

# ARENA LEISURE PLC

PRELIMINARY RESULTS  
YEAR ENDED 31 DECEMBER 2008

# Key Themes



- **Headline performance**
  - 24% increase in profit before interest and tax to £7.4m (2007: £6.0m)
  - 14% increase in adjusted PBT to £5.9m (2007: £5.2m), excluding non cash financing adjustments
  - Revenue up 12% to £64.8m (2007: £57.9m)
- **Operations**
  - Total attendances up by 12%, compared to total industry attendances down 2%.
  - Doncaster made a full year contribution and Southwell now fully re-opened
  - First full year of in-house catering delivered quality, service and profit improvements
- **Development**
  - Lingfield Park hotel and leisure project on budget and on track for a Spring 2010 opening
  - Potential for development opportunities and surplus land utilisation at other courses
  - £1.7m profit from sale of freehold interests at Royal Windsor
- **Financially robust**
  - Half of revenue is from resilient industry sources
  - Cash generative business
  - £38m drawn out of £61m of bank facilities
  - Suspension of dividend is a prudent move

# Profit Analysis



<b>Income Statement</b> <b>£'m</b>	<b>Year ended 31 December</b>	
	<b><u>2008</u></b>	<b><u>2007</u></b>
Turnover	64.8	57.9
Profit from racecourse operations	7.1	7.8
Insurance claim proceeds	0.6	1.4
<b>Underlying racecourse profit</b>	<b>7.7</b>	<b>9.2</b>
Start-up costs (Catering and Doncaster)	-	(0.8)
	7.7	8.4
Central overhead	(2.3)	(2.5)
<b>Operating profit</b>	<b>5.4</b>	<b>5.9</b>
Profit on asset disposal	1.7	-
Flood damage asset claim	-	1.4
Impairment loss	-	(1.1)
ATR - Arena post tax share	0.3	(0.2)
<b>Profit before interest and tax</b>	<b>7.4</b>	<b>6.0</b>

<b>Profit from Racecourse Operations</b>	<b>£m</b>
<b>2007</b>	<b>7.8</b>
Increased BAGS Income	0.5
Great Leighs Contract	0.3
Non Raceday	0.3
Hospitality	(0.7)
Other attendance related	(0.3)
Doncaster overheads treated as start up in 2007	(0.8)
Net movement	(0.7)
<b>2008</b>	<b>7.1</b>

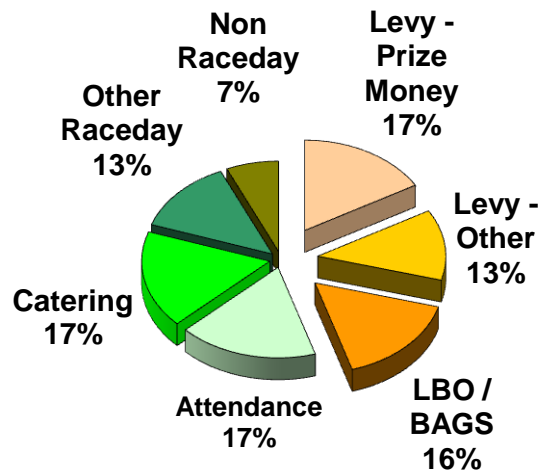
# Profit Before Tax and Finance Costs



<b>Income Statement</b>	<b>Year ended 31 December</b>		
	<b>£'m</b>	<b>2008</b>	<b>2007</b>
<b>Profit before interest and tax</b>		<b>7.4</b>	<b>6.0</b>
Interest - trading		(1.5)	(0.8)
Interest - fair value		(1.9)	0.6
Tax		-	-
<b>Profit before and after tax</b>		<b>4.0</b>	<b>5.8</b>
Earnings (pence per share)		1.12	1.63
<u>Of which:</u>			
Gain on disposal of freehold interests at Royal Windsor		1.7	-
Movement on valuation of interest rate hedges		(1.5)	(0.1)
Market comparable PBT		3.8	5.9

<b>Adjusted Income Statement</b>	<b>Year ended 31 December</b>		
	<b>£'m</b>	<b>2008</b>	<b>2007</b>
<b>Profit before and after tax</b>		<b>4.0</b>	<b>5.8</b>
<u>Add back:</u>			
Valuation movement on interest rate derivatives		1.5	0.1
Amortisation of gain on interest free loans		0.4	0.2
Gain on present value of interest free loans on initial recognition		-	(0.9)
<b>Adjusted profit before tax</b>		<b>5.9</b>	<b>5.2</b>
Adjusted earnings (pence per share)		1.64	1.45

# Income Analysis



**Income Sources  
Year to 31 December 2008**

## Income Analysis

<u>£'m</u>	Year to 31 December	
	<u>2008</u>	<u>2007</u>
Levy - prize-money funding	10.8	10.5
Levy - other funding	8.2	8.4
LBO/ BAGS	10.4	9.9
Sub-total industry & media income	29.4	28.8
Attendance income	11.4	10.1
Catering income *	11.3	9.3
Other raceday income	8.5	6.4
Non-raceday income	4.2	3.3
<b>Revenue</b>	<b>64.8</b>	<b>57.9</b>

