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ARENA LEISURE PLC

Preliminary results for the year ended

31 December 2006

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The presentation team

Raymond Mould – Chairman

Mark Elliott – Chief Executive

Bob Mercer – Chief Financial Officer

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2006 highlights

- Financial highlights
 - Turnover increased by 11.1% to £45.3m (2005: £40.7m)
 - Profit before tax increased by 29.6% to £5.8m (2005: £4.5m)
 - Earnings per share increased by 29.8% to 1.61p (2005: 1.24p)
 - Adjusted earnings per share increased by 12.9% to 1.49p (2005: 1.32p)
 - Final dividend of 0.26p per share; total dividend of 0.51p per share – an increase of 13.3% (2005: 0.45p)
 - Profit from the racecourse division increased by 8.5% to £8.7m (2005: £8.0m)
 - Arena's share of At The Races' adjusted operating loss reduced by 74% to £0.3m (2005: £1.0m)
- Operating highlights
 - Record 353 fixtures held (2005: 324), representing 26% of all UK fixtures
 - Five year agreement signed with BAGS, with an estimated value of £55m (amount received in 2006: £8.8m)
- Development highlights
 - Planning permission granted for hotel development at Lingfield Park
 - Doncaster Racecourse's £32m redevelopment on schedule. Planning application submitted for a combined hotel and residential development
 - Creation of a new catering division
 - Planning application for Wolverhampton Racecourse submitted in February 2007
 - Wolverhampton City Council recommended for a 'small' casino licence by the Casino Advisory Panel

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Profit and loss account

	2006 £'m	2005 £'m	
Turnover	45.26	40.75	+11.1%
Profit before interest and taxation	5.62	4.90	
Finance costs	0.20	(0.41)	
Profit before tax	5.82	4.49	+29.6%
Tax	-	-	
Profit after tax	5.82	4.49	+29.6%
Earnings per share	1.61	1.24	+29.8%

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Profit and loss account - adjusted

	Disclosed	Exceptional	Interest	Adjusted
	£'m	items	and tax	£'m
		£'m	£'m	
Turnover	45.26	-	-	45.26
Operating and administrative costs	(39.06)	-	-	(39.06)
Other operating income	0.13	(0.13)	-	-
	-----	-----	-----	-----
Profit from operations	6.33	(0.13)	-	6.20
Joint venture and associates	(0.71)	0.33	0.11	(0.27)
	-----	-----	-----	-----
Profit before interest and taxation	5.62	0.20	0.11	5.93
Finance costs	0.20	(0.64)	(0.16)	(0.60)
	-----	-----	-----	-----
Profit before exceptional items and tax	5.82	(0.44)	(0.05)	5.33
One-off items	-	0.44	-	0.44
Tax	-	-	0.05	0.05
	-----	-----	-----	-----
Profit on ordinary activities after tax	5.82	-	-	5.82
	-----	-----	-----	-----

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Racecourse division – operating profit – key movements

	£'m	
Operating profit - 2005	8.02	
Add back: Wolverhampton development cost written off	0.40	

Adjusted operating profit for 2005	8.42	
Impact of World Cup (estimate)	(0.50)	
Underlying increase in 2006	0.78	+9.8%

Operating profit - 2006	8.70	

Racecourse division	8.70	
Central overhead	(2.50)	

Operating profit (previous slide)	6.20	

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Racecourse division – detailed analysis of turnover

	2006	2005	
	£'m	£'m	
Raceday related:			
Levy	20.0	16.1	
BAGS/LBO	8.8	7.6	
Attendance related income	7.8	7.7	
Other	5.0	5.6	
	-----	-----	
Total raceday related turnover	41.6	37.0	+12.4%
Non raceday	3.7	3.8	
	-----	-----	
Total turnover	45.3	40.8	+11.1%
	-----	-----	

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New BAGS deal

- New deals signed in December 2006 to replace existing 5-year BAGS arrangement.
- 5-year BAGS agreement and new sponsorship arrangements with various individual bookmakers.
- BAGS covers the supply of our live horseracing pictures to Britain's licensed betting shops.
- Start date for the new arrangements - 1 January 2007.
- £55m is the estimated income from the new arrangements, based on the anticipated racing schedule.
- Amount received in 2006 - £8.8m.
- The income from the new arrangements increases over the course of the 5 years.
- The amount received is dependent upon the number of races staged.
- There are no additional costs to Arena associated with the operation of these new contracts.
- BAGS is short for Bookmakers' Afternoon Greyhound Service.

