



## Strategic positioning

Arena has developed a pre-eminent position in the British horseracing and gaming industries through three key related areas of operation: ownership of racecourses; a 33% partnership in a horseracing and media rights venture called 'attheraces' and ownership of a technology division specialising in the development and maintenance of bespoke gaming software.

### Racecourses

- > Owner and operator of six UK racecourses:
  - three are turf only; three are the UK's only 'all-weather' surfaces
  - includes UK's only floodlit racecourse
  - over 1,100 acres of land in total
- > UK's largest independent racecourse owner in terms of fixtures
- > 1,661 races staged in front of 420,000 visitors in 2002
- > Host 22% of all British horse races

### attheraces

- > £307m horseracing media rights and gaming venture
- > Equal venture with leading broadcasters BSkyB and Channel 4
- > Two distinct businesses: betting on live racing broadcasts and rights management
- > Exploits media rights associated with live horseracing across all technology and media platforms
- > 17 hours of racing now being broadcast into 8.5m UK homes
- > Live racing/betting now available on:
  - attheraces.co.uk
  - Sky channel 418
  - ntl channel 908
  - Telewest channel 534
  - telephone betting 0800 083 83 83
  - British racing exported into several countries
- > US racing imported into the UK seven nights a week

### Gaming technology

- > Developers of unique 'Trackplay' gaming software
- > Trackplay developed in partnership with Scientific Games Corporation of the USA, the world's leading supplier of pari-mutuel or 'Tote' gaming systems
- > Arena owns 30% of the Trackplay associate
- > Trackplay has four international customers

# Chairman's statement

The company continues to build on its solid foundations

## Introduction

In my statement last year I outlined four key elements for our programme in 2002: to maximise potential from our current racecourse business; to exploit maximum value from media rights purchased via our *attheraces* venture; to take advantage of opportunities presented by the favourable Sir Alan Budd report into gaming and, finally, in conjunction with Scientific Games Corporation of the USA, our partners in 'Trackplay', to continue to look for additional customers for our unique gaming technology. I am delighted that we have achieved significant progress on our goals in all four areas.

## Financial results

The group continues to perform well. Overall the group's financial performance was excellent for this stage of our development. Turnover for the twelve months ended 31 December 2002 was up by 23% to £32.7m (2001: £26.6m). EBITDA increased to £5.8m (2001: £Nil). Equally, operating profit was £4.0m an increase of £5.8m on the prior year (2001: loss of £1.8m). Our share of losses from the *attheraces* joint venture was £11.1m resulting in a net pre tax loss for the group of £6.9m which is in line with our plan (2001: loss of £6.2m). Loss per ordinary share was 1.91p (2001: loss of 1.95p).

## Racecourse operations

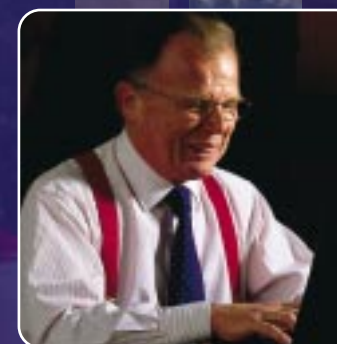
In 2002 one of our stated goals was to further develop our racecourse business. I am pleased to report that an additional boost to profitability was achieved in May last year through a new agreement reached between our racecourses and bookmakers to show live racing in betting shops for a fixed payment of £4,000 per race. This arrangement will result in additional revenues of £4.0m per year for our racing product, as we stage over 1,500 races per year at our six racecourses. Arena awarded record prize money in the year of £8.5m and also invested in enhancing facilities across our portfolio of tracks. We continue to be the largest independent racecourse owner in terms of fixtures in 2003, with attendance and corporate bookings already showing signs of beating last years record levels.

## attheraces

Last year I stated that, together with our partners BSkyB and Channel 4, we would continue to exploit the media rights purchased by *attheraces*, starting with the scheduled launch of the *attheraces* digital television channel on Sky channel 418 in May 2002. Our technology division then continued to work with engineers from Sky to launch a fully interactive betting service at the end of October. This is recognised as one of the leading digital betting services in the world and we have been encouraged by the viewing figures and take-up of the service to date.

October also saw the start of a nightly import of live US horseracing to the *attheraces* channel and the availability of betting on US horseracing via the internet on *attheraces.co.uk*. This has now been supplemented by interactive television betting, which is the first time UK viewers have been able to bet directly into the wagering pools in North America via their television set. Since the launch of the *attheraces* television channel on Sky, *attheraces* has secured carriage deals with ntl and Telewest in November 2002 and March 2003 respectively. The *attheraces* channel is now received in over 8.5 million homes and both cable channels will also have full interactive betting services in the near future.

Whilst the pioneering interactive betting service was launched towards the end of the financial year, the media rights management business – consisting of the on-selling of the UK horseracing rights *attheraces* acquired - matched our expectations. As a result *attheraces* performance remained in line with our plan for this early period of its development and we are now in a position to fully exploit the media rights acquired through future broadcast and betting activities.



## Future gaming opportunities

In 2002 we have continued to position the business to exploit the opportunities likely to be presented to Arena by the favourable Sir Alan Budd report into gaming. These proposed changes are expected to be included in the Queen's Speech in November 2003 and we anticipate new legislation being approved in the Winter of 2004/5. Our racecourse and hotel complex in Wolverhampton is not conditional upon this new legislation and I am delighted to announce today that we have secured an arrangement with Gala Group to develop the UK's first racecourse casino. Other research has been focused into re-developing Royal Windsor racecourse and we have commissioned architects and planning experts to evaluate the potential for wider leisure and gaming facilities at this location.