\* The year on year impact of in-house catering vs the previous commission revenue contract is £0.8m on first quarter revenues

# Arena's Primary Sources of Income

## - the Levy and BAGS

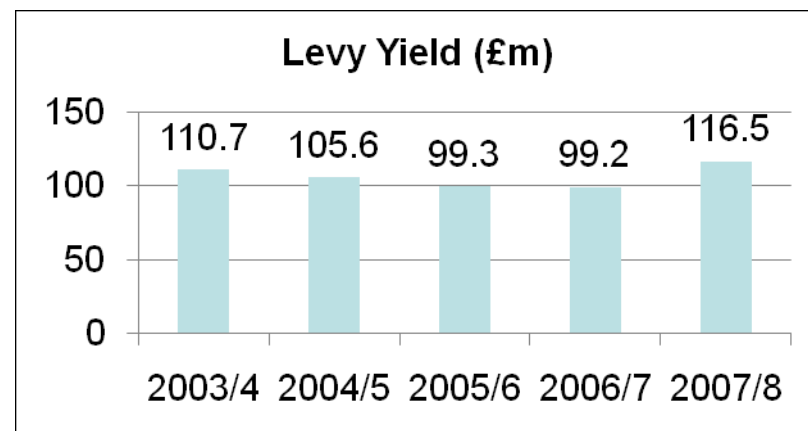


### LEVY

- Administered by the Horserace Betting Levy Board ('HBLB'), a statutory body
- Levy is raised on UK bookmakers and the Tote at 10% on their gross profits from betting activities on UK horseracing
- Funds are distributed for the improvement of horse racing, breeding and veterinary services
- More than half of the Levy goes to fund prize money
- Large proportion of the remainder funds integrity services on course
- The Levy also provides interest free loans for the capital improvement of racecourses
- 2009/10 Levy has been agreed on existing terms, and bookmakers are seeking to reach agreement for the following three years at the same level
- 2008 Arena Levy funding: £19.0m (2007: 18.9m)

### BAGS

- Contract for the provision of television content to Licensed Betting Offices ('LBOs') via Satellite Information Services
- Arena has a 5 year contract with BAGS expiring on 31.12.2011
- Flat fee per race, adjusted for number of runners if below 8, down to a minimum of 50% at 4 runners or less
- Fees are indexed annually at RPI, with a minimum floor
- 2008 BAGS income: £10.4m (2007: £9.9m)



# Market Update – Arena Outperforms

## Attendances (for year to December 2008)

Industry statistics :

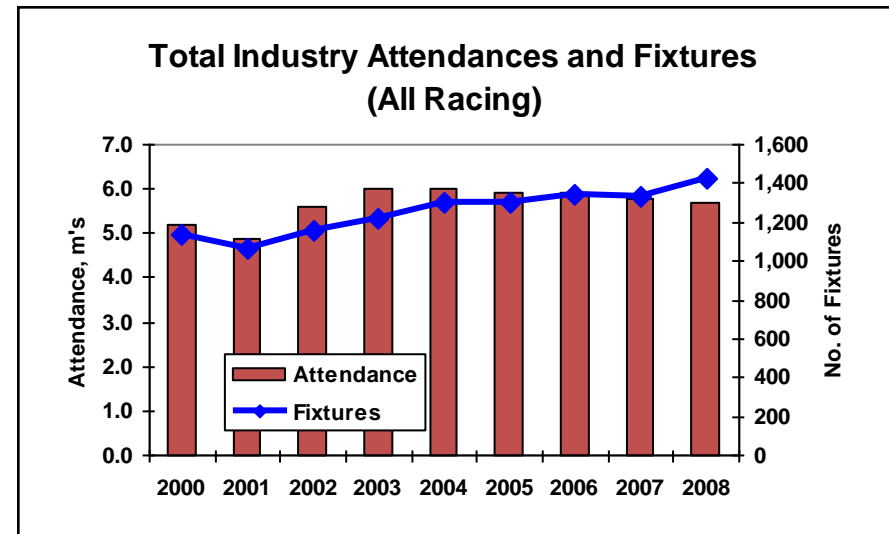
- Total industry attendances were down 1.8% to 5.7m (2007: 5.8m)
- Number of fixtures was up 7.0% to 1,423 (2007: 1,330)
- Average attendance was down 8.2% to 4,017 (2007: 4,376)

Arena comparatives:

- Total attendances up by 12.3% to 644,000 (2007: 573,000)
- Average attendance up by 7.3% to 1,773 (2007: 1,652)
- Average attendance excluding Doncaster down by 4% to 1,334 (2007: 1,392)
- 363 fixtures staged (2007: 347 ). Doncaster fully open with 30 fixtures (2007: 9, with 20 fixtures staged elsewhere in Arena)

Key impacts:

- The addition of winter evening all-weather fixtures
- Staging of 16 Great Leighs fixtures at short notice



## Fixtures

- 1,490 fixtures have been scheduled for 2009 (2008: 1,504 scheduled, 1,423 actual)
- An additional 10 fixtures have been added as a result of the Levy settlement for 2009/10
- Arena was scheduled to stage 336 fixtures in 2009 (2008: 363). As at 18 March 2009 the Group had obtained a further 13 additional fixtures and suffered 7 weather related abandonments.