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Racecourse division – detailed analysis of costs

	2006 £'m	2005 £'m
Total turnover	45.3	40.8
Costs:		
Prize money	14.6	12.2
Other raceday costs	11.9	10.6
Other	8.1	7.8
Total costs	34.6	30.6
Racecourse division EBITDA	10.7	10.2
Depreciation	(2.0)	(1.8)
Racecourse division operating profit	8.7	8.4

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Profit and loss account – “one-off” items

	2006	2005	
	£'m	£'m	
Profit from operations:			
Wolverhampton impairment provision	-	(0.40)	
Profit on sale of SIS shares	-	0.83	
Other operating income:			
Release of acquisition provision	0.13	-	
Joint ventures and associates:			
Trackplay write-back/(down)	0.10	(0.32)	
ATR exceptional legal items	(0.43)	(0.86)	
ATR consortium relief	-	0.46	
Finance costs:			
Present value of interest free loans	0.64	-	
	0.44	(0.29)	
Earnings per share impact	0.12	(0.08)p	
Adjusted earnings per share	1.49	1.32	+12.9%

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Interest free Levy Board loans

IFRS - FV adjustment of interest free loans

	Book Value £'000	Fair Value £'000	Adj £'000
HBLB loans at 31.12.06	4,362	3,724	638
2007 Drawdown	4,000	3,104	896

Impact on interest charge/(credit)

	2006 £'000	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000	2012 £'000	Total £'000
Interest (charge)		(224)	(423)	(346)	(264)	(183)	(94)	(1,534)
Interest credit	638	896						1,534
Net interest credit/(charge)	638	672	(423)	(346)	(264)	(183)	(94)	0



AT THE RACES - main features

- Set up to exploit horseracing media rights across domestic and international media platforms and technologies.
- Joint venture with Sky. Partners include 30 UK racecourses and all 27 Irish racecourses.
- ATR will cover nearly 60% of all UK fixtures in 2007.
- Broadcasting on basic subscription packages in the UK, taking racing to the widest audience.
- UK and Ireland's most watched dedicated horseracing channel – around 1.45 million different individuals tune in every month; average 50,000 people watching at any time during live racing.
- Expanded international opportunities with 48-hour declarations – TVG's 20 million US homes.
- Website now achieves around 400,000 unique users.
- Best Specialist Channel – award from Broadcast Digital Channel Awards.
- Litigation:
 - Rebate claim – settled; ATR received £1.0m and all claims and counter-claims were withdrawn.
 - Court of Appeal found in favour of BHB; finding against a decision that the BHB had abused its dominant position.
 - Exceptional charge includes all legal costs, the settlement and a provision in relation to the Court of Appeal decision.



AT THE RACES - Arena share of 2006 result

Arena owns 47.5% of ATR

	2006	2005	
	£'m	£'m	
Operating loss	(0.27)	(1.04)	+74.0%
Exceptional legal items	(0.43)	(0.86)	
Interest expense	(0.16)	(0.09)	
Tax/consortium relief	0.05	0.46	
	-----	-----	
Share of post tax results of JV (as disclosed)	(0.81)	(1.53)	
	-----	-----	

- £2.5m paid to racecourses during 2006.
- Arena received around £1.5m.
- ATR achieved a break-even position at the operating level during the second half of 2006.
- ATR is on course to achieve a profit in 2007.

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Group cash flow

	<u>£'m</u>		
Cashflow from operating activities	8.3		
Movement in working capital	(2.6)		
Capital Expenditure	(14.5)		
Sale of fixed assets	0.1		
Loans to At The Races	(0.7)		
Interest	(0.5)		
Issue of shares	0.4		
Dividends paid	(1.6)		
Movement	<u>(11.1)</u>		
FV adjustment re HBLB Loans	0.6		
			<u>£'m</u>
Opening net debt at 31.12.05	(11.1)	Net Bank Debt	(17.6)
Closing net debt at 31.12.06	<u>(21.6)</u>	HBLB Loans (Fair value)	(3.7)
		Finance Lease	(0.3)
			<u>(21.6)</u>

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Arena – the future

- Deliver consistent profit growth through the provision of excellent services and facilities to our customers and the greater utilisation of our assets on both race days and the many days in between:
 - New catering division
 - Doncaster Racecourse redevelopment
- Invest in new or expanded profit generating opportunities on our racecourses that complement our existing activities:
 - Doncaster hotel
 - Wolverhampton hotel expansion and casino
 - Lingfield Park hotel
- Realise value from any surplus or under-utilised land within our 1,070 acres of freehold land.
- Acquisitions:
 - Build on our core skills and operations, and which lead to an increase in shareholder value.
 - Likely to be opportunistic in their nature.

