

# Arena Leisure at a glance

Arena Leisure Plc stages 25% of all horseracing in the UK. Our portfolio of racecourse assets provides a solid base for the future development of the group. Continued focus on improving our fixture list, increasing attendance and expanding non-racing facilities will enable us to develop venues which operate for 365 days a year.

## Horseracing media/broadcast At The Races

UK, Irish and international horse racing on Sky, ntl, ntl Ireland, Telewest and Chorus. Average monthly reach over 1.2 million  
Income streams:

- Advertising, sponsorship and teletext
- International distribution
- Interactive betting and gaming
- Live Web streaming and video archive
- Casino and poker
- Distribution to UK commercial premises

## Doncaster

101 Acres (leasehold)  
29 Race meetings (2005)  
3% Share of UK horserace betting turnover  
2% Of UK race meetings  
224,000 Attendance (2005)

### Other information

- Closed, undergoing major re-development
- Home of the St Leger, the world's oldest classic horse race
- Flat turf and National Hunt racing
- Exhibition centre

## Wolverhampton

105 Acres  
97 Race meetings (2006)  
4% Share of UK horserace betting turnover  
7% Of UK race meetings  
76,000 Attendance (2005)

### Other information

- The UK's busiest racecourse
- Only floodlit All Weather track
- Only racecourse in the UK with an onsite hotel

## Southwell

145 Acres  
75 Race meetings (2006)  
5% Share of UK horserace betting turnover  
6% Of UK race meetings  
70,000 Attendance (2005)

### Other information

- All Weather and turf track
- Golf course
- Third busiest racecourse in the UK

## Worcester

100 Acres (leasehold)  
21 Race meetings (2006)  
1% Share of UK horserace betting turnover  
1% Of UK race meetings  
48,000 Attendance (2005)

### Other information

- Summer jumps track
- Popular family racecourse

## Royal Windsor

167 Acres  
27 Race meetings (2006)  
2% Share of UK horserace betting turnover  
2% Of UK race meetings  
135,000 Attendance (2005)

### Other information

- The 'jewel in the crown'
- Affluent residential, London and tourist market
- Popular summer Monday evenings fixtures

## Lingfield Park

450 Acres  
90 Race meetings (2006)  
6% Share of UK horserace betting turnover  
6% Of UK race meetings  
168,000 Attendance (2005)

### Other information

- All Weather and turf track
- Championship golf course
- Sports and leisure club
- Second busiest racecourse in the UK

## Folkestone

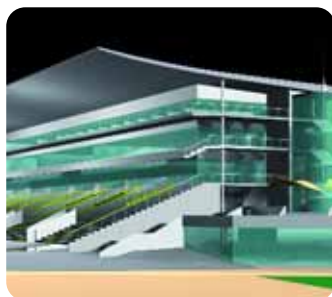
203 Acres  
23 Race meetings (2006)  
2% Share of UK horserace betting turnover  
2% Of UK race meetings  
37,000 Attendance (2005)

### Other information

- Five minutes from the Channel Tunnel
- Railway station and immediate motorway access
- Kent's only racecourse



# A busy year on and off the racecourse . . .



# 324

Record 324 fixtures held in 2005 (2004: 315) at Arena's six owned racecourses, staging 2,172 races representing 25% of all UK horse races



First running of a Grade 1 steeplechase on an Arena course (Lingfield, February 2005)

# +6%

Record attendance at Arena's six owned racecourses up 6.0% to 534,000 (2004: 504,000)

Ladbrokes St Leger successfully managed in September. Annual Doncaster attendances increased by 5.2% to 224,000 (2004: 213,000)

Doncaster Racecourse, home of the St Leger - the oldest classic horserace in the world - acquired in December 2005. Redevelopment work underway to transform it in to a world class leisure and racing destination.

# 95

With 95 race meetings Lingfield Park was the most frequently operated racecourse in the UK in 2005



First ever running of a Group race on an all weather surface (Lingfield, July 2005)



'Photofinish', 'starting stalls' and 'camera patrol' operations brought in-house to improve efficiency and reduce costs



Elevation of the Winter Derby to Group 3 status for 2006 (Lingfield)



At The Races generated over £1.6m for its racecourse partners in the form of media rights payments

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## Financial highlights

- Turnover increased by 9.4% to £40.7m (2004: £37.2m)
- Profit from operations increased by 30.0% to £6.7m (2004: £5.2m)
- Adjusted profit from operations increased by 21.6% to £6.3m (2004: £5.2m), after adjusting the 2005 result for one-off gains and losses
- Arena's share of At The Races' adjusted operating loss reduced by 73.0% to £1.0m (2004: £3.7m)
- Profit before tax of £4.5m
- Adjusted earnings per share increased by 312% to 1.32 pence (2004: 0.32 pence)
- Proposed final dividend of 0.2 pence per share, giving a total dividend of 0.45 pence per share – an increase of 50% (2004: 0.3 pence per share)



# I am delighted to report on another successful year for Arena Leisure Plc with strong performances from both our racecourse division and our media rights company, At The Races.

I am delighted to report on another successful year for Arena Leisure Plc ('Arena'), with strong performances from both our racecourse division and our media rights company, At The Races ('ATR'). We also acquired the rights to redevelop and operate Doncaster Racecourse, home of the world's oldest classic race, the St Leger.

The results achieved in 2005 confirm the enormous operating improvements that have been achieved. Turnover increased by 9.4% to £40.7m (2004: £37.2m). Profit from operations on the new IFRS basis increased by 30.0% to £6.7m (2004: 5.2m). Adjusting the 2005 result for one-off gains and losses in order to give a more useful indication of underlying performance (see Note 11 for details), the adjusted profit from operations was £6.3m, a rise of 21.6%.

At The Races performed successfully in its first full year of operation since its relaunch in June 2004. Arena's share of ATR's adjusted operating loss (see Note 11 for details) reduced dramatically by 73% to £1.0m (2004: £3.7m). Under the new IFRS accounts presentation, Arena is required to disclose its

share of ATR's post tax result, which was a loss of £1.5m (2004: profit £0.6m). Included within the 2005 result is a tax credit for consortium relief of £0.5m (2004: £4.9m) and £0.9m of exceptional costs (2004: £0.9m) representing, in 2005, legal costs incurred in connection with two legal disputes. In the first case against the British Horseracing Board ('BHB'), UK legal history was made when the judge found in favour of ATR, ruling that the BHB had abused its dominant position. The BHB has since decided to appeal against this ruling, although we remain confident. In the second case, in which ATR is claiming around a net £30m in outstanding rebates from the 30 racecourses not currently affiliated to ATR following the termination of media rights agreements in 2004, the court hearing is scheduled to begin on 13 March 2006. ATR remains confident of a positive outcome.

Overall, profit before tax was £4.5m (2004: £4.9m) and earnings per share from continuing operations were 1.24 pence (2004: 1.41 pence). Adjusting for one-off gains and losses in 2004 and 2005 in order to give a more useful indication of underlying

performance (see Note 11 for details), adjusted earnings per share from continuing operations increased in 2005 by 312% to 1.32 pence (2004: 0.32 pence).

2005 was also a year of change for the company, no more so than on the board. On 1 October 2005, Mark Elliott replaced Ian Penrose as Chief Executive of Arena. I would like to thank Ian for the enormous energy and dedication that he brought to Arena during his time here as Finance Director, Managing Director and Chief Executive. Ian has left the company in a very strong position and he can be justifiably proud of his achievements here.

Mark Elliott is the former Chief Executive of Wembley Plc, having previously been its Finance Director. During Mark's seven year tenure on the Board of Wembley, the company operated ten greyhound tracks in the UK and USA and one horseracing track in the US as well as Wembley Stadium and Wembley Arena and a variety of businesses providing services to UK leisure venues. He therefore brings a wealth of experience relevant to Arena.

On 1 November 2005, Raymond Mould joined the board as non-executive deputy Chairman. Raymond, a qualified solicitor, has an outstanding track record in the UK corporate world, particularly in the property development industry. He also has a close association with the horseracing industry, owning the 2002 Grand National winner, Bindaree. He is currently Chairman of London & Stamford Investments and was Executive Chairman of Pillar Property Plc until May 2005 when it was acquired by British Land Plc for £811m. At the same time, John Barnes retired from the board and I would like to thank him for all of his work at Arena. He had been a board member since the company's formation in 1997 and had made an extraordinary contribution to Arena's growth over that time.