# UK Racing Attendances



	Attendances (000's)				Fixtures			Average attendances			
	2008	2007	Difference		2008	2007	Diff.	2008	2007	Ave +/-	Diff.
<b>UK RACING</b>	5,717	5,821	-104	<b>-1.8%</b>	1,423	1,330	7.0%	4,017	4,376	-359	<b>-8.2%</b>
<b>ARENA (seven courses)</b>	644	573	71	<b>12.3%</b>	363	347	4.6%	1,773	1,652	121	<b>7.3%</b>
<b>ARENA (excluding Doncaster)</b>	445	471	-26	<b>-5.6%</b>	333	338	-1.5%	1,334	1,392	-58	<b>-4.1%</b>
<b>NORTHERN</b>	524	594	-70	<b>-11.8%</b>	183	182	0.5%	2,863	3,265	-401	<b>-12.3%</b>
<b>JOCKEY CLUB</b>	1,776	1,838	-62	<b>-3.4%</b>	343	309	11.0%	5,177	5,947	-770	<b>-12.9%</b>

# Arena Fixtures & Attendances



<u>Fixtures staged in the year</u>	Year to 31 December	
	<u>2008</u>	<u>2007</u>
Staged at redeveloped Doncaster	30	9
Transferred from Great Leighs	16	36
Acquired from BHA:		
- Winter evening	34	17
- Other	50	49
All other racecourse fixtures	233	236
Total	<u>363</u>	<u>347</u>
Fixtures lost	6	19

<u>Attendances</u>	Year to 31 December		
	<u>2008</u>	<u>2007</u>	<u>Change</u>
Fixtures	363	347	+4.6%
Total Attendances	644,000	573,000	+12.4%
- Private hospitality	53,700	62,700	-14.4%
- Other attendances	590,300	510,300	+15.7%
Average Attendance	1,773	1,652	+7.3%
<u>Excluding Doncaster</u>	199,000	102,000	
Fixtures	333	338	-1.5%
Total Attendances	445,000	471,000	-5.5%
- Private hospitality	37,700	46,700	-19.3%
- Other attendances	407,300	424,300	-4.1%
Average Attendance	1,335	1,392	-4.1%

# Operational Overview



- In-house catering operation delivering clear operational benefits
- Review of pricing and promotions has enabled us to target customers
- Costs under control – reduced in line with market activity levels and remains a strength
- Reduced hospitality business has impacted 2008 profitability and we expect a continuation in 2009
- Public attendance is more resilient but spend per head under pressure
- Venues now used for other purposes including a growing portfolio of concerts, conferences and other non-raceday activities
- Great Leighs contract in 2008 added a new profit stream. In early 2009 we are benefiting from transferred fixtures
- Combined catering and racing operation allows us to deliver outstanding customer service and maintain flexibility of product and cost in these difficult markets

<u>Year to 31 December</u>	<u>2008</u> £'m	<u>2007</u> £'m
Revenue	15.7	14.5
<b>Arena's share* of:</b>		
Operating profit	0.6	0.2
Interest and tax	(0.3)	(0.4)
<b>Share of post tax results of JV (as disclosed)</b>	0.3	(0.2)

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

# Lingfield Park Hotel & Leisure Project



- Marriott Hotel & Country Club franchise signed in July 2008.
- Work on site commenced May 2008.
- Estimated opening Spring 2010.
- Total project cost estimated at £29m, including racecourse enhancement works of approx. £4.0m.
- Development of new integrated leisure building incorporating: 116-bedroom 4-star Marriott hotel, Hospitality boxes, Leisure centre/spa with swimming pool, new golf clubhouse, bars and restaurants.