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Arena – creation of catering division

- 5 year contract with Letheby & Christopher (Compass) (“L&C”) ends on 31 March 2007.
- New catering division created as a separate division with Arena.
- Managing Director, Financial Controller and HR Manager now all recruited.
- Racecourse based staff expected to TUPE over from L&C.
- “One Vision” – passion, innovation and excellence – delivery of a quality service to our customers.
- Set up costs minimal - £1m on new equipment at Doncaster, plus new EPOS system later this year
- L&C profit share to be divided between:
 - Improved quality of food offering
 - Improved standards of service
 - ➔ virtuous circle of profit improvement
 - Bottom line profit enhancement

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Arena – major development projects - Doncaster

- Host to the St Leger – the oldest classic race in the world.
- 29 annual fixtures – most transferred to Arena courses during development.
- Annual attendances of around 225,000.
- Major exhibition and conference business.

Phase 1:

- Construction of new grandstand and conference/exhibition facilities.
- Rationalisation of racecourse operations, with a greater sense of racing 'theatre', new stables, 3 refurbished stands.
- Estimated cost - £32m; possibly with a further £0.75m on additional food and beverage opportunities.
- On schedule for completion for Ladbrokes St Leger Festival from 12-15 September 2007.

Phase 2:

- 120-bedroom hotel and residential apartment development.
- Planning permission submitted in November 2006.
- Net cost estimated at £10m.

**Artists
impression
of new
grandstand**



**Artists
impression of
hotel/
apartment
development**



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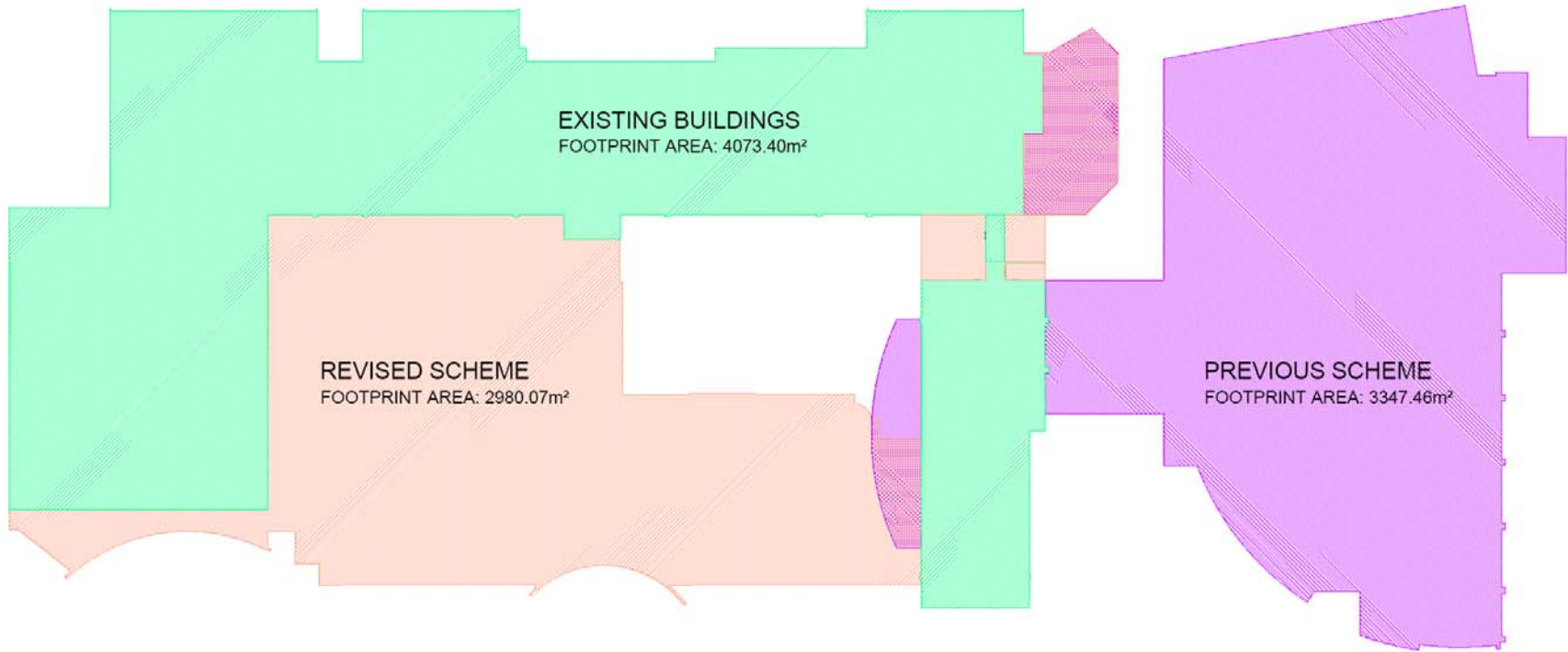
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Arena - major development projects - Wolverhampton