Having been on the Arena board for five years and Chairman for over four years, I have decided now is the right time for me to retire from the board. I will therefore leave the board at the annual general meeting ('AGM') on 8 May 2006, handing over the role of Chairman to Raymond Mould. I am extremely privileged to have been Chairman through a period of such progress for Arena and to leave it facing a bright future. With Raymond and Mark at the helm, I am satisfied that Arena is in very safe hands as it faces the opportunities and challenges that lie ahead. I expect also to announce the appointment of a new non-executive director on or before the AGM.

I am extremely grateful to all of my fellow directors and all of our employees for their dedication and hard work over this eventful

year and, indeed, the support and loyalty they have given me in my years as Chairman. Their focus and determination to give every one of our customers the best experience possible is fundamental to the success of the company and I thank them all for their commitment.

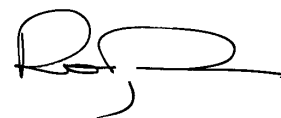
As a result of the strong performance this year, an interim dividend of 0.25 pence per share was paid in October and the Board has proposed a final dividend for 2005 of 0.2 pence per share. This will give a total dividend in relation to 2005 of 0.45 pence per share – an increase of 50% over the 0.3 pence per share declared in 2004. This dividend is proposed to be paid on 12 May 2006 to shareholders on the register on 31 March 2006.

2006 has started well, with our All Weather racecourses performing well. During 2006, it is expected that a number of new All Weather surfaces will become operational at racecourses around the country. I see this as a tribute to the work that Arena has put in to raising the standards and profile of All Weather racing in this country since we first introduced the Polytrack racing surface in 2001 at Lingfield Park. We welcome competition which, I have no doubt, will bring out the best in the Arena team as well as give us opportunities to extend the role of All Weather racing in the UK.

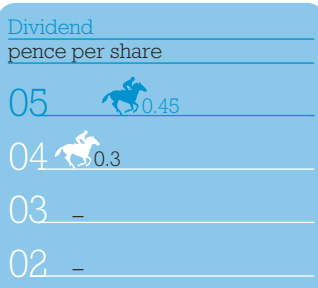
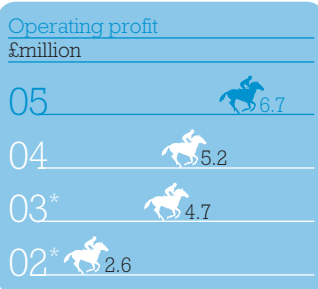
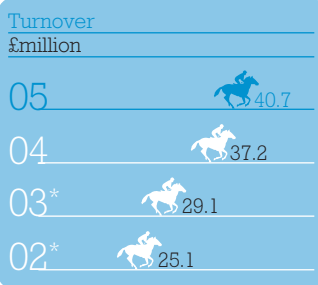
In December, Arena was delighted to announce that agreement had been reached for an Arena subsidiary to acquire the rights to redevelop and operate Doncaster Racecourse – the home of the world's oldest classic race, the St Leger – on a 99-year lease, commencing upon completion of the redevelopment. Work on the exciting redevelopment has now commenced.

The UK horseracing industry faces a number of challenges in the coming years, most importantly the need to find a commercial replacement for the Levy before 2009 and also an acceptable future home for the Tote. Within the ever changing world of UK horseracing, I am confident that Arena is well placed to capitalise on the exciting value enhancing opportunities in front of it, to help the industry as a whole move forward and to continue to deliver a growing profit stream for its shareholders.

My thanks to you all for your continued support of Arena Leisure.



**Roger Withers**  
Chairman  
28 February 2006



\* Excluding Discontinued Operations and Exceptional Items



# Arena possesses a wealth of talented people and a range of exciting growth opportunities.

It is five months since my appointment to the role of Chief Executive in October 2005. In this relatively short period, it has become clear to me that Arena possesses a wealth of talented people and a range of exciting growth opportunities. I am grateful to the senior management within Arena for their assistance during this transition period. This review sets out the key events that occurred in 2005 and also gives an indication of the opportunities that lie ahead for Arena.

Arena owned and operated six racecourses throughout 2005 – Royal Windsor, Lingfield Park, Wolverhampton, Southwell, Worcester and Folkestone. It also managed Doncaster throughout most of 2005, acquiring the rights to redevelop and operate the racecourse in December 2005. Arena stages around 25% of all horseracing in the UK. Its skills are very much in venue management, providing a great product and a high quality of service for its customers. The media rights associated with

our racing product have great commercial value and it is through our At The Races joint venture that we seek to derive as much value for these rights as possible.

Arena's strategy with regard to these assets and skills is simple – to deliver added value for its shareholders. We will achieve this through a combination of the following:

- Deliver consistent profit growth through the greater utilisation of our assets on both race-days and the many days in between, and greater efficiency with regard to costs. The record profits achieved in 2005 are a testament to this.
- Invest in improved facilities for customers, both in terms of the physical facilities provided at our racecourses, but also in terms of the racing product that we supply to the bookmakers. The development taking place at Doncaster Racecourse illustrates this approach.

- Realise value from any surplus or under-utilised assets within the Group. This will primarily relate to the land that Arena owns – over 1,000 acres of freehold land and leases on a further 200 acres. In 2005, Arena disposed of its minority 1% shareholding in Satellite Information Services (Holdings) Limited ('SIS') for a cash consideration of £1.2m and a net profit of £0.8m. SIS provides television pictures, text and voice data from horserace courses and greyhound stadia to licensed betting offices. This shareholding was not core to Arena's operations. Similarly, it is intended that a non-core minority shareholding in a US tote system developer that is a legacy from Arena's software development past will be sold. The proceeds are not expected to be large and a provision has been taken against the carrying value.
- Build on our core strengths, adding value through acquisitions where appropriate. Arena is keen to add further horse racecourses, although due to the lack of frequency with which courses become available at realistic prices, such acquisitions will be, by necessity, opportunistic in their nature. We will identify appropriate related businesses into which our undoubted skills are transferable.



**Ladbrokes sponsorship**  
During 2005 Arena was delighted to introduce Ladbrokes as the principal sponsor of the St Leger festival at Doncaster

**Lingfield Park attendance**  
Improved facilities at Lingfield Park contributed to the growth in race-day attendance

Arena declared its first dividend in 2004 of 0.3 pence per share, followed by an interim dividend in 2005 of 0.25 pence per share. The Board has proposed a final dividend for 2005 of 0.2 pence per share, giving a total dividend in relation to 2005 of 0.45 pence per share – an increase of 50%. This dividend is covered approximately 2.8 times by Arena's 2005 earnings of 1.24 pence per share. The board has determined that, based upon the opportunities that lie ahead for Arena, it is prudent to maintain this level of cover for the foreseeable future. In addition, over a period of time, Arena will implement a policy in which around one-third of the anticipated total dividend is declared with the interim results, with the balance of around two-thirds declared as a final dividend.

#### Racecourse division

Arena's six racecourses staged a record of 324 fixtures in 2005 (2004: 315), representing 24% of the UK horseracing fixture list. These fixtures featured a total of 2,172 races, equating to 25% of the UK total. The increase in fixtures was attributable to the high number of fixtures held at our three All Weather tracks and the staging of a number of flat and national hunt fixtures transferred from Ascot during the latter's redevelopment. Lingfield Park was host to a total of 95 fixtures.

Across the six racecourses, total attendance levels increased by 6.0%, reaching a record of 534,000 (2004: 504,000) and, as part of this growth, we are delighted that we also increased average fixture attendances. Royal Windsor demonstrated the greatest growth with average daily attendance reaching 5,098, a 19% increase on 2004, including a record daily attendance of 9,248 on 11 July 2005. Efforts were made at all Arena courses to increase the number of corporate customers as these represent the customer base that not only generates the highest spend per head, but also offers a market that we believe has strong growth potential. A 17.5% increase to 47,600 corporate customers (2004: 40,500) reflects this focus, as well as the much improved facilities on offer in 2005 at Lingfield Park.

Arena also operated Doncaster Racecourse throughout 2005 under a management contract on behalf of Doncaster Metropolitan Borough Council, staging 29 fixtures. Arena was delighted to be involved with both the staging of the St Leger, the world's oldest classic race, and the introduction of Ladbrokes as sponsor to the St Leger Festival, thereby greatly enhancing the prestige of both the meeting and the St Leger itself. Despite the lack of modern facilities at the course and adverse weather conditions throughout the key St Leger Festival, attendances for the year increased by 5.2% to almost 224,000 (2004: 213,000). This is a tribute to Arena's venue management skills and provides a high degree of confidence that Arena will make a great success of the redeveloped Doncaster Racecourse when it re-opens in 2007.