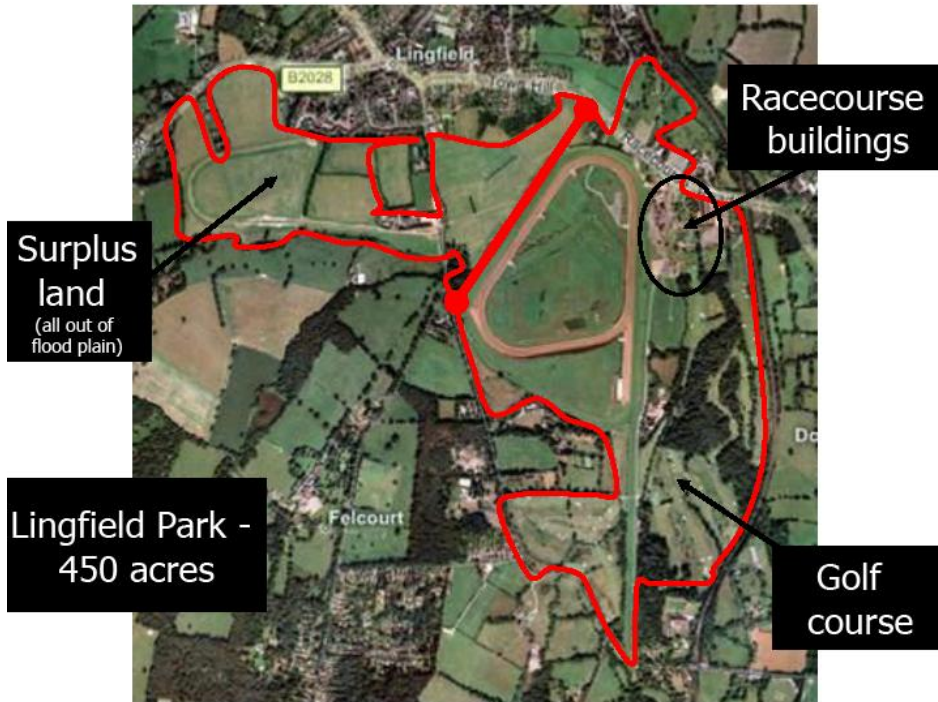
# Other Development Opportunities



- Wolverhampton
  - Planning permission granted in September 2007 for 'racino' and 170-bedroom hotel
  - Estimated cost of around £25m.
  - Wolverhampton City Council has now been confirmed as designated city for a 'small' casino licence. Tender process for operators likely to take to the end of 2009.
  
- Doncaster Phase 2:
  - Planning permission granted in March 2007 for 120-room hotel and 34 residential units.
  - Estimated gross cost of £20m.
  - Project timing under review in light of current economic climate.



# Key Surplus Land opportunities



Surplus land  
(all out of flood plain)