- Planning application submitted in February 2007 to create the UK's first 'racino':
 - 170-bedroom hotel;
 - Casino;
 - Leisure club with a swimming pool; and
 - Conference, exhibition and banqueting facility.
- Addresses Green Belt issues, in particular, the “visual impact on the openness of the Green Belt”.
- Project cost estimated at around £23m.

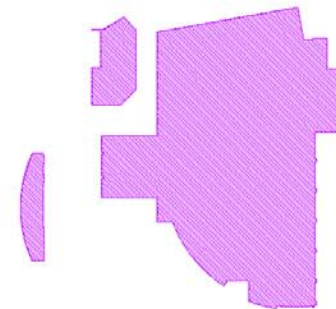
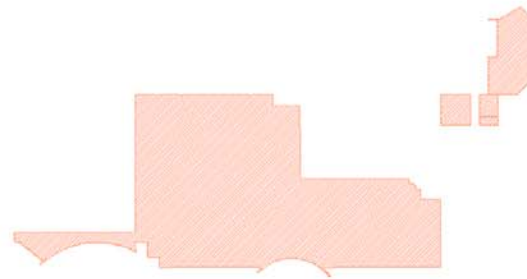
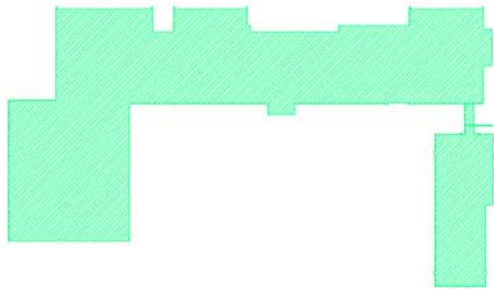
- Wolverhampton City Council recommended to receive a ‘small’ casino licence by the Casino Advisory Panel.
- Assuming Wolverhampton receives approval, the process for awarding the licence to an operator is not expected to complete before the end of 2007.



EXISTING BUILDINGS
FOOTPRINT AREA: 4073.40m²

REVISED SCHEME
FOOTPRINT AREA: 2980.07m²

PREVIOUS SCHEME
FOOTPRINT AREA: 3347.46m²



FOOTPRINT OF EXISTING BUILDINGS
AREA: 4073.40m²

FOOTPRINT OF REVISED SCHEME
AREA: 2980.07m²

FOOTPRINT OF PREVIOUS SCHEME
AREA: 3347.46m²

Comparative massing and positioning of revised and previous proposals



Artist's impression of developed racecourse

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Arena – major development projects – Lingfield Park