Arena provided record levels of prize money in 2005, with owners benefiting from a 6% increase in prize money to over £12m across Arena's six tracks. This included significant contributions to fixtures transferred from Ascot, and the figure would have been higher still if three valuable national hunt days had not been lost to bad weather in December.

Many of Arena's racing highlights in 2005 took place at the newly refurbished Lingfield Park. This included Arena's first running of a Grade 1 steeplechase when the £100,000 transferred Ascot Chase was staged in February, the UK's first running of a Group race on an All Weather surface with the transfer of the Silver Trophy from Ascot in July, and the hosting of the Littlewoods Bet Direct Winter Derby which is the centrepiece of the European All Weather Series. We were delighted that, as a result of the success of the Winter Derby in recent years, the International Pattern Committee agreed to elevate the race to Group 3 status for 2006, when the £100,000 contest will again prove to be one of the highlights of the All Weather season.

## Our core skill – venue management

Through our venue management skills we aim to deliver a quality service that provides a high level of customer satisfaction at all types of event; we aim to ensure that our customers enjoy the experience of a day at the races.





## Outside of racing, Wolverhampton remained one of the busiest racecourses in Britain. Its Holiday Inn hotel achieved record occupancy levels in 2005.



### **Wolverhampton Racecourse Holiday Inn**

Scored top marks for guest satisfaction in 2005

### **Excellence in turf management**

The Folkestone ground staff team achieved recognition in the racing industry ground staff awards for 2005

In 2005, Arena entered into its second agreement with BAGS for the distribution of racing pictures to licensed betting offices ('LBOs'). This extends through to the end of 2009 and is a key agreement for Arena, generating a significant proportion of our turnover. However, in this new agreement, the amount paid for 'regional races' decreased. Regional racing provides fixtures that are restricted to horses with a maximum rating of 45-50. Arena staged over 300 regional races in 2004 and 2005 and the new, reduced tariff had a negative impact on the level of BAGS income received in 2005 of around £0.6m. Arena continues to work with the British Horseracing Board ('BHB') and other sectors of the racing industry to seek a means by which the current system of regional races can be improved.

As part of Arena's drive towards greater efficiency and due to the scale of our operations as the UK's leading operator of horseracing fixtures, Arena reviewed where cost savings could be made and services brought in-house, thereby avoiding the need for extensive set-up costs on each race-day. As a result, the 'photofinish' and 'starting stalls' operations were taken over in 2005 and the 'camera patrol' operation taken over in early 2006. In all these areas of operation, it was determined that the service could be provided much more efficiently through the investment in our own, racecourse-based staff and equipment, and has been achieved without impacting on the quality of the service provided.

In the more traditional areas of racecourse operation, Arena continued to excel with turf management given its usual high priority. It was just reward for the small and dedicated team of ground staff at Folkestone that they were awarded runner-up status for dual-purpose racecourses (flat and jump) in the Neil Wyatt Ground staff awards.

Outside racing, Wolverhampton remained one of the busiest racecourses in Britain. Its hotel operation, the Holiday Inn Garden Court, achieved record occupancy levels and, in the second quarter of 2005, achieved the distinction of being awarded the best overall score for guest satisfaction of all hotels within the Intercontinental Hotel Group in Europe, Middle East and Africa. The conference and exhibition business also continued to expand. Both Lingfield Park and Royal Windsor racecourses held popular fireworks displays in November, attracting large audiences from the local community. Southwell racecourse was the second of Arena's racecourses (after Wolverhampton) to be awarded Investors in People accreditation.

### **Industry matters**

#### **Future funding of racing**

In 2004, the UK Government passed an Act abolishing the statutory Levy on the understanding that an alternative source of funding for the UK horseracing industry had been found through the BHB selling pre-race data to bookmakers. However, the ruling handed down by the European Court of Justice ('ECJ') in November 2004 and upheld by the Court of Appeal in the BHB and Others v William Hill in July 2005 prevented the selling of pre-race data as a method of funding racing.

A committee was set up under the chairmanship of Lord Donoughue to investigate an alternative means of funding racing. This committee, the Future Funding of Racing Review Group ('FFRRG') made an interim report in March 2005 recommending that the Levy should remain in place until 2009. FFRRG reported its full findings to the Minister for Sport in December 2005, recommending that further investigation should be conducted into replacing the Levy with a commercial system based on the pooling and sale of all racing's rights – pictures and pre-race data – by the racecourses to the bookmakers' central purchasing agent for the UK and Irish markets. In the event that legal obstacles prevented a purely commercial solution, FFRRG would also investigate the possibilities of a hybrid solution whereby there is some form of statutory backing for a commercial arrangement. There are very many hurdles to be overcome before a commercial mechanism is determined, not least the issue of irrecoverable VAT at 17.5% on any payments made under a commercial arrangement. Currently, such a cost does not arise under the statutory Levy system.

FFRRG recommended that, in order to implement a commercial arrangement, 'Newco' should be set up to be the entity responsible for the collection and redistribution of the funds received through the sale of racing's rights. Newco would be jointly owned by the UK racecourses and the Horsemen's Group (a group set up by the Racehorse Owners' Association comprising those bodies in racing whose primary interest in racing's finances lie with prize money). It also recommended the combination of the two current bodies dealing with regulation and governance functions into one new body.

Arena fully supports both the 'Newco' and single governing/regulatory body recommendations. The UK Government is currently considering the FFRRG's report.

#### Gambling Act 2005

The Gambling Act 2005 provides for the relaxation of opening hours for licensed betting offices and it is the Government's intention to see the full implementation of the Gambling Act by the third quarter of 2007. The potential for the evening opening of betting shops in the latter part of 2007 should allow for an expansion of the fixture list to provide further evening racing – a move that Arena supports and would expect to benefit from.

#### Office of Fair Trading ('OFT')

During 2005 the OFT announced that it was closing its investigation into British racing. During the lengthy investigation, the BHB had produced a blueprint for the future of British racing entitled the Modernisation of British Racing ('MBR'). Although the MBR became redundant with the ECJ ruling, a number of its recommendations to bring racing into a more commercial era remain valid. Recommendations which continue to be pursued or have already become established are:

- The establishment of a competitive bidding system whereby racecourses can acquire leasehold fixtures. In the bidding for 2006 fixtures (carried out in June 2005), Arena acquired 66 fixtures on a one-year lease and relinquished 73. This represented an overall improvement in our racing programme due to the higher quality of the new fixtures. A similar bidding process will take place in mid-2006 for 2007 fixtures, when Arena will again seek to improve the quality of its leasehold fixture list. As a result of the likely arrival of new All Weather courses in 2006, there will most likely be increased competition for these fixtures, potentially reducing the number that Arena may obtain.
- Establishing a system for the distribution of Levy income whereby a racecourse receives income in proportion to the amount of either betting turnover or betting profit that its fixtures generate ('hypothecation'). With the expectation that this system is in place by 2009, it is the intention that the racing industry and bookmakers increase the emphasis on betting revenue in the distribution of income from 2007.
- Creation of a 'development fund' to incentivise racecourses to put on races which are necessary for the development of young racehorses and the improvement of the thoroughbred.



#### Camera patrol

In the drive for improved efficiency the race-day camera operation was brought in-house in February 2006

## Delivering profit

Our business continues to seek better and more efficient utilisation of our assets; improving our fixture list, growing attendance and developing non-racing activities. Arena is focused on driving a stronger and more profitable business.





# At The Races is committed to broadcasting racing to the widest possible audience and to maximising the value of racecourse media rights.



## At The Races

Arena owns a valuable portfolio of media rights in the form of the races staged at its courses. This value is delivered through At The Races ('ATR'), a joint venture in which Arena has a 47.5% shareholding, together with BSkyB (47.5%) and Ascot Racecourse (5%).

ATR is committed to maximising the value of the media rights licensed to it by its racecourse partners. It achieves this by making its partners' racing product as widely available as possible, both domestically and internationally, thereby growing the popularity of UK and Irish racing. ATR is not a bookmaker, acting instead as a facilitator for bets to be placed with its betting partners and driving ancillary revenues. At The Races generates more than £2m per week in turnover for its betting partners from interactive red button betting on the Sky platform alone. An interactive betting service is also available on NTL.