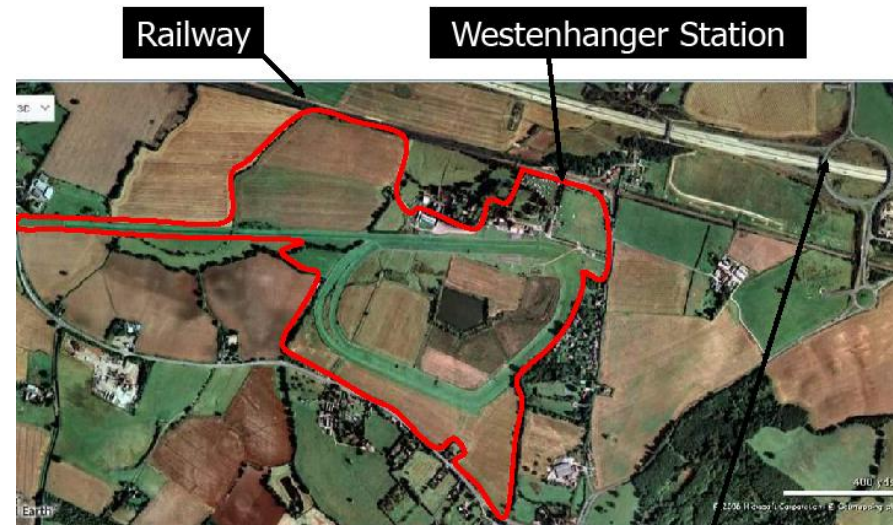
Racecourse buildings

Lingfield Park -  
450 acres

Golf course

Lingfield Park

Folkestone



Railway

Westenhanger Station

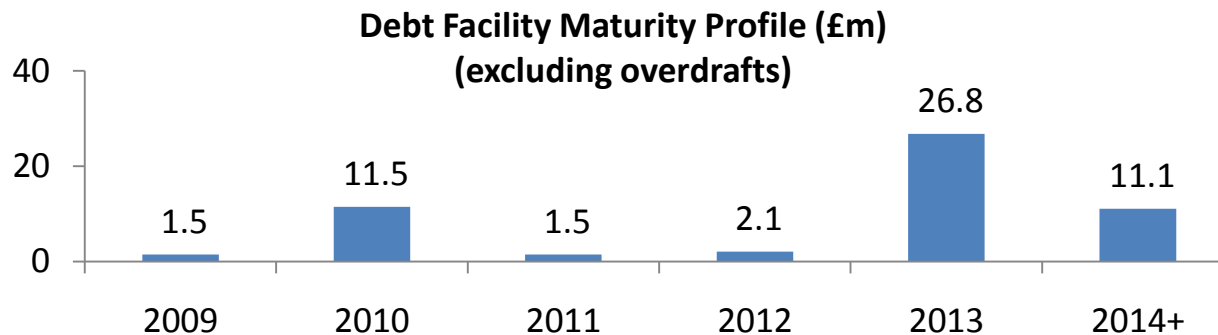
Folkestone -  
203 acres

M20 - junction 11

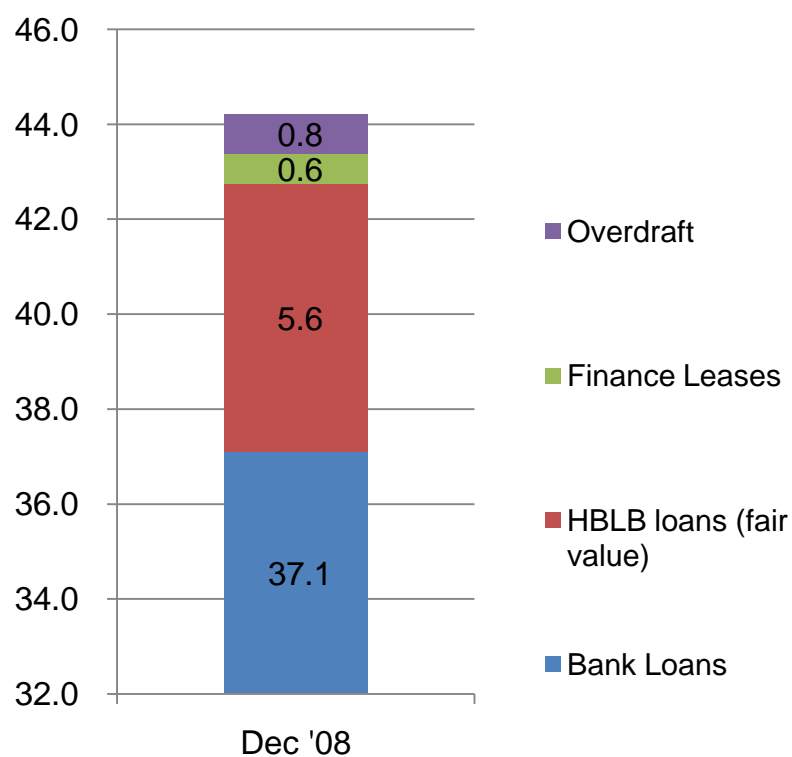
# Bank Facilities



	Interest rate	Year of maturity	Value
Existing facilities:			
Term loan	LIBOR + 1.0%	2018	£13.0m
Term loan (amortising £1.5m pa.)	LIBOR + 1.0%	2013	£8.5m
Revolving credit facility	LIBOR + 1.0%	2010	£10.0m
Bank overdraft facilities	LIBOR + 1.0%	2009	£5.0m
Bank overdraft facilities	Base + 1.0%	2009	£1.5m
Development loan for Lingfield Park & other future capital developments	LIBOR + 2.5%	2013	£23.0m
			-----
Total facilities			£61.0m
			-----



# Net Borrowings



- Total net borrowings at 31 December 2008 of £44.2m.
- Bank debt drawn (excl overdraft) of £37.1m - from total facilities of £54.5m.
- Net overdraft drawn of £0.8m - from capacity of £6.5m.
- Average interest cost on bank borrowings and overdraft of 6.7%.
- £12.0m of LIBOR bank debt is hedged until Oct 2012 between rates of 4.76% and 5.50%.
- £10m of LIBOR bank debt is hedged until Dec 2012, of which £7.5m is fixed at 5.27% and £2.5m capped at 5.27%