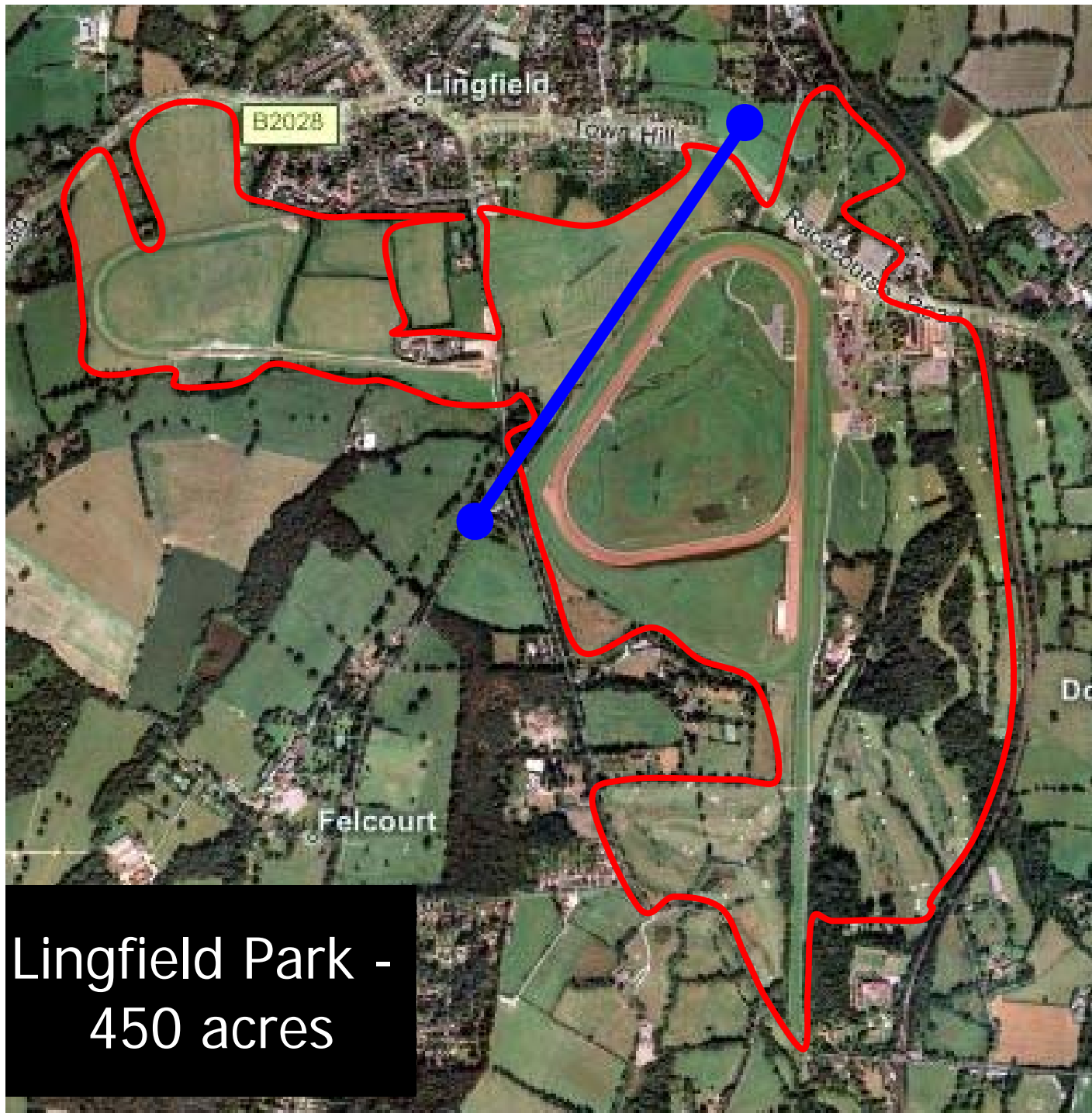
- Planning permission granted for hotel and leisure development:
 - Local council - approval in July 2006.
 - GOSE – no call-in by Secretary of State, September 2006.
 - Subject to finalising legal agreements with the Council and the approval of a reserved matters application.
- Racecourse development – new integrated leisure building incorporating:
 - 120-bedroom hotel;
 - Replacement hospitality boxes;
 - Leisure centre, with a swimming pool;
 - New golf club house;
 - New stables; and
 - Bars and restaurants.
- Conversion of existing leisure and squash club into residential apartments.
- Estimated net cost of the two related developments is in the region of £25 million.