ATR now has media rights agreements with 29 UK racecourses. This follows the conclusion of a media rights agreement with Doncaster Metropolitan Borough Council in December that gives ATR exclusive domestic and international rights to at least 25 of Doncaster's transferred fixtures throughout 2006 and early 2007 and, from the re-opening of Doncaster Racecourse in time for the Ladbrokes St Leger in September 2007, exclusivity across the entire Doncaster fixture list. These agreements provide ATR with the exclusive right to broadcast around 55% of all UK fixtures. In addition, ATR also has exclusive rights to broadcast racing from all 27 Irish racecourses and thereby over 250 Irish horseracing fixtures a year. In 2005, ATR broadcast more than 1,000

UK and Irish meetings. All of these racecourses have chosen to sign with ATR in order to benefit from the widespread exposure of the sport that ATR provides. This enhances their on-course sponsorship and advertising, enhances levy generation and provides them with payments from ATR via their media rights agreements – agreements that directly relate to the income derived from the broadcast of races to the host track.

Given the popularity of UK racing outside the domestic market and ATR's commitment to grow this further, ATR also derives revenues from an international business, broadcasting to over 20 countries through ATR International. These revenues come from the established fixed odds betting territories such as the Caribbean and Sri Lanka, and also from existing and emerging pari-mutuel betting territories such as Italy, Russia, Eastern Europe and the USA. Through an agreement entered into in March 2005 with the UK Tote, international customers are able to place bets on races from ATR courses which are commingled into the UK Tote pools. To date, more than £10m has been commingled into on-course Tote pools through this route. ATR earns a commission on these bets, and our racecourses also benefit from increased liquidity of the domestic Tote pools.

In addition to its UK and Irish coverage, ATR also shows quality racing from around the world, including from France, Japan, Australia and the USA. Between two and four US race meetings are currently shown each evening, with ATR generating commissions from bets placed with UK bookmakers that are commingled into the US pools.



## At The Races

Taking racing to a wider audience in the UK and internationally, on a range of media platforms

## St Leger

In December 2005 ATR concluded an agreement to broadcast racing from Doncaster racecourse, including the Ladbrokes St Leger from 2007

Overall, ATR experienced significant growth in 2005. ATR's operating loss (before legal costs) was £2.0m. Importantly, within this, over £1.6m was paid or is payable to its racecourse partners in the form of media rights payments. This brings the total generated since ATR's launch in June 2004 to over £2.2m.

During 2005, the ATR television channel was officially recognised by the Broadcasters' Audience Research Bureau as the UK and Ireland's most watched dedicated horseracing channel, with 1.2m different individuals tuning in every month to the channel, with an average of 40,000–50,000 people watching at any time during live racing. The channel also had an average daily audience reach of over 200,000 different individuals. On one day alone, over 360,000 different individuals tuned into the channel.

ATR's aim of growing the popularity of UK and Irish racing at home and abroad is achieved by the channel being free to view within basic subscription packages. So, rather than its viewers paying an additional subscription, thereby limiting the racing audience, ATR generates advertising revenue. On an annualised basis compared to 2004, advertising and sponsorship revenues in 2005 grew by over 240%. With effect from 1 January 2006, Sky Media, the advertising sales division of BSkyB and the biggest media sales operation within the domestic multichannel marketplace, was appointed to handle all advertising sales in the UK and Ireland. In 2006, it is anticipated that ATR will be able to both grow its advertising revenue further and improve the quality of advertising that the channel attracts. So far in 2006, brand count, which reflects the number of different advertisers buying airtime on ATR, is up year on year by more than 50%.

ATR's website, [attheraces.com](http://attheraces.com), has established itself as the number two domestic horseracing website, with nearly 300,000 monthly unique users and over 20 million monthly page impressions. In January 2006, it streamed over 240,000 live and archive video streams.

The development of ATR's distribution opportunities included the launch of an online streaming service, 'Bet and Watch'. This is now available on six bookmaker partner websites and enables customers to watch high quality video streaming once they have placed a bet on an ATR broadcast race, with ATR earning a commission. ATR has seen double-digit percentage growth of downloaded streams on a monthly basis since launch. Agreements are in place for the roll-out of this product across a number of additional bookmaker websites.

ATR recently launched an online odds comparison service, Best Odds, that provides viewers with a one-stop shop in which they can see the options available for the bet they wish to make, place a bet and then proceed to watch racing live. The comparator allows the customer to compare the odds being offered by 15 betting partners, including leading fixed odds bookmakers, Tote pools and betting exchange Betfair.

A key to the long-term growth of ATR is its ability to maximise its revenue from new channels of distribution. In 2005, At The Races 3G was launched to a potential audience of six million subscribers on the 3 and Vodafone video mobile networks. All the channel's previews, news, analysis and UK and Irish horseracing content can be seen as a live broadcast with full commentary. ATR is also part of Sky Mobile TV, a joint venture between Vodafone and BSkyB to bring live TV to 3G. ATR is one of 19 channels available on the package. Mobile TV is an exciting new proposition and one in which horseracing can achieve a strong audience. ATR's distribution on mobile platforms will continue to roll out across all mobile networks, including in Ireland, and the addition of enhanced betting and research functionality is expected in due course.

2006 has started well for ATR. ATR is in a strong financial and operational position and is well positioned to build further on the successes achieved in 2005. A key objective will be to secure greater international distribution. One of the main ways that this can be achieved is by persuading the UK horseracing industry of the benefits of extending 48-hour declarations to all UK flat racing. This will allow UK racing to attempt to compete with its international counterparts on a level playing field and thereby maximise the revenue potential for UK horseracing in overseas markets.

### Developments

Arena constantly strives to improve the facilities that it provides for its customers. Over the last five years, Arena has invested around £24m into racecourse improvements. These have included new All Weather racing surfaces at Wolverhampton, Lingfield and Southwell, major refurbishments of the grandstands at Lingfield and Folkestone, improved access at Royal Windsor, the purchase of two 'giant screens' for added viewing enjoyment, together with a large number of small projects all contributing to the enjoyment of Arena's racing product.



### The big picture

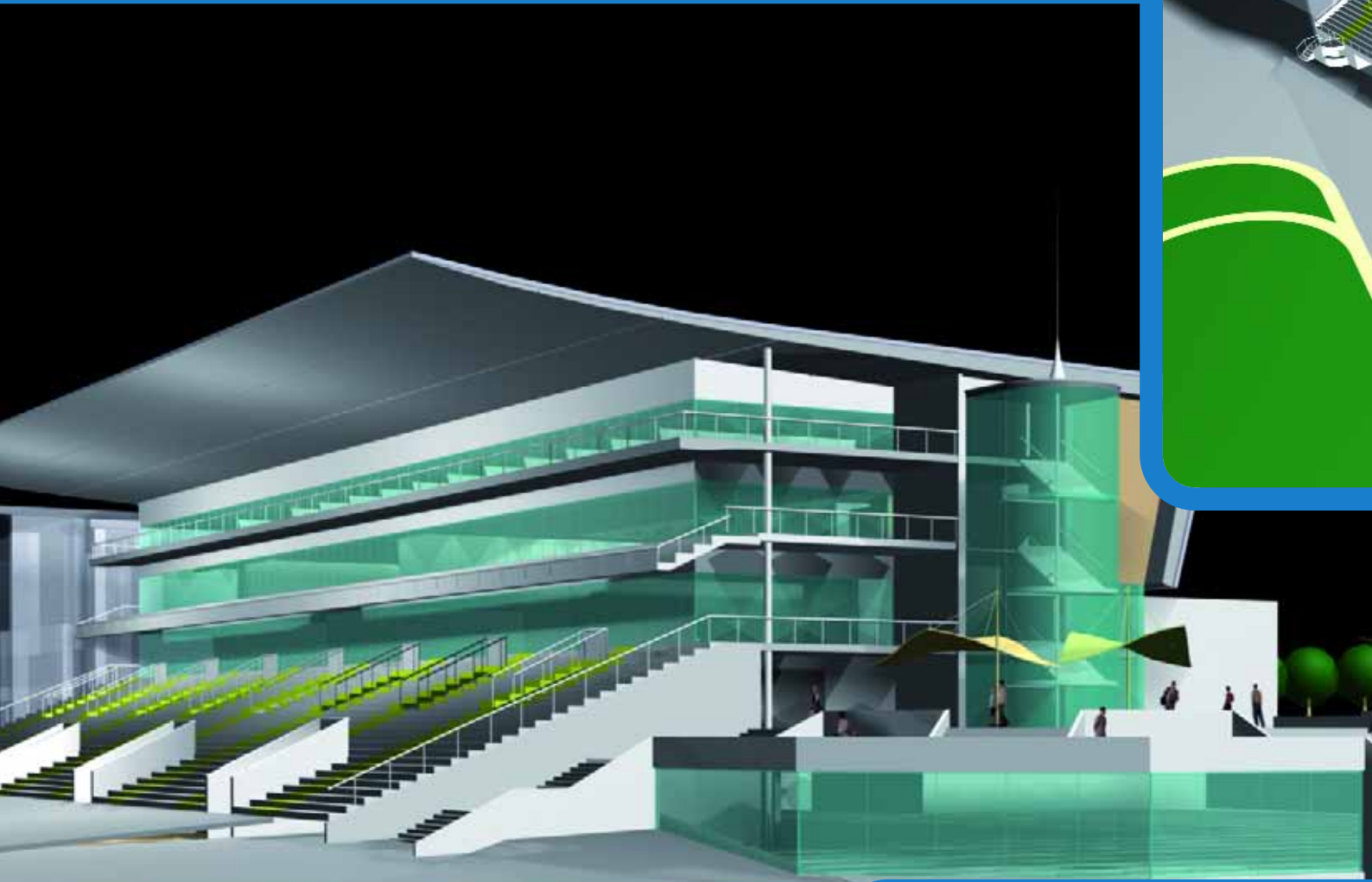
At The Races is watched by 1.2 million individual viewers per month throughout the UK and Ireland