# Summary

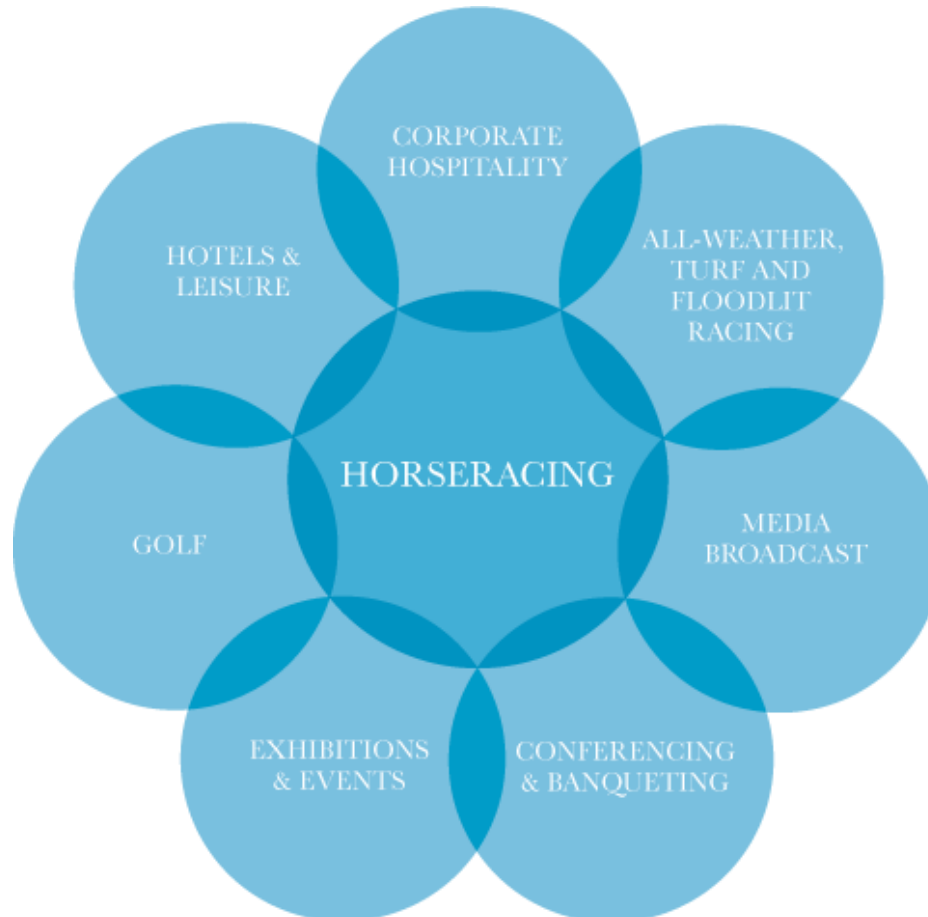


- Industry-leading operational business
- Experienced and driven people who are dedicated to providing outstanding service
- A high quality and well maintained portfolio of seven racecourses that stage over a quarter of all UK horseracing fixtures
- A broadening range of income streams with nearly half derived from resilient industry sources and media rights contracts
- A newly established catering business which is already renowned for its food quality and customer service
- Efficient and well controlled cost base
- An exciting portfolio of development opportunities, typified by the Lingfield park hotel and leisure development that is due to open in Spring 2010
- A highly cash generative business that delivered earnings before interest, tax and depreciation in 2008 of £10.8m (profit before interest and tax of £7.4m, depreciation of £3.4m)
- Well positioned to continue to progress in the current challenging market conditions

# Appendices

# Arena – greater utilisation of our assets

Racecourses will remain at the heart of the business



# Key aspects of Arena strategy



1. **Provision of excellent services and facilities** to our customers and the **greater utilisation of our assets** in order to drive **earnings growth**.
2. **Invest in new or expanded earnings enhancing opportunities** on our racecourses that **complement** our existing activities.
3. **Realise value** from any surplus or under-utilised land within our 1,070 acres of freehold land.
4. **Acquisitions**: Build on our core skills and operations, leading to an increase in shareholder value. Likely to be **opportunistic** in nature.

# Arena: A strong position in the UK racing industry



## Arena Leisure plc

- **7 racecourses (26% of UK racing)**

Jockey Club Racecourses  
(Owned by the Jockey Club)

- 14 racecourses (24% of UK racing)

Northern Racing  
(Acquired by the Reuben Brothers in July '07)

- 9 racecourses (13% of UK racing)

Independent  
e.g. Ascot (The Queen), York (people of York), Musselburgh (council)

- 30 racecourses (39% of UK racing)

*60 racecourses in total, of which 5 have all-weather tracks (3 floodlit)  
(although Great Leighs floodlit all-weather track in administration)*

- *Arena has 3 all-weather tracks (1 floodlit)*

# Arena's racecourses



## Royal Windsor

Number of fixtures in 2008: 26

Surface: Turf

Acreage: 156

Jewel in the crown - Monday evening summer racing



## Doncaster

St Leger – oldest classic race in the world

£35m redevelopment – grandstand, exhibition centre, stables

Re-opened August 2007

99 year lease

Number of fixtures in 2008: 30

Attendance: approx. 200,000



# Arena's racecourses



## Lingfield Park

Surface: All-weather and turf  
Number of fixtures in 2008: 90  
18-hole championship golf course  
Acreage: 450

## Wolverhampton

Surface: All-weather; floodlights  
Number of fixtures in 2008: 100  
54-bedroom Holiday Inn hotel

## Southwell

Surface: All-weather and turf  
Number of fixtures in 2008: 79

## Folkestone

203 acres; turf  
Number of fixtures in 2008: 24

## Worcester

41 year lease; turf  
Number of fixtures in 2008: 14 (normally 20)