## Gaming technology

In conjunction with Scientific Games Corporation of the USA, our partners in 'Trackplay', I stated that we would continue to look for additional customers for our unique gaming technology last year. In 2002, Arena, via Trackplay, reached an agreement to develop an interactive internet gaming system for use by Fintoto, the leading Finnish horseracing pari-mutuel betting company. Trackplay continues to investigate further opportunities as the global gaming market continues to evolve.

## Dividend

Arena remains focused on developing its strategic position within the horseracing, media rights and gaming industries. Your Board does not propose to pay a dividend for this financial period and will continue to reinvest in the medium term growth of the business.

## Employees

Arena's achievements have only been possible by the expertise and hard work of all its employees. I would therefore like to record the Board's appreciation of each individual's contribution during 2002 and to date.

## Outlook

The company continues to build upon its solid foundations.

As we embark on a new financial year, our racecourses are trading well. The racing industry is poised to embark upon a new era when the Office of Fair Trading ('OFT') reports on its findings following a two year review. As previously stated, we welcome initiatives which will provide for greater competition and customer focus. We anticipate beneficial consequences for our racecourses, *attheraces* and the Tote, and will make announcements at the appropriate time.

*attheraces* now has a variety of betting platforms and distribution channels in place to fully exploit the racing rights acquired. Technical developments and international rights negotiations underway will bring further betting and media rights revenues.

Our aims for the longer-term success of the company remain undiminished, and I look forward to the future with confidence. Arena is confident that our divisions will continue to trade strongly and *attheraces* is expected to breakeven in the second half of 2005.

We look forward to a successful 2003 for all areas of our operations.

Roger D Withers  
Chairman  
02 April 2003

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

During 2002, Arena's racecourses staged 1,661 races in front of a total of 420,000 visitors

# Racing matters



**Racecourses**

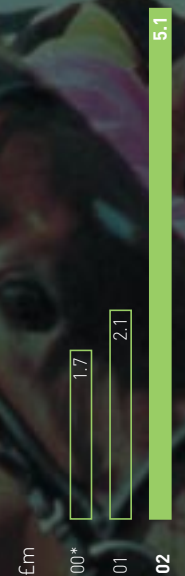
2002 has been an excellent year for our racecourse operations. I am delighted with the overall performance and the progress made throughout a whole range of areas. The year has witnessed record operating profits of £5.1m and record prize money levels of £8.5m. We remained the UK's busiest independent racecourse operator, staging 1,661 races in front of a total of 420,000 visitors. More recently, to mark the culmination of the all-weather season, we held the most valuable race meeting in all-weather history at Lingfield Park, followed by an Awards Dinner in the evening to celebrate and reward the most successful jockeys, trainers and stable staff, along with the most prolific winning owner of the season. During the year we successfully transferred our catering operation to Lethby and Christopher and we made great strides in our focus on improving overall customer experience at our tracks.

**All-weather surfaces: Lingfield Park, Wolverhampton and Southwell racecourses**

Arena continues to take the sport of all-weather racing forward and remains the UK's only operator of all-weather racecourses. We are delighted to be in a position to provide guaranteed opportunities for the benefit of racegoers, owners, trainers, jockeys, stable staff, bookmakers and media companies throughout the winter at all three of our all-weather tracks.

In 2002 Lingfield Park enjoyed its highest level of corporate bookings in recent years and also hosted the largest Derby Trial crowd since 1997. Demand for horses to race on our surfaces is at record levels and continues to outstrip available races.

On Saturday 15 March 2003 Arena staged the richest ever all-weather race meeting in this country at Lingfield Park, with £231,000 in total prize money awarded on the day, together with the most valuable race in all-weather history the £75,000 Spring Cup.



£m  
00\* 01 02  
**Racecourse operating profit**



£m  
00\* 01 02  
**Racecourse turnover**

\* Nine months to 31 December



This meeting was followed on the same evening by our second all-weather Championships Awards Dinner at which £80,000 was awarded in prize money to winning jockeys, trainers, stable staff and owners. The Awards Dinner was held in the main Pavilion hospitality area at Lingfield Park which has recently benefited from a major investment to improve this splendid facility. We expect to secure additional corporate race-day and non-race day bookings as a result over the coming year.

In addition to receiving continued widespread acclaim from all sectors of the racing community for what is now recognised as one of the best racing surfaces in the world at Lingfield Park, we have also progressed work on the detailed studies associated with the redevelopment of spectator and leisure facilities commensurate with the quality of the racing and location of this racecourse.

The Surrey Open Golf Tournament was again successfully run at Lingfield Park Golf Club with the event also programmed for 2003. To keep competitive in the Lingfield area, the golf clubhouse and 15th green have also been refurbished.

Wolverhampton racecourse was the group's busiest course in terms of fixtures in 2002, staging a total of 472 races (28% of the overall total staged at our racecourses). We have commenced a total refurbishment and extension of the Ringside Suite. Additionally, the on-site Holiday Inn hotel has undergone a major refurbishment during 2002; occupancy levels are up 8% on 2001 and continue to rise in the first quarter of 2003.