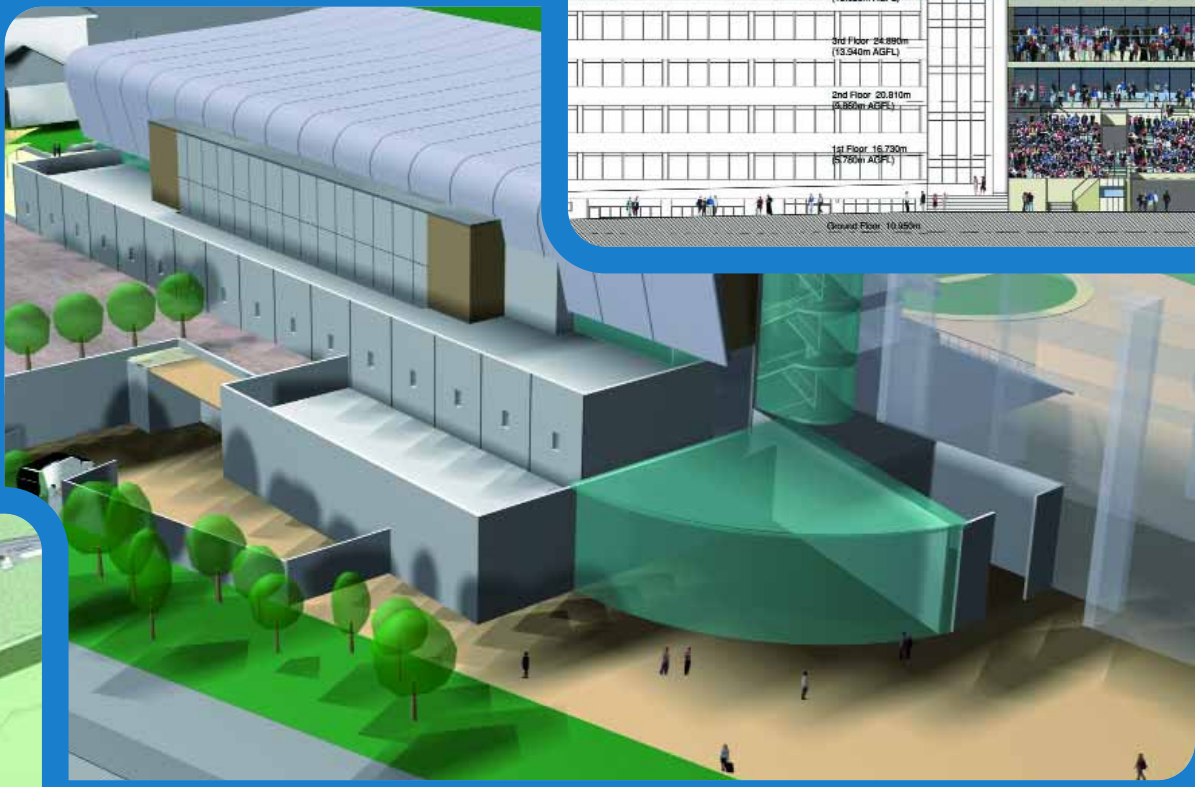
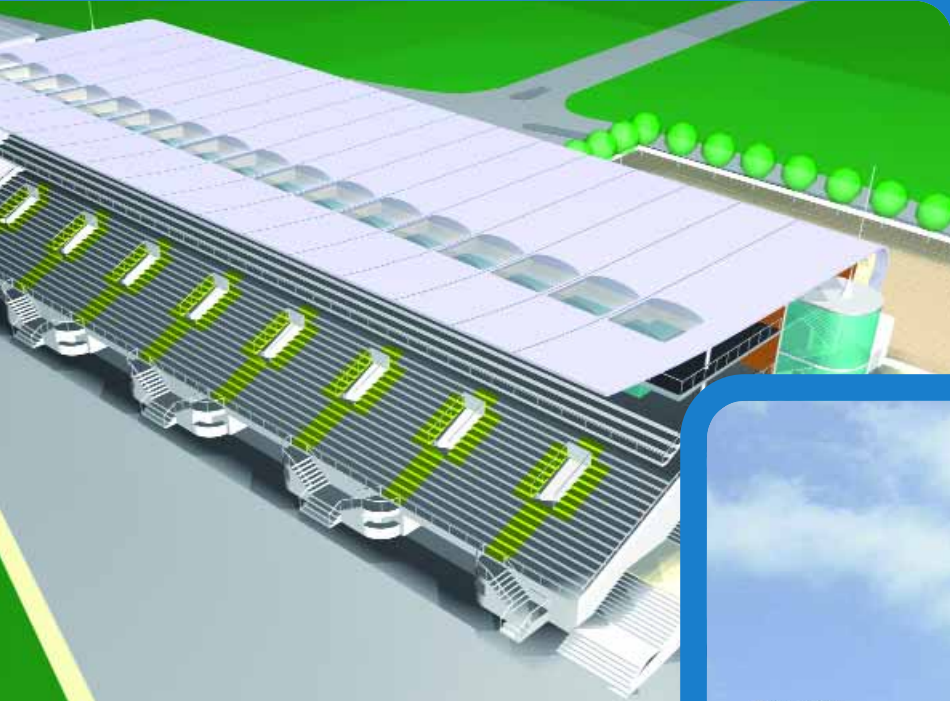
### ATR website

In January 2006 the ATR website streamed over 240,000 live and archive video streams

## Building for the future

Doncaster Racecourse is one of the UK's premier racing venues and home to the world's oldest classic horserace, the St Leger. The £32 million re-development that is underway will ensure that it ranks amongst the top racecourses in the country.





## Arena continues to progress a number of exciting development opportunities at its courses including the re-development of Doncaster Racecourse which commenced in January 2006.



This is an ongoing process. In 2005, £0.5m was spent replacing an outdated weighing room at Southwell with a new and enlarged building, providing improved facilities for jockeys and officials and also owners and trainers, all of whom have warmly welcomed the improvements.

In 2006, work has also started on the construction of a new golf clubhouse at Southwell to replace the outdated existing building at an estimated cost of £0.6m, and major work has started at Worcester to undertake a refurbishment of the grandstand and to provide new stables. The cost of the Worcester project is around £1.25m. These two projects largely complete the overhaul of the facilities that Arena has acquired and, as a result, the level of expenditure on more 'routine' capital projects should now have reached a relatively stable level. One further project that started this year is the 'camera patrol' project mentioned earlier. At a cost of around £1.0m, bringing this important function in-house will yield cost savings of around £0.25m per year.