- Joint venture with Sky. Also, Ascot, Northern Racing and others. Arena owns 45.85%.
- Maximise the value of racing's media rights by monetising its distribution across multiple domestic and international media platforms, reaching the widest possible audience.
- Partners include 31 UK racecourses - covering almost 60% of all UK fixtures - and all 27 Irish racecourses → over 1,100 fixtures per annum.
- UK and Ireland's most watched dedicated horseracing channel, on basic subscription packages.
- 23m TV households in the UK and Ireland. ATR is available in over half via Sky (8.5m) and Cable (Virgin Media in UK, UPC Networks in Ireland, 3m+). By 2010, should be available in 14m homes.
- ATR is attracting over 1.5m different individuals to the channel every month.
- Strong ABC1 Men demographic (31%) – attractive to advertisers and sponsors.
- attheraces.com, is now the No.1 racing and betting website in the UK and Ireland with over 500,000 unique monthly users. Over 900,000 archive video streams are accessed per month.
- Bet & Watch - individual race streams available live on bookmaker websites.
- Broadband - live channel available via annual subscription.
- 3G - ATR available across all major mobile platforms in UK and Ireland.

### International distribution:

- Outside the UK and Ireland, ATR distributes its high quality racing content into over 20 countries, including:

Italy, Turkey, France, Holland, Germany, Spain, Singapore, Japan, Hong Kong, the Caribbean, Sri Lanka, USA, the UAE, South Africa and Australia

### Financial position:

- Arena's share of ATR's operating profit:  
Full year 2008: £0.6m (2007: £0.2m)
- Arena's share of ATR's profit after tax:  
Full year 2007: £0.3m (2006: loss £0.2m)