Southwell racecourse also had a busy year, staging 390 races. All training barns at the racecourse are full and the three on-site trainers all saw success on the all-weather surface. Ongoing racecourse refurbishment included the laying of new tarmac on the pre-parade and parade rings and horse walks. The Golf Club now has achieved a record membership level since we acquired the racecourse and Golf Club in 1999.

We are delighted that our innovative, eight hundred race sponsorship agreement with Littlewoods Bet Direct continues to be a success for both parties.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

continued

# Racing matters

### Royal Windsor, Worcester and Folkestone racecourses

We were pleased to record a 14% growth in attendance in 2002 compared to 2001 at our three turf-only racecourses.

From April to August 2002 Royal Windsor staged 14 Monday evening meetings which continue to grow in popularity. We were pleased to see that our £1m investment in a new bridge has significantly improved accessibility for racegoers arriving by car or coach. The Gala Group enjoyed the first year of their three-year sponsorship of the Royal Windsor Festival in May and we look forward to repeating this successful event this year.

Prize money at Royal Windsor topped £1m for the first time last year. The Tote Exacta series of five and six furlong Handicaps and Classified stakes were a particular feature last season, with six races of £10,000 added and a final held on 12 August with £20,000 added.

Although one of the smaller tracks in the Arena Leisure stable, Folkestone has always maintained loyal support, and in 2002, following new marketing initiatives, attendances over the year increased by 30%. The trend, it seems, is set to continue, as annual membership levels for 2003 are 40% higher than a year ago, while restaurant and corporate attendance bookings are also greatly increased.

As a result of this growth we commenced a significant refurbishment programme at Folkestone in January 2003, to improve the public areas, restaurants and corporate facilities at the course.

Worcester racecourse added two fixtures as result of continued improvement in the surface. 2003 hospitality and sponsorship bookings for the summer are already ahead of 2002's total figures.



Prize money awarded

\* Nine months to 31 December



### Racing industry developments

The significant development for our racecourse division in 2002 was the agreement reached between our racecourses and bookmakers in May 2002 to show live racing in betting shops for a fixed payment to courses of £4,000 per race. For Arena this has led to an annualised £4.0m increase in revenue compared to prior year.

At the time of writing we are still waiting to hear further details with regards to the outcome of the wide ranging inquiry launched by the OFT into the structure of the sport, and the role of the British Horseracing Board ('BHB') within it. We would welcome initiatives that will facilitate a competitive and commercial environment for all. We look forward to the OFT's announcement and believe we are well positioned to take advantage of any changes, especially those which will allow us to stage additional racing fixtures and race-days in response to demand.

We also await the outcome of the Government's White Paper following the Sir Alan Budd review, which is seeking to establish a more liberal regulatory framework for gambling overall in the UK. This could allow Arena to develop casinos and other gaming facilities at certain of our racecourses in addition to that announced at Wolverhampton today. We anticipate that the matter will form part of the Queen's Speech in November 2003 and we anticipate new legislation being approved in the winter of 2004/5, by which stage we aim to be well advanced with regards to racecourse redevelopments at certain of our tracks. Our announcement of an agreement with Gala Group to develop a casino at Wolverhampton is not conditional upon new legislation. Wolverhampton is already a permitted area for casinos and, subject to planning considerations, we expect to open both the casino and our enlarged hotel in Autumn 2004.

GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

Seventeen hours of racing is now being broadcast daily into over 8.5 million UK homes

## Media rights and technology

### attheraces TV

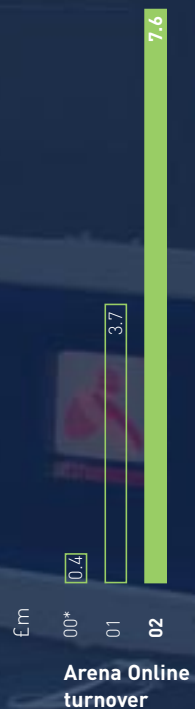
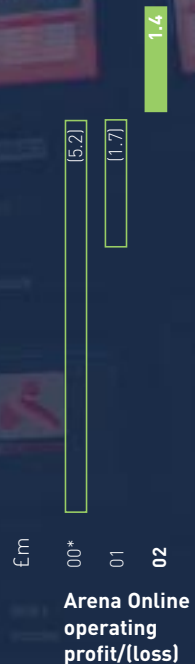
On 1 May 2002 *attheraces* began broadcasting its new television channel on Sky channel 418 free to six million homes across the UK through Sky's basic package.

*attheraces* received further TV exposure from October 2002 to March 2003 during Channel 4's trial of a lunchtime programme. This daily, mid week half-hour show gave *attheraces* and horseracing exposure to a new audience over the winter.

At the end of October 2002 *attheraces* launched a pioneering interactive betting service on its Sky channel so that over six million viewers could then place a bet with *attheraces* via their remote control handset, as well as through the *attheraces* website and telephone betting offerings. This made *attheraces* the UK's first interactive-betting television channel dedicated to horseracing. The second release, due to be launched this quarter, will include fixed odds prices – provided by Ladbrokes, Sky Bet and Bet Direct – and all 'exotic' Tote bets – Jackpot, Placepot and Scoop 6.