### **Southwell Golf Club**

A new clubhouse is under construction that will dramatically improve the golfing facilities

### **Doncaster Racecourse**

Artist's impression of the new grandstand and exhibition centre now under construction



Over the coming years, assuming that the appropriate planning permissions are received, capital expenditure will now be focused on major revenue enhancing projects. The first of these projects that will come to fruition is the redevelopment of Doncaster Racecourse.

Doncaster Racecourse is one of the UK's major racecourses, hosting the opening race of the flat racing season, as well as the last classic of the season – the 229-year old St Leger Festival. The St Leger is currently sponsored by Ladbrokes and is the oldest classic horserace in the world.

Arena had been in discussions with the racecourse's owner, Doncaster Metropolitan Borough Council (the 'Council'), for some time and, in 2005, managed the racecourse on its behalf receiving a fee of £0.5m.

A redevelopment of the racecourse was the agreed route forward as, although the racecourse regularly attracts attendances in excess of 200,000 per year to its 29 meetings, in recent years, the facilities have, in places, become somewhat tired and dated.

In December, agreement was reached for an Arena subsidiary to acquire the rights to redevelop and operate Doncaster Racecourse on a 99-year lease, commencing upon completion of the redevelopment. Arena owns 81% of this subsidiary, with the Council owning the remaining 19%. Importantly, over the first 30 years of the racecourse's operation following its redevelopment, Arena will receive 92.5% of the profits, with the Council receiving the balance.

This agreement followed the receipt in November 2005 of detailed planning permission for the redevelopment of the racecourse. The outdated Yorkshire Stand and exhibition hall will be demolished and replaced by a state-of-the-art grandstand and new conference and exhibition facilities. These will provide Doncaster's customers with the quality of accommodation that they should expect from such a prestigious racecourse. Elsewhere around the racecourse, there will be a refurbishment of the adjacent St Leger Stand and construction of a new stable block next to the racecourse and an adjoining new stable lads' hostel.

The redevelopment commenced in January 2006 and is expected to last around 19 months, with the racecourse re-opening in time for the Ladbrokes St Leger meeting in September 2007. The 2006 St Leger meeting will take place at York, with the majority of Doncaster's remaining fixtures transferred around the Arena group.

Arena's aim is to return Doncaster Racecourse to its position as one of the UK's pre-eminent racecourses. In total, the redevelopment will cost around £32m, of which Arena will be providing around £28m, mainly in the form of guarantees for bank loans.

Following the agreement, Arena will receive no further management fees; instead incurring costs as the remainder of the racecourse is maintained and staffing levels begin to increase towards the end of the year in anticipation of the re-opening of the racecourse in 2007.

Work has also commenced on developing a planning application for a second phase development – a hotel and residential development on land adjacent to the racecourse. It is hoped that this will be submitted later this year.

Arena also looks to develop new or expanded revenue streams from its existing racecourses. Unfortunately, the first such project, a casino and hotel expansion as part of Arena's attempt to maintain and develop its Wolverhampton Racecourse, was rejected in July by the Office of the Deputy Prime Minister, despite support by Wolverhampton City Council. The development was viewed as negatively impacting upon the 'openness' of the Green Belt location in which it is situated. Arena awaited Wolverhampton's revised Unitary Development Plan to see whether the racecourse would be removed from the Green Belt, thereby significantly improving the chances of a successful re-application. It now appears likely that the racecourse is to remain within the Green Belt and so we are currently re-evaluating our options. As a result, we have written off as a charge to operating profit in 2005 £0.4m of the expenditure incurred on the original 'racino' design. Nevertheless, we remain determined to progress with a regeneration of the racecourse involving the expansion of the hotel, together with complementary leisure facilities.

The submission of a detailed planning application for a redeveloped grandstand and new hotel at our Royal Windsor Racecourse has been awaiting the outcome of a feasibility report into our financial justification for the development, commissioned by The Royal Borough of Windsor and Maidenhead. This report has only recently been completed by the Borough's independent consultants.

The report, in part necessitated by the considerable sensitivity of development on Green Belt land, appears broadly supportive of the need for the proposed scheme. We await the Borough's reaction to the report. In the meantime, we will complete our work on the preparation of the detailed planning application in readiness for its submission shortly. We hope that this development, which is essential to safeguard this important leisure facility in Windsor, will receive local authority approval. However, due to a number of factors, Royal Windsor Racecourse is a sensitive site in planning terms and so the processes that must be completed in order to present a realistic possibility of achieving full planning consent are considerably more onerous than might otherwise be expected. This development, should it receive planning permission, is expected to cost in the region of £38m.

Following the refurbishment of the main grandstand and provision of a new All Weather track within the last three years, it is anticipated that Lingfield Park Racecourse will submit an outline planning application in March 2006 to demolish two redundant stands and to replace them with a new integrated leisure building. This new building, to be known as the Silks, will incorporate improved racing administration and entertaining facilities, a greatly improved leisure club with a pool, a new 120-bedroom hotel and a new replacement golf clubhouse. The redevelopment, subject to it receiving planning permission, is expected to cost around £25m and will dramatically improve Lingfield Park, allowing it to compete with the extensive competition from other developing racecourses in the south-east region. I am hopeful of a positive outcome as the redevelopment also involves the removal of numerous smaller buildings from around the racecourse and so will allow the return of a sizeable area of currently developed land back to Green Belt. The process to date has included an extensive consultation exercise, including a recent public exhibition. We will continue to work closely with all local stakeholders to help ensure that this exciting development has the best possible chance of success.

Arena Leisure possesses a number of exciting growth opportunities and I am optimistic that the Company is now well placed to deliver them.



**Mark Elliott**  
Chief Executive  
28 February 2006



**Lingfield Park development**  
Artist's impression of the proposed integrated leisure building at Lingfield Park; incorporating racing, hotel, golf and leisure facilities

**Lingfield Park masterplan**  
Proposed consolidation and improvement of the operational core of the racecourse



# At The Races' operating performance improved significantly in its first full year of operation since its re-launch.

### International Financial Reporting Standards

The Annual Report and Accounts for the year to 31 December 2005 have been prepared for the first time in accordance with the accounting policies and presentation required under International Financial Reporting Standards as adopted by the EU ('IFRS'). Comparative information for the year ended 31 December 2004 has been restated on an IFRS basis.

### Results overview

Group turnover for the year to 31 December 2005 shows a 9.4% increase to £40.7m (2004: £37.2m) and profit from operations reported under the new IFRS format increased by 30% to £6.7m (2004: £5.2m). This includes a profit of £0.8m from the sale of shares in Satellite Information Systems ('SIS') and an impairment charge of £0.4m, in respect of the carrying value of costs incurred in relation to a proposed hotel extension and casino development at our Wolverhampton Racecourse. Adjusting for

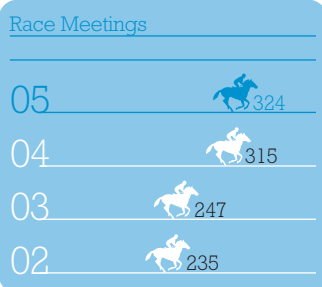
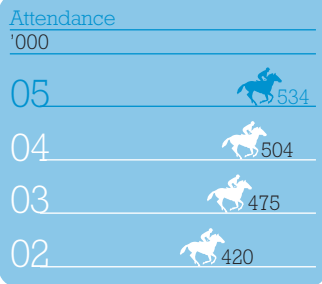
these one-off items, underlying profit from operations increased by 21.6% to £6.3m (2004: £5.2m).

Profit from racecourse operations (adjusted for the one-off impairment charge in respect of Wolverhampton) increased by 15.4% to £8.4m (2004: £7.3m), notwithstanding a £0.6m reduction in income from licensed betting offices ('LBOs') principally as a result of a reduction in the amount payable for regional races in 2005.

The six Arena owned racecourses operated 324 race meetings in 2005, an increase of 3% on the prior year (2004: 315). This included a number of flat and national hunt race meetings transferred to the group from Ascot Racecourse on a temporary basis during its redevelopment. The group also operated a further 29 race meetings at Doncaster Racecourse during 2005 under a management contract with Doncaster Metropolitan Borough Council.

