Adjusted EPS (pence)	<b>0.35</b>	0.28	1.16

## 10 Dividends

The following dividends were declared and paid by the Group:

	<b>Six months ended 30 June 2010 Unaudited £'000</b>	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
Final dividend of 0.38p (2009: nil) per ordinary share approved by the shareholders and paid during the period relating to the previous year's results	<b>1,384</b>	-	-
Dividends paid during the period	<b>1,384</b>	-	-

In accordance with the Company's policy to pay dividends in one annual instalment as final dividends, the Directors have not approved an interim dividend in respect of the six months ending 30 June 2010 (2009: nil).

## 11 Property, plant and equipment

During the six months to 30 June 2010, the Group acquired assets with a cost of £6,461,000 (six months to 30 June 2009: £7,108,000 and the year to 31 December 2009: £19,200,000). This figure includes capitalised borrowing costs of £465,000 (six months to 30 June 2009: £355,000 and the year to 31 December 2009: £735,000).

The Board considered the carrying value of assets under construction at 30 June 2010 and concluded that there were no indications of impairment and subsequently no impairment loss has been recognised (at 30 June 2009: no impairment loss and at 31 December 2009: no impairment loss).

At 30 June 2010, the Group remained committed to purchase property, plant and equipment totalling £129,000 (at 30 June 2009: £1,646,000 and at 31 December 2009: £409,000).

In November 2009 the land and buildings associated with Lingfield Park leisure club were sold for £615,000, resulting in a profit on disposal of £418,000. This gain was included in other operating income in the year ended 31 December 2009. At 30 June 2009 the leisure club was classified as a non-current asset held for sale and presented within current assets.

## 12 Goodwill

At 30 June 2010, 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 2009: no impairment loss and at 31 December 2009: no impairment loss).

## 13 Loans and borrowings

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

	<b>Six months ended 30 June 2010 Unaudited £'000</b>	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
<b>Current liabilities</b>			
Bank loans	<b>10,000</b>	1,500	11,500
Finance lease liabilities	<b>4</b>	(7)	4
Other loans	<b>1,369</b>	1,459	1,347
	<b>11,373</b>	2,952	12,851
<b>Non-current liabilities</b>			
Bank loans	<b>41,000</b>	39,850	28,000
Finance lease liabilities	<b>659</b>	665	661
Other loans	<b>3,008</b>	4,360	2,913
	<b>44,667</b>	44,875	31,574

All loans and borrowings are in sterling.

In February 2010 the Group signed new banking facilities with Lloyds Banking Group providing for £55m of facilities that amortise over the period to maturity on 31 December 2013, of which £10m falls due within one year (£5m due in July 2010 and £5m due in January 2011). The margin on these facilities is variable between 2.00% and 3.25% dependent on the Group's leverage ratio. The effective margin is currently 2.50%. An arrangement fee of £412,500 was payable on initial drawing of the facilities in March 2010.

Other loans represent interest-free loans from the HBLB and, as required under IAS 39, they are held at present value, with a net finance cost of £137,000 included in the income statement in the period (six months to 30 June 2009: £177,000 and year to 31 December 2009: £355,000).

## 14 Share-based payment

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 2009.

During the six months ended 30 June 2010 no further awards were made under the LTIP.

The share-based remuneration expense recognised in the six months to 30 June 2010 in respect of these awards is £149,000 (six months to 30 June 2009: £11,000 expense and year to 31 December 2009: £28,000 credit).

## 15 Related parties

Directors and key management personnel receive remuneration in the form of wages and salaries, contributions to defined contribution pension plans and share-based payments (see Note 14). Remuneration in respect of Directors and key management personnel for the six months to 30 June 2010 totalled £762,000 (six months to 30 June 2009: £796,000 and the year to 31 December 2009: £1,733,000).

Transactions with the other related parties of the Group in respect of the six months to 30 June 2010 (as disclosed in the consolidated financial statements as at and for the year ended 31 December 2009) are as follows:

Related party and type of	Transaction amount			Balance outstanding		
	Six months ended 30 June 2010	Six months ended June 2009	Year ended Decemb 2009	Six months ended 30 June 2010	Six months ended June 2009	Year ended December 2009
	Unaudited £'000	Unaudited £'000	Audited £'000	Unaudited £'000	Unaudited £'000	Audited £'000
<b>Racecourse Association</b>						
Annual membership fee and related costs	(72)	(92)	(181)	(4)	(32)	(41)
Raceday entry and sponsorship	4	13	36	2	10	9
<b>British Horseracing Authority</b>						
Programme announcements, racing calendar adverts and training	(10)	(10)	(238)	(2)	-	-
Raceday entry and events	3	1	-	1	-	-
<b>At The Races</b>						
Contribution to picture provision	1,614	885	1,717	1,062	482	242
Interest receivable on loans	36	49	89	-	-	-
Loans	515	-	(300)	4,275	5,014	4,754

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 2009.

## **16 Subsequent event**

On 22 July 2010 the second advanced payment of £12,500,000 was received from Satellite Information Services Limited ('SIS') in respect of the agreement for the provision of coverage of horse racing content from the Group's seven racecourses into Licensed Betting Offices ('LBOs') in the United Kingdom and Ireland. The agreement was signed on 22 July 2009. It will replace the Group's current contract with BAGS at its expiry on 31 December 2011 and has a term of five years to 31 December 2016. Total revenues receivable under the contract over this period are estimated at £106,000,000 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. A third payment of £7,000,000 is due on 22 July 2011. 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**

2 August 2010