On 26 October 2002 *attheraces* launched a North American racing broadcast service on its Sky channel, which commenced with the Breeders' Cup World Thoroughbred Championships. *attheraces* broadcast top racing action from the United States every evening, averaging over 50 races per week from premier meetings. Betting via the *attheraces* website has been available for American racing since November 2002 and from the viewer's Sky handset since February 2003.

The coverage of *attheraces* was increased further by a carriage deal with ntl in November which brought the channel into an additional 1.25 million digital cable homes. This was increased by a similar arrangement with Telewest Broadband in March this year which has added 830,000 new homes, making a total broadcast audience for *attheraces*' daily horseracing and betting of 8.5 million homes. When the Racing Channel ceased broadcasting in January 2003, *attheraces* became the only dedicated horseracing channel in the UK.



\* Nine months to 31 December

With regards to audience figures, take-up from initial launch in May has been very encouraging for a new sports channel, achieving an average weekly cumulative reach (the number of individuals who viewed *attheraces* for at least three minutes during a week) of 539,000 from May until the end of the year. On 26 October 2002, 151,000 viewers watched the Rock of Gibraltar compete in the Breeders Cup with over 376,622 total viewers that day – our record number of viewers. On Saturday 8 March 2003, over 333,000 viewers tuned in to watch the build-up for the Cheltenham festival with 182,000 viewers, our record number at any one time to date, watching racing at 4.30pm on Wednesday during the Festival.

We are delighted that on Saturday April 5 2003, working in conjunction with BBC and BBC Worldwide, the Grand National is expected to be watched by 600 million people and *attheraces* will be taking bets on the internet, telephone and on Sky channel 418.

### attheraces betting

We were pleased to see steady and continued growth in registrations across all platforms in 2002 and ended the year with a total of 68,000 subscribers.

In June 2002 *attheraces* also launched a dedicated telephone betting service on 0800 083 83 83 which has seen steady growth and now offers fixed odds as well as pari-mutuel ('Tote') betting.

Revenue from betting in our first full year of operating was behind our expectations as a consequence of the launch of our pioneering interactive betting service on Sky coming towards the end of the financial year, and after the UK's major race meetings were over.



continued

## Media rights and technology

### attheraces betting continued

Total betting turnover in 2002 was £4.9m. Average bet sizes across all platforms increased from £7.31 in the first quarter to £9.65 in the final quarter of 2002. *attheraces* is expected to achieve the same betting turnover in the first 16 weeks of 2003 that it achieved for the whole of 2002. Betting turnover in March 2003 was nine times higher than in March 2002.

Channel 4 recently announced a 25% increase in viewing figures for its Morning Line and Channel 4 *attheraces* programmes and Sky recently announced that the total volume of bets placed via its viewer's set-top boxes was up 160% compared to the previous year. With the launch of interactive betting on Channel 4 due this quarter, fixed odds betting on *attheraces* Sky channel 418 also due this quarter and interactive betting on both ntl and Telewest later this year, we remain confident of continued strong growth in betting levels.