## Highlights

- Turnover increased by 9.4% to £40.7m (2004: £37.2m)
- Profit from operations increased by 30.0% to £6.7m (2004: £5.2m)
- Adjusted profit from operations increased by 21.6% to £6.3m (2004: £5.2m), after adjusting the 2005 result for one-off gains and losses
- Arena's share of At The Races' adjusted operating loss reduced by 73.0% to £1.0m (2004: £3.7m)
- Profit before tax of £4.5m
- Adjusted earnings per share increased by 312% to 1.32 pence (2004: 0.32 pence)
- Proposed final dividend of 0.2 pence per share, giving a total dividend of 0.45 pence per share – an increase of 50% (2004: 0.3 pence per share)



Attendance at the group's owned tracks increased by 6% in the year to a record 534,000 (2004: 504,000) with corporate attendance increasing by 17% to 47,600 (2004: 40,500). The focus on improving the quality of the group's racecourse facilities showed through with total attendance related income increasing by circa 20% on the prior year.

The group has continued to progress improvements in operating efficiency and during the year has benefited from the rationalisation of picture transmission from the group's racecourses and the introduction of its own in-house starting stalls and photo finish operations. This, together with improved media rights income from the group's joint venture At The Races, made a positive contribution to the improvement in racecourse profits for the year.

Arena's central costs were maintained at £2.1m (2004: £2.1m).

The underlying operating performance of Arena's 47.5% owned joint venture 'At The Races' improved significantly in its first full year of operation since its relaunch in June 2004. Arena's share of At The Races, adjusted operating loss for 2005 (adjusted for exceptional legal costs of £0.9m, consortium relief tax credit of £0.5m and interest of £0.1m) was a loss of £1.0m. This represents a 73% improvement over the prior year adjusted loss (2004: £3.7m).

Under IFRS the group is required to disclose the post tax share of At the Races' operating result on the face of the income statement which was a loss of £1.5m (2004: profit £0.6m).

The group's share of the results of its 30% associated company Trackplay LLC for the year to 31 December 2005, after adjusting for movements in exchange rates, was a profit of £0.02m (2004: loss £0.04m). The board does not consider Arena's investment in Trackplay to be core to its future operating strategy and has indicated a desire to dispose of its share of the business in due course. Proceeds from this potential disposal are not expected to be significant and, as a result, the board has written down the carrying value of its investment to nil at 31 December 2005. An impairment provision of £0.3m has been charged to the income statement in 2005.

Profit before tax for the year to 31 December 2005 was £4.5m (2004: profit £4.9m).

Basic earnings per share from continuing operations were 1.24 pence (2004: 1.41 pence). An adjusted earnings per share from continuing operations (adjusted for one-off items of income and expenditure in 2004 and 2005 – Note 2) was 1.32 pence (2004: 0.32 pence).

## In December 2005 Arena entered into new enlarged bank facilities in connection with the re-development of Doncaster Racecourse.

### Impairment reviews

#### Goodwill – Racecourse acquisitions

Under IFRS, goodwill is no longer amortised, but is subject to annual impairment reviews. The carrying value of goodwill arising from the group's racecourse acquisitions was reviewed by the board at 31 December 2005. The review was based on the anticipated level of profitability and cash flow from the group's racecourse operations for the coming year. As a result of this review, the Board considers that no impairment provision is necessary.

#### Goodwill on investment and loans to At The Races

At 31 December 2005 the Board reviewed the carrying value of goodwill on its investment in At The Races and of loans made to the joint venture as at 31 December 2005. This was based upon the forecast results of the business provided by the management of At The Races. As a result of this review the Board considers that no impairment provision is necessary.

### Capital expenditure

During the year, Arena has invested £5.2m on capital expenditure of which £1.7m represents professional fees and expenses relating to the planning and advancement of major development projects at Doncaster, Lingfield Park, Windsor and Wolverhampton. The balance of £3.5m, represents a mixture of operational capital expenditure and smaller development projects. This includes £0.5m in respect of the expansion and improvement of weighing room facilities at Southwell

Racecourse and £0.6m incurred up to 31 December 2005 on camera equipment which will be used in bringing the camera patrol element of racing broadcast in-house in 2006.

### 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 low levels of debt, hedging for interest rate risk is not considered appropriate.

However, the board constantly monitors the financial markets to ensure this policy remains in Arena's interest. Arena does not face any significant foreign currency risk.

At 31 December 2005 Arena had available unutilised bank facilities of £4.7m. Short-term liquidity risk is managed by obtaining and reviewing the adequacy of banking facilities. Arena does not use derivative financial instruments to manage risk.

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, which total £0.6m at 31 December 2005 (2004: £1.0m).

In December 2005 Arena Leisure Plc and its subsidiary, Doncaster Racecourse Management Company Ltd, entered into a new bank facility agreement with Bank of Scotland in connection with the future redevelopment of Doncaster Racecourse. The bank facilities were entered into subject to the satisfaction of specific conditions precedent which at 31 December 2005 were incomplete but have since been met in full.

The new bank facilities are as follows:

Arena Leisure Plc and principal operating subsidiaries excluding Doncaster Racecourse Management Company Limited:

Overdraft facility of up to £5m  
Revolving credit facility of up to £10m  
Term loan facility of £10m

Doncaster Racecourse Management Co Ltd:

Overdraft facility of up to £1.5m  
Term loan facility of up to £22.5m

#### **Taxation**

There is no current year tax charge due to the group's continued use of HBLB capital credits and the availability of brought forward tax losses. At 31 December 2005 corporation tax losses representing trading and non trading losses of £54,777,000 (2004: £58,309,000) were available for utilisation in future years subject to agreement with HM Customs & Revenue.

#### **Dividends**

The board has proposed a final dividend for 2005 of 0.2 pence per share payable on 12 May 2006 to those shareholders on the register on 31 March 2006. This, in addition to the interim dividend of 0.25 pence per share paid in October 2005 will result in a total dividend for the year of 0.45 pence per share (2004: 0.3 pence per share). In accordance with IFRS, as a result of the final dividend having been declared in 2006 no provision for this liability has been made as at the balance sheet date of 31 December 2005.



**R Mercer**  
**Chief Financial Officer**  
28 February 2006

# We believe in behaving responsibly in our relationships with employees, the community and stakeholders

## Introduction

There is growing interest from shareholders and the investment community in general about 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 has always sought to manage these relationships in a professional, fair and responsible manner and has developed internal policies and procedures to govern its behaviour. 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 Corporate Social Responsibility ('CSR').

## Environment

Occupying over 1,200 acres of real estate in seven locations, Arena takes its environmental responsibilities extremely seriously. We follow all current guidelines with regards to waste disposal and have introduced waste management programmes across the group. This has highlighted increased recycling opportunities. Water for irrigation is drawn, whenever possible, from natural sources under licence. Our Polytrack All Weather surfaces at Lingfield Park and Wolverhampton contain recycled rubber products, and temporary stable bedding is collected from our racecourses and recycled whenever possible.

## Health and safety

Arena is making continued progress to ensure that our racecourses remain safe and healthy places for our employees, visitors and participants in the sport of racing. Arena is represented on the Racecourse Association ('RCA') Safety Advisory Group which works to develop and establish best practice in respect of health and safety systems and practice on racecourses.

Asbestos surveys have been carried out at each of our racecourses and asbestos registers are maintained together with an asbestos management programme to ensure that safe systems of work continue to be maintained.

Good training is a crucial factor in any successful health and safety management programme. In addition to the routine safety training programmes in place at each racecourse, health and safety is also incorporated into the group's senior management training programmes. Arena employs a Group Health and Safety Manager with Diploma in Safety Management and National Education Board of Safety and Health ('NEBOSH') qualifications, along with staff who hold Institute of Safety and Health ('IOSH') qualifications. Parade ring safety was a particular focus of attention in 2005 with the introduction of a new role - Parade Ring Safety Officers. These members of staff are chosen for their horse awareness ability and will monitor the behaviour of horses and the awareness of spectators in potentially volatile areas such as the parade ring and winners enclosure. Their role being to ensure that the racecourse safety policies and standards of safety are maintained in these areas.