**Doncaster-**  
**101 acres**  
(leasehold)



**Position of  
new grandstand**

**Position of  
new hotel**

**Surplus  
land**  
(all out of  
flood plain)

**Lingfield Park -  
450 acres**

**Racecourse  
buildings**

**Golf  
course**



Railway

Westenhanger Station

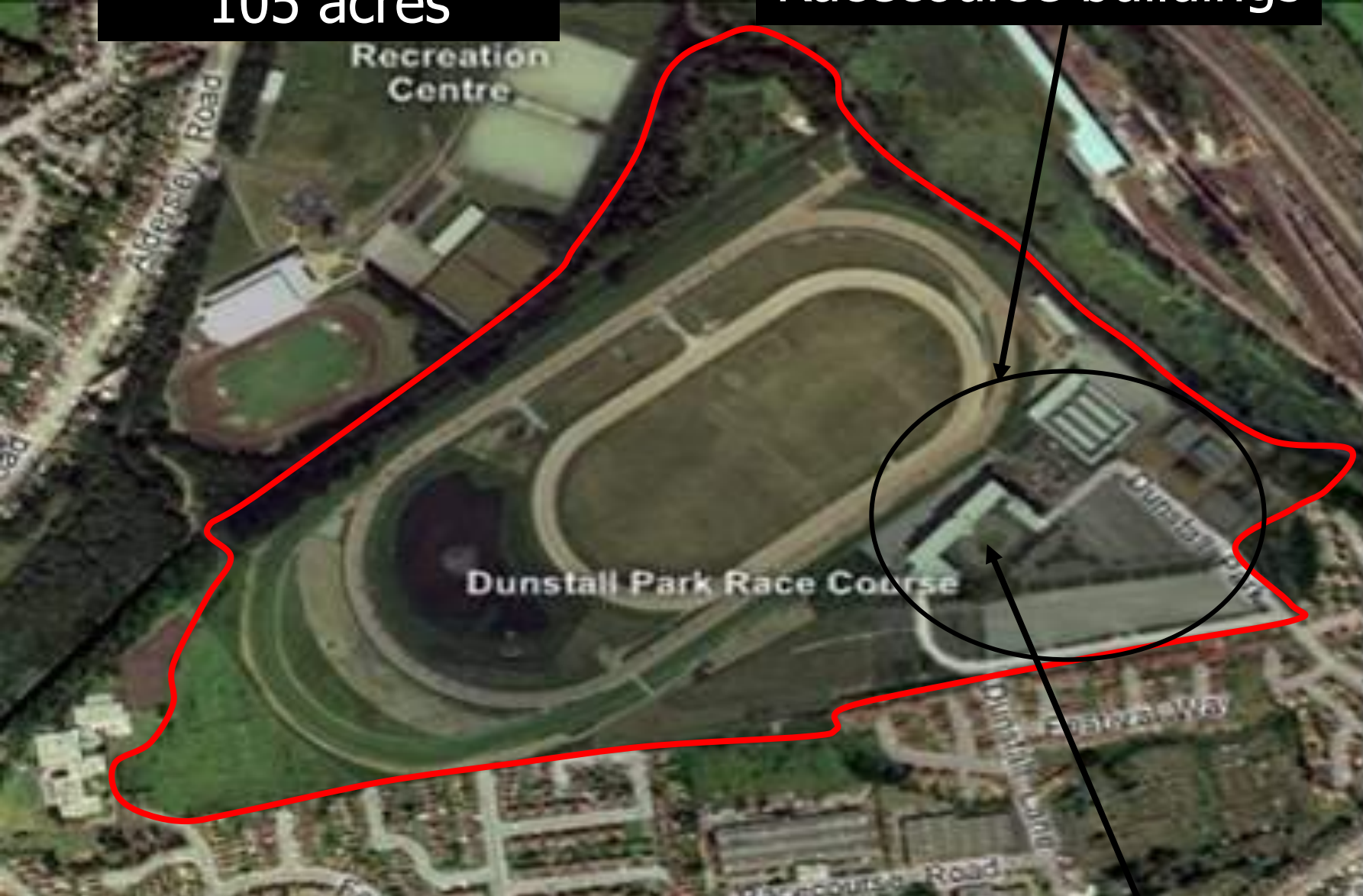


Folkestone -  
203 acres

M20 – junction 11

**Wolverhampton -  
105 acres**

**Racecourse buildings**



Dunstall Park Race Course

**New development**

Royal Windsor -  
167 acres





Southwell -  
145 acres

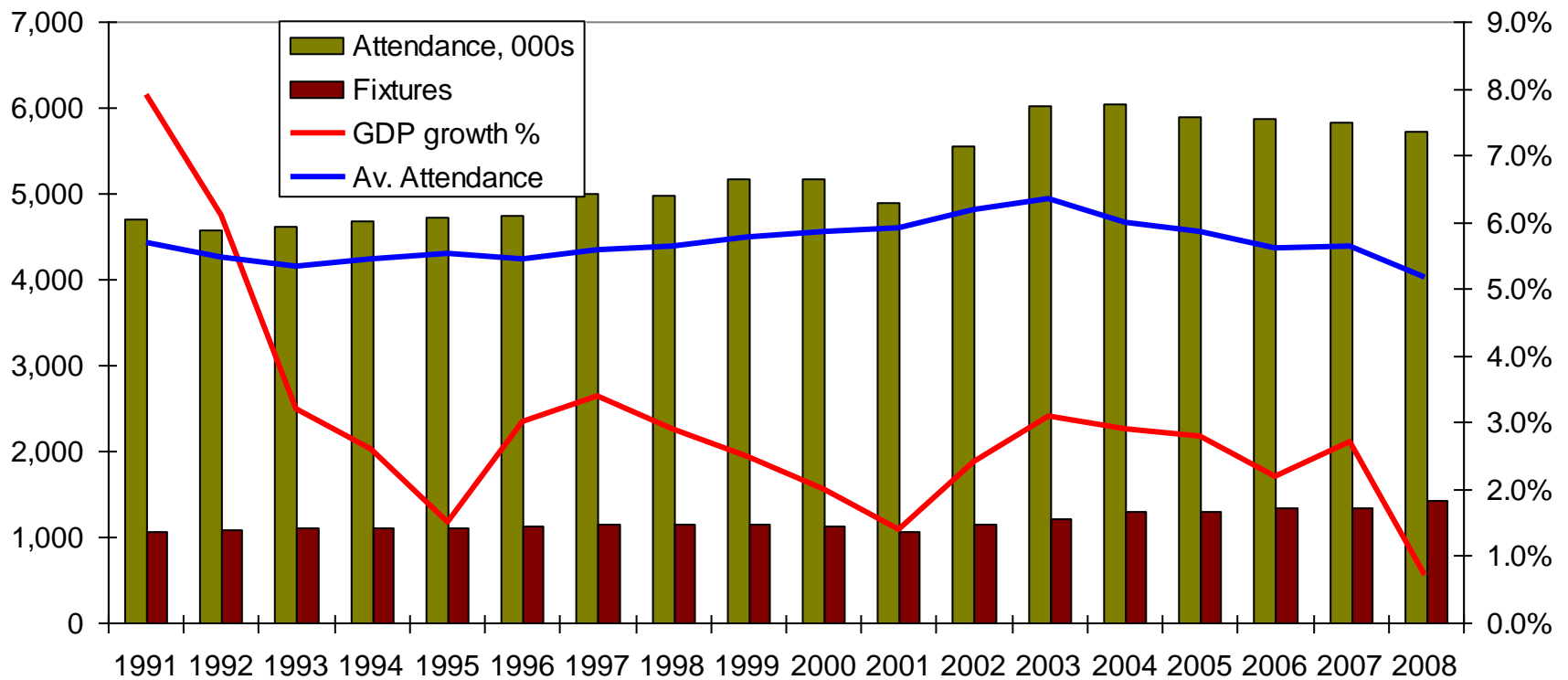


**Worcester -  
100 acres  
(leasehold)**

# Limited correlation between racing attendances and economic cycles



## UK Racing Industry Trends – 1991 to 2008



Arena Leisure Plc  
408 Strand, London, WC2R 0NE

 020 7632 2080       020 7240 8032

@ mark.elliott@arenaleisureplc.com

@ tony.harris@arenaleisureplc.com

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