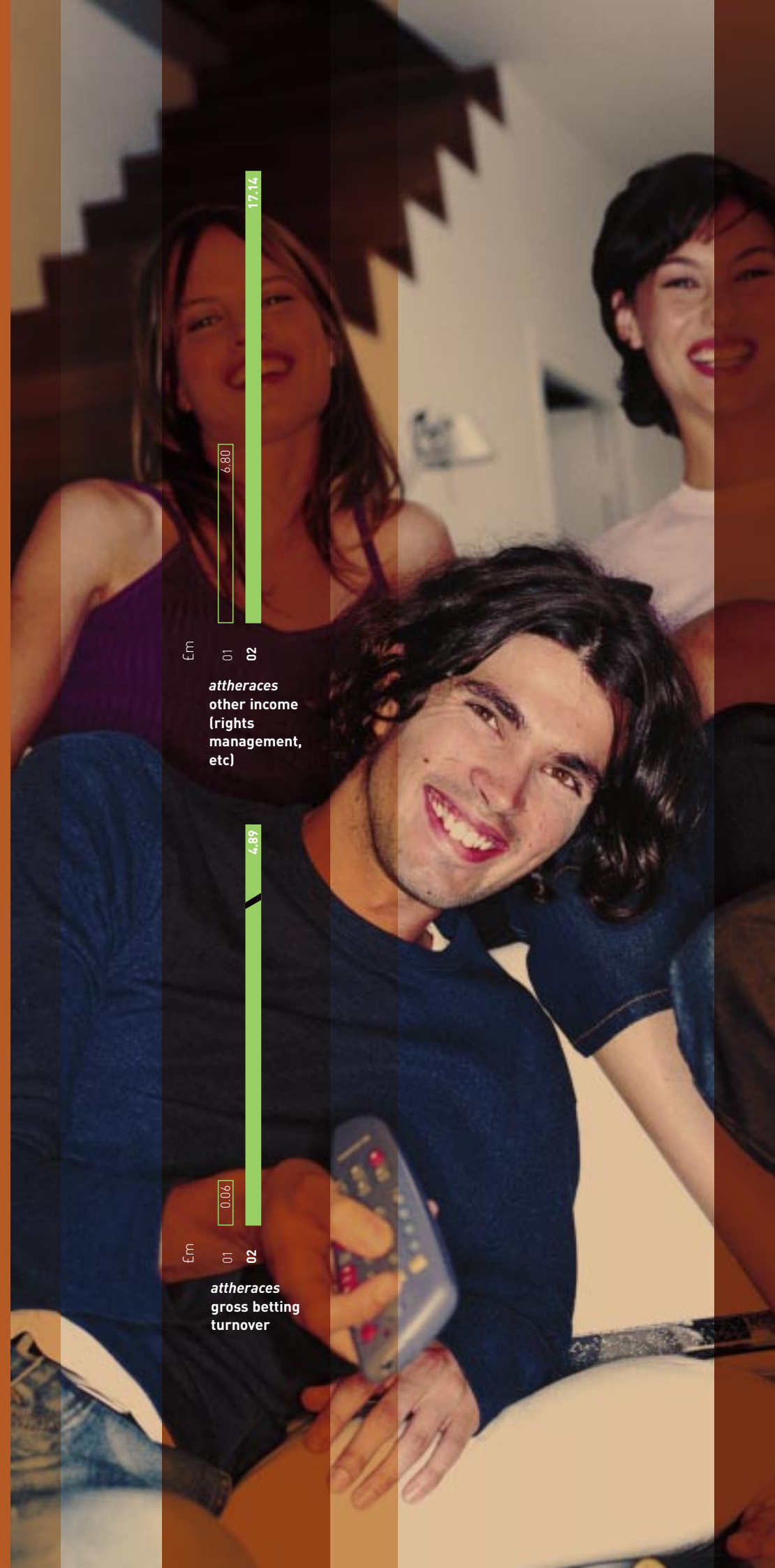
### attheraces media sales

During 2002 B SkyB and Channel 4 re-titled their own racing coverage as Sky *attheraces* and Channel 4 *attheraces*. The BBC broadcast from several racecourses, including the Grand National, the Derby and Royal Ascot, having bought the rights from *attheraces*.

In terms of exploiting *attheraces* media rights, we are pleased to report that *attheraces* is now being broadcast live to overseas bookmakers in Belgium, Holland, Germany, Italy, Sri Lanka and the Caribbean through an arrangement with Satellite Information Services ('SIS').

Further archive broadcasts are being made in other territories around the world. Other deals were progressed in 2002 with BBC Worldwide, Radio 5 Live, Talk Sport, premium rate telephone operators and advertisers.

In total the rights management side of *attheraces* contributed £17.1m to turnover during 2002, and is expected to grow strongly in 2003.



These transactions continue to reflect the powerful commercial value of the media rights acquired by *attheraces* and demonstrate the attraction of international audiences to UK horseracing and gaming.

We look forward to announcing international media rights deals in the near future, certain of which will also include reciprocal arrangements to enhance the racing content on our current channel.

### Arena Online Services

Our technology division continues to have an important role to play on behalf of its key customer *attheraces*, playing a major role in the development of our pioneering interactive betting services. Other achievements during the year included the integration of telephone betting, American racing and internet links with *attheraces*' three fixed odds bookmakers.

Turnover was up 107% for the year at £7.57m (2001: £3.65m) and operating profit was £1.42m compared to a loss of £1.69m the previous year.

As *attheraces* continues to upgrade its system to maintain market leadership, Arena Online Services will benefit through the ongoing service agreement it has in place with *attheraces*.

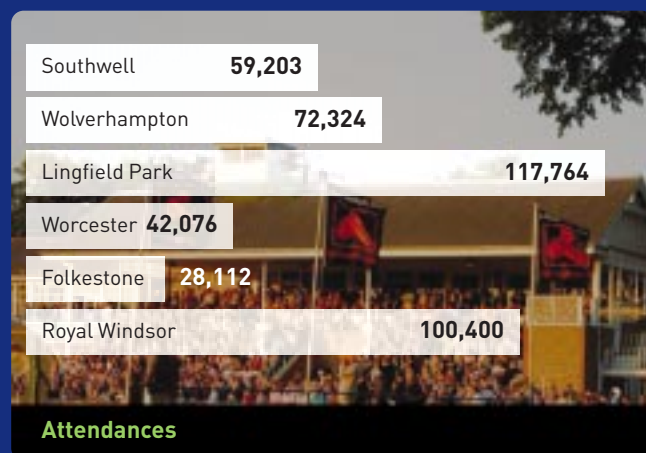
### Trackplay

Our 30% association with Scientific Games (known as 'Trackplay') delivered one new customer in 2002 for our unique gaming software, namely Fintoto of Finland. Revenues increased from our two previous Trackplay systems in operation in California and Louisiana. In the year Arena's share of the associate's loss reduced to £54,000 from a loss of £308,000 in the prior year. The potential market for Trackplay systems remains encouraging and we continue to investigate further opportunities as the global gaming market continues to evolve.