- Proposed building
- Proposed building Conversion
- Proposed stables Conversion

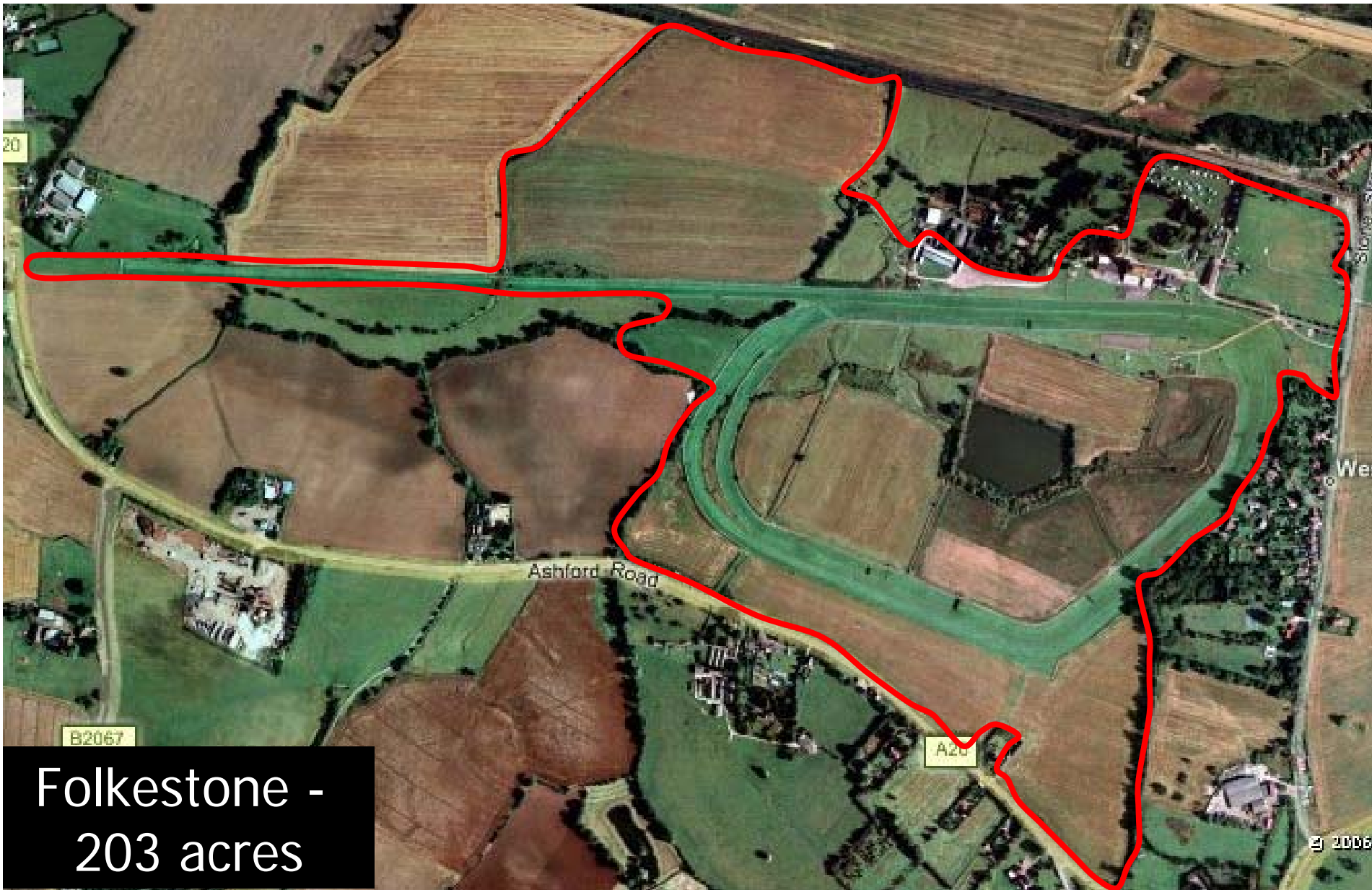


Lingfield Park Masterplan

1. Proposed integrated leisure building
2. Golf course
3. Car park
4. Golf and Hotel entrance
5. Horse box car park
6. Stables
7. Proposed stable lads accommodation
8. Horse box entrance
9. Paddock lawn
10. Parade Ring
11. Weighing Room
12. Pavilion Suite
13. Racecourse entrance
14. Proposed residential conversion
15. Grandstand



Lingfield Park -
450 acres



Folkestone -
203 acres

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Summary

- Strong set of results for 2006.
- Commitment to providing the highest quality experience to all of our customers, which is fundamental to delivering value to our shareholders. Examples:
 - Development of new catering division; and
 - Doncaster redevelopment - proceeding according to schedule.
- Exciting range of value enhancing development opportunities. Examples:
 - Doncaster hotel and residential apartment development;
 - Lingfield Park hotel development; and
 - Wolverhampton hotel expansion and casino development.
- A company with a strong team in racing, venue management and property skills to deliver on the opportunities and meet the challenges.

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