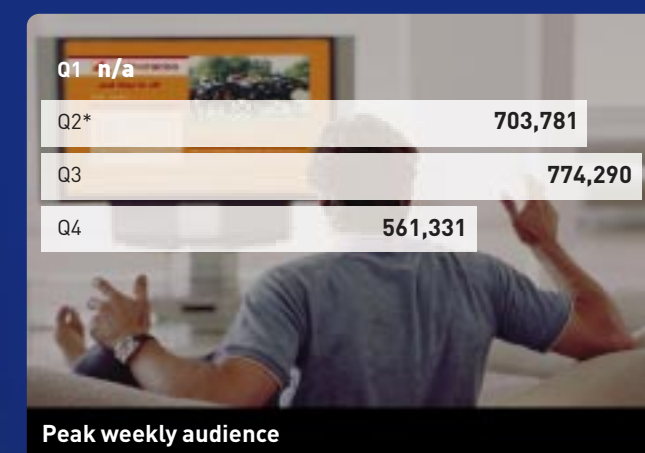
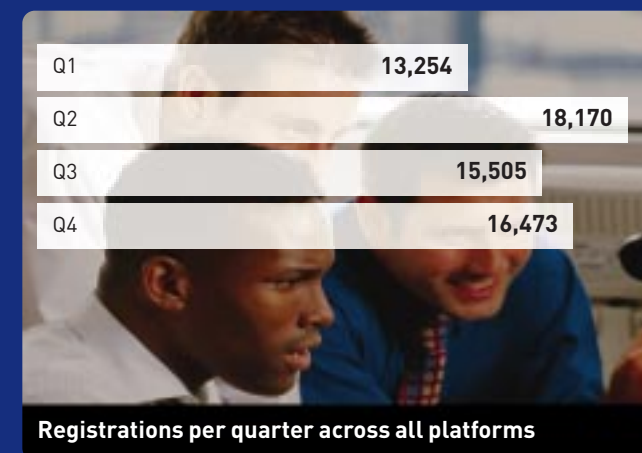
GROUP MANAGING DIRECTOR'S REVIEW OF OPERATIONS

# Arena - a year of action

RACING MATTERS

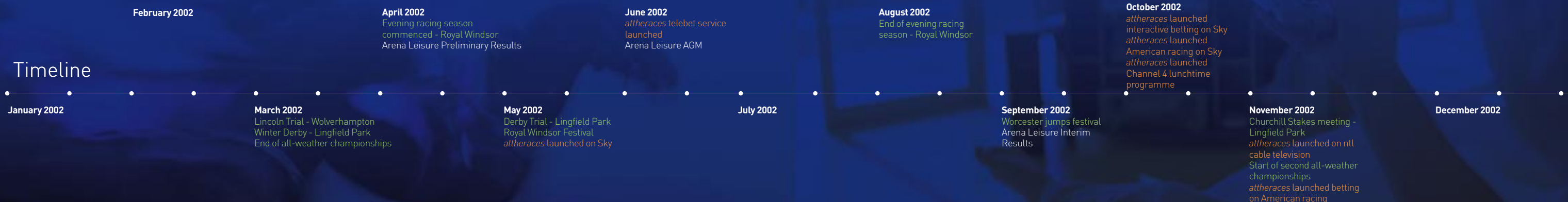


attheraces



\* Sky channel launched in May. Figures shown for June only

## Timeline



Last year Arena began to see the benefits of its investments and major strategic partnerships

## Racing into the future



### Looking ahead

Looking ahead at our racecourse business, we remain focused on delivering a first class customer experience. We are delighted to announce today a ground breaking partnership with Gala Group at Wolverhampton racecourse where we intend to open the UK's first on-track casino in 2004. Redevelopment studies continue with regards to Royal Windsor and Lingfield Park racecourses and we expect to announce further details later this year having completed extensive consultation with local planning authorities and residents.

The outcome of the OFT's investigation into British racing is likely to bring greater commercial freedom to your company and we look forward to working with the rest of the industry to ensure that the pre-eminent position of British racing on the world stage is maintained. We also look forward to the publication of the draft bill to enact the Budd recommendations which we confidently expect to be in the Queen's Speech this year.

Our medium term aim for *attheraces* remains unchanged - to maximise revenues on British horseracing using our racecourse, betting and media partners, both domestically and internationally.

Significant achievements have been made in the last year, and your company is well placed to benefit from the changes we expect to see in the following twelve months.

**Ian R Penrose**  
Group managing director  
02 April 2003

# Financial review

## Results summary

The results of the group for the year to 31 December 2002 show an increase in turnover of £6,071,000 (22.8%) to £32,675,000 (year to 31 December 2001: £26,604,000). Operating profit increased to £4,044,000 as a result of significant improvements from within both racing and gaming technology divisions. This represents an improvement of £5,823,000 compared to the operating loss of £1,779,000 reported for the year to 31 December 2001.

Loss on ordinary activities before and after tax for the year, including the group's share of joint venture and associate results, was £6,887,000 (year to 31 December 2001: £6,171,000). Basic loss per share was 1.91 pence (year to 31 December 2001: loss 1.95 pence).

## Highlights

- Group turnover up 23% to £32.7m
- Operating profit improved by £5.8m to £4.0m
- EBITDA increased by £5.8m
- Share of loss from *attheraces* joint venture in line with plan at £11.1m
- Loss on ordinary activities after tax £6.9m
- Bank borrowings reduced by £6.0m to £4.5m

## Racecourse operations

Turnover from racecourse operations increased by £2,152,000 (9.4%) to £25,106,000 (year to 31 December 2001: £22,954,000). Operating profit (excluding group management charges) increased by £3,030,000 to £5,094,000 in the year to 31 December 2002 (year to 31 December 2001: £2,064,000). The results for 2002 reflect a £1,193,000 increase in total prize money paid to £8,479,000, and benefit from an eight month contribution from the improved contract to provide pictures into licensed betting shops in the UK. This added an additional £2,341,000 to revenues in the year. Interactive media rights income of £941,000 was recognised in the profit and loss and reflects an increase of £471,000 over 2001. Contribution from catering operations increased significantly in the year following the transfer of catering services to Letheby and Christopher in the first quarter of 2002.

## Technology (Arena Online Services)

Turnover from our gaming technology subsidiary increased by £3,919,000 (107%) to £7,569,000 for the year to 31 December 2002 (year to 31 December 2001: £3,650,000). Operating profit (excluding group management charges) improved by £3,111,000 from an operating loss of £1,692,000 in 2001 to an operating profit of £1,419,000 in the year to 31 December 2002. The technology business benefits from a full year contribution in respect of its contract to provide technology development and operational support for the *attheraces* media platforms. Revenues in 2001 reflect only six months of this contract.

## Group central costs

Group central costs of £2,469,000, including goodwill amortisation in respect of our racecourse companies, have been controlled to the same level as last year, after allowing for a one-off benefit in 2001 of £289,000 following the release of a provision for national insurance on share options.

## Media rights

During the year the group received interactive media rights payments from *attheraces* (net of fees) of £2,789,000. The payments due to the group's racecourses from *attheraces* over the ten year period of the rights agreement incorporate an up front premium of £3,500,000 within the first full year, which commenced on 1 July 2001. It is the group's policy to release this premium over the ten year period, pro-rata to future scheduled payments. Income credited to the profit and loss account in respect of interactive media rights during the year was £941,000. Income deferred to future periods at 31 December 2002 was £3,544,000.

## Joint venture - *attheraces*

The group's share of the operating loss of its 33.3% joint venture *attheraces* was £11,129,000 in the year to 31 December 2002 (year to 31 December 2001: £3,944,000). The results for this period are in line with plan.

## Associate - Trackplay

The group's share of the operating loss of its 30% associated company 'Trackplay' has been significantly reduced to £54,000 in the year to 31 December 2002 (year to 31 December 2001: £308,000).

## Goodwill amortisation

Goodwill arising on consolidation in respect of the group's racecourse companies is amortised over a period of 20 years, and in respect of the group's joint venture *attheraces*, over a period of 10 years, in line with the term of the media rights agreement. Goodwill amortisation in respect of the racecourse companies was £308,000 for the year to 31 December 2002 (year to 31 December 2001: £307,000) and £226,000 in respect of the joint venture (year to 31 December 2001: £14,000).

## Blocked bank deposit and loans to *attheraces*

During the year to 31 December 2002 the group has advanced loans of £28,550,000 to *attheraces* Holdings Ltd, of which £18,250,000 has been paid as part of a loan agreement to fund the initial interactive media guarantee payments to racecourses. A further £10,300,000 has been paid to fund Arena's share of the working capital requirements of the company. At 31 December 2002 the group held £10,500,000 on blocked deposit to fund future working capital requirements of the business.

## Treasury report

All bank borrowings and financial assets of the group are held in sterling and on floating interest rates. In the current economic climate, and with the group's evolving structure, hedging for interest rate risk is not considered appropriate. However, the board constantly monitors the financial markets to ensure this policy remains in the group's interest. The group does not face any significant foreign currency risk. At 31 December 2002 the group had unutilised bank facilities of £10,496,000 (31 December 2001: £4,479,000). Short-term liquidity risk is managed by obtaining and reviewing the adequacy of banking facilities. The group does not use derivative financial instruments to manage risk.

Net bank borrowings reduced by £6,017,000 in the year to £4,504,000 at 31 December 2002. Bank borrowings consist of a £3,000,000 revolving credit loan and a net bank overdraft of £1,504,000. Interest is charged on the bank overdraft at 1% over Bank of Scotland base rate. Interest on the revolving credit loan facility is charged at either 1% over Bank of Scotland base rate or 1% over LIBOR. The bank loan and overdraft are secured by a fixed and floating charge on the assets and undertakings of the group companies, and a first legal charge on all the freehold and leasehold properties owned by the group. This security is subject to deeds of priority and permitted charges in favour of the Horserace Betting Levy Board ("HBLB") in respect of security for interest free loans provided to the group, whose loans to the group total £1,288,000 at 31 December 2002 (31 December 2000: £936,000).

Net debt at 31 December 2002 including HBLB loans (excluding blocked bank deposit of £10,500,000) was £5,792,000 (31 December 2001: £11,457,000). This represents gearing of 6.2% on net assets of £94,074,000 (31 December 2001: 11.4% on net assets of £100,861,000).



**Ian R Penrose**  
Group managing director

02 April 2003

# Corporate social responsibility (CSR)

## Introduction

There is growing interest from shareholders and the investment community in general in the corporate social activities of businesses. This reflects a wish to be satisfied that businesses are behaving responsibly in their relationships with employees, the community and stakeholders in general.

Arena Leisure has always sought to manage these relationships in a professional, fair and responsible manner and over recent years has developed internal policies and procedures to govern its behaviour. However, in the light of growing interest in CSR, we have reviewed our approach with the aim of bringing policies in-line with current needs and making relevant information more readily available to shareholders and the investment community. We are therefore pleased to include the following information which provides an overview of the policies and procedures that guide Arena's approach to the key aspects of CSR.

## Environment

Owning nearly 1,200 acres of real estate in six locations, Arena takes its environmental responsibilities extremely seriously. We follow all current guidelines with regards to waste disposal and endeavour to take our water for irrigation from natural sources under licence whenever possible. Last year we planted in excess of 1,000 trees across our real estate and are constantly looking to add to planting schemes. Our £3m Polytrack all-weather surface at Lingfield Park is made primarily from re-cycled plastic products and temporary stable bedding is collected and re-cycled whenever possible.

## Health and safety

Arena is making continued progress to ensure that our racecourses are safe and healthy places to work for our employees and also for visitors. Good training is a crucial factor in any successful health and safety management programme. In addition to the routine safety training programmes in place in each division, health and safety is also incorporated into the group's senior management training programmes. Arena employs a qualified National Education Board of Safety and Health ('NEBOSH') health and safety manager, and also staff who hold Institute of Safety and Health ('IOSH') qualifications. At our Holiday Inn hotel complex on Wolverhampton racecourse, regular training means that staff continue to meet the required legal obligations.

## Customers

With regards to facilities for the disabled, Arena strives to be disability positive. For example, Wolverhampton racecourse has five fundamental areas covered by the Disability Discrimination Act ('DDA') and was once again accredited in February 2003. Arena has several British Sign Language Certificate holders amongst its staff. Southwell racecourse has been appraised and approved by the Leonard Cheshire Organisation by in respect of mobility, sight and hearing issues.

## Society and community

Arena believes that its racecourse operations make an important contribution to a visitor's well-being, the quality of their leisure time and their enjoyment of a day in the countryside. We are members of the Chamber in Wolverhampton and represent ourselves on all relevant community associations, such as Whitmore Reans In Partnership ('WRIP'). We have a policy of aiming to 'be a good neighbour' in the way that our racecourses are run, e.g. crowd control, easy parking and control of traffic. Arena strives to support all local charities in terms of prizes for their raffles and is active in promoting responsible gambling.

## Racing and gaming industries

We are regular participants in a wide range of charitable works within the racing industry. We remain members of racing's key associations such as the Race Course Association ('RCA') and adhere to their policies and guidance. Our *attheraces* media rights venture promotes responsible gambling and is a member of The National Association for Gambling Care ('GamCare'). Its broadcasts also conform to Independent Television Commission's regulations with regards to the promotion of gambling on television.



# Board of directors



Ian Hogg

John Barnes

Ian Penrose

Roger Withers

Graham Parr

Andrew Parker Bowles

## Roger D Withers

Chairman

Aged 60, Roger has been involved at a senior level in the betting, gaming and leisure industries in the UK and internationally for 30 years with Ladbrokes (now Hilton), Bass and Littlewoods Leisure. Posts held included Managing director of Coral and Chairman of Bass Leisure South Africa. He is a director of Sportech Plc and ATE Holdings Ltd. Roger also holds several other non-executive directorships in the leisure, exhibition and technology industries. Roger became Chairman of Arena in October 2001.

## John Barnes

Non-executive director

Aged 53, John has 33 years experience in Europe and the USA of consumer orientated businesses. Between 1988 and 2000 he was Chairman of Harry Ramsden's Plc. He is a non-executive director of Caffè Nero and non-executive Chairman of Zoo Digital Group Plc, Galaxy 105FM (Yorkshire) and La Tasca Restaurants Ltd. John is also co-author of the best selling marketing book "Marketing Judo." John has been a non-executive director of Arena since its formation in 1997.

## Ian R Penrose

Group managing director

Aged 37, Ian was appointed Group managing director in May 2001 having been responsible for the strategic direction of Arena, its racecourse acquisitions, media and interactive initiatives and the formation of the *attheraces* partnership with BSkyB and Channel 4. A chartered accountant, Ian joined Arena as the Group finance director, having gained a wealth of commercial experience across a wide range of leisure, media, sport and other businesses. Ian joined Arena in August 1998.

## Brigadier Andrew H Parker Bowles OBE

Non-executive director

Aged 62, Andrew has extensive experience and interests in the racing industry. He was a director of the British Horseracing Board from 1997 to 2000, a member of the Jockey Club since 1982 and for four years was the Jockey Club Steward responsible for all 59 racecourses. An owner, rider and breeder of racehorses, he was a Director of United Racecourses from 1995 to 1999 and a director of R.A.M. Racing Leisure Limited from 1996 to 1999. Andrew is a non-executive director of two other companies and a Trustee or Governor of eight charities. Andrew joined Arena in September 1999.

## Ian C Hogg

Director of gaming systems

Aged 39, Ian joined Arena to establish its technology division, Arena Online Services Ltd. He has been instrumental in the development of the interactive system that is at the heart of *attheraces*. Ian is currently on secondment to *attheraces* as their Chief operating officer. Prior to joining Arena, Ian ran his own telecommunications and technology businesses. Ian joined Arena in December 1997.

## Graham T Parr

Non-executive director

Aged 52, Graham has a wealth of leisure management experience. He was involved in the management buyout of Pontin's Holidays in 1987 and subsequent sale to Scottish and Newcastle Plc, remaining Managing director until 1995 of Holiday Club Pontin's. Between 1990 and 2000 he was a non-executive director of Harry Ramsden's Plc and is now also on the executive committee of the North West Tourist Board. Graham joined Arena at its formation in 1997 as Chief executive officer and held this position until 2001, when he became a non-executive director.