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**1 Polytrack**

Our Polytrack racing surface contains recycled materials

**2 Control**

Traffic management ensures minimal disruption on local roads

**3 Animal welfare**

Strict standards for racecourse stabling are set by the Jockey Club and adhered to across all our racecourses

‘Welcome All’ training programmes to assist with DDA compliance requirements are mandatory on our racecourses

**Customers**

With regard to facilities for the disabled, Arena strives to be disability positive. Disability Discrimination Act (‘DDA’) access audits have been carried out at all of our racecourses and have confirmed that we remain compliant with the DDA legislation. Work has been undertaken to ensure that staff are fully aware of the legislation and the access needs of customers with varying degrees of mobility. ‘Welcome All’ training programmes to assist with DDA compliance requirements are mandatory on our racecourses to ensure that all our customers can enjoy themselves and our facilities at their best. A DDA Council disability positive accreditation has been awarded to each of Wolverhampton, Southwell and Worcester racecourses. Arena has several British Sign Language Certificate holders amongst its staff. Southwell racecourse has been appraised and approved by the Leonard Cheshire Organisation in respect of mobility, sight and hearing issues.

**Staff and corporate development**

During the year Southwell Racecourse achieved the Investors in People (‘IIP’) accreditation standard. This follows on from Wolverhampton who achieved IIP accreditation in 2004. This very important development standard is also being pursued at the group’s other racecourses.

**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 of Commerce 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, examples of which include crowd control, easy parking and control of traffic. Arena strives to support local charities in terms of prizes for their raffles and is active in promoting responsible gambling.

## Board of directors



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### **1 Roger Withers**

#### **Chairman**

Aged 63, Roger has been involved at a senior level in the betting, gaming and leisure industries in the UK and internationally for over 30 years with Ladbrokes, Bass, Littlewoods and Sportech. Posts held include Managing Director of Coral, Chairman of Bass Leisure South Africa and Littlewoods Leisure. He is also a Director of FireOne Group Plc. Roger became Chairman of Arena in October 2001.

### **3 Ian Renton**

#### **Executive Director**

Aged 47, Ian has held the position of Racing Director since he joined Arena in 2001. He has extensive racing experience including manager and clerk of the course at Salisbury, Wincanton and Aintree. A respected figure throughout racing, Ian is an RCA board member and sits on various British Horseracing Board and Industry advisory groups.

### **5 Andrew H Parker Bowles OBE**

#### **Non-Executive Director**

Aged 66, 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 including Chairman & Founder of the Re-training of Racehorses charity. Andrew joined Arena in September 1999.

### **2 Mark Elliott**

#### **Chief Executive**

Aged 40, Mark was appointed Chief Executive on 1 October 2005. Mark is the former Chief Executive of Wembley Plc, having previously been its Finance Director, and brings a wealth of experience relevant to Arena. During Mark's seven year tenure on the Board of Wembley, the company operated ten greyhound tracks across the UK and USA and one horse racing track in the US as well as Wembley Stadium, Wembley Arena and a variety of businesses providing services to UK leisure venues.

### **4 Raymond Mould**

#### **Non-Executive Deputy Chairman**

Aged 65, Raymond, a qualified solicitor, is a highly regarded businessman with a long track record of corporate achievement and close association with the horseracing and property industries. He is currently Chairman of London & Stamford Investments Ltd and was Executive Chairman of Pillar Property Plc until July 2005 when it was acquired by British Land Plc. He is also Chairman of Fleming Family & Partners Russia Real Estate Limited.

# Directors' report

The directors present their annual report together with the audited financial statements for the year to 31 December 2005.

## Results

The results of the group are set out on page 34.

## The group

Pre-tax profit for the year to 31 December 2005 was £4,489,000 (year to 31 December 2004: profit £4,908,000). Group profit on ordinary activities after tax was £4,489,000 (2004: profit £5,103,000).

## Dividend

The directors recommend that a final dividend of 0.2 pence per share be paid on 12 May 2006 to those shareholders registered on 31 March 2006.

## Principal activity and business review

The principal activities of the group during the year were the ownership and operation of racecourses; and the worldwide broadcast and exploitation of racecourse media rights via the group's shareholding in its At The Races joint venture.

A review of business is included in the Chief Executive's review on pages 4 to 17.

## Directors' interests in shares

The following table shows the beneficial interests of the directors who held office at 31 December 2005 in the ordinary shares of the company:

	Fully paid ordinary shares in the company	
	At 31 December 2005	At 31 December 2004*
R D Withers	85,000	85,000
M J Elliott	–	–
R I Renton	30,000	–
H R Mould	100,000	100,000
A H Parker Bowles OBE	42,000	42,000

\*Or at date of appointment if later.

No changes to the above interests in shares have been notified to the company in the period from 31 December 2005 to 28 February 2006. The directors' holdings of options over ordinary shares in the company are noted in the Remuneration report on pages 31 to 33.

## Directors

The directors who held office during the year to 31 December 2005 (unless otherwise indicated) were as follows:

R D Withers  
M J Elliott (appointed 1 October 2005)  
I R Penrose (resigned 30 September 2005)  
R I Renton  
M J Barnes (resigned 31 October 2005)  
H R Mould (appointed 1 November 2005)  
A H Parker Bowles OBE

In accordance with the Articles of Association, A H Parker Bowles will retire by rotation at this year's annual general meeting and being eligible, offers himself for re-election. R D Withers will also retire at the annual general meeting but will not seek re-election. M J Elliott and H R Mould, having been appointed during the year will also retire and being eligible, offer themselves for election.

The mid-market price of Arena Leisure Plc ordinary shares at 31 December 2005 was 41.0 pence. High and low prices were 47.25 pence and 36.25 pence respectively over the period.

The group's insurance programme includes policies to insure the directors and senior officers of the company against claims made against them personally as a result of the performance of their duties for the group.

#### Creditors' payment policy and practice

The group's policy is to fix payment terms when agreeing business transactions, to ensure that suppliers are aware of such terms and normally abide by the agreed terms of payment. The number of days' purchases which were represented by year end group trade creditors was 62 (company 55).

#### Employment of disabled persons

The group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Management actively pursues both the employment of disabled persons whenever a suitable vacancy arises, and the continued employment and retraining of employees who become disabled whilst employed by the company. Particular attention is given to the training, career development and promotion of disabled employees with a view to encouraging them to play an active role in the development of the company.

#### Substantial shareholders

The directors have been made aware of the following other interests, in addition to the interests of the directors, representing 3% or more of the issued ordinary share capital of the company as at 24 February 2006:

	Ordinary shares of 5p	% of issued share capital
Guild Ventures	127,663,217	35.1
Rumney Manor Ltd	22,000,000	6.0
Uberior Investments Plc	18,647,003	5.1
Goldman Sachs International	16,500,000	4.5

#### Environmental issues

The group is committed to minimising its impact on the environment by maintaining a continuous, group-wide assessment and awareness of its environmental responsibilities. The group's policy is to meet and, where practical, exceed the requirements of all applicable legislation and standards. Furthermore, the group is conscious of its position and responsibilities in the community and, at all practicable opportunities, endeavours to support initiatives taken in the vicinity of our racecourses.

#### Employee involvement

The communication of information to employees is carried out through regular management meetings at a national, regional and local level with staff briefings and notices as appropriate.

#### Financial instruments

Disclosures in respect of financial instruments are made in Notes 24 and 25 to the IFRS financial statements.

### Directors' responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards ('IFRS') and have chosen to prepare financial statements for the company in accordance with UK GAAP.

### Group financial statements

Company law requires the directors to prepare such financial statements in accordance with International Financial Reporting Standards, the Companies Act 1985 and Article 4 of the IAS Regulations.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. A fair presentation also requires the directors to:

- Consistently select and apply appropriate accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

### Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

### Going concern

The directors confirm that, after making enquiries, they have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### Annual general meeting

The notice convening the annual general meeting of the company on 8 May 2006 is on page 62.

### Auditors

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.



By order of the board  
**Robert Mercer FCMA**  
Company Secretary  
28 February 2006

Registered office:  
1 Hay Hill  
Berkeley Square  
London W1J 6DH

There is commitment to high standards of corporate governance throughout the group. Following publication of the Higgs Review – The Role and Effectiveness of Non-executive Directors and the Smith Report – Combined Code Guidance for Audit Committees in January 2003, the Financial Reporting Council issued the new Combined Code on 23 July 2003, which came into effect for reporting years beginning on or after 1 November 2003. The principles and provisions of the new Code have been considered by the board. The board confirms that throughout the year ended 31 December 2005 the group has complied with the main and supporting principles as set out in the new Combined Code, except that non-executives are not appointed for specified periods.

The board is accountable to the company's shareholders for good governance and the statement set out below describes how the principles identified in the new Combined Code (appended to the listing rules) are applied by the group.

## Directors

The board consists of a non-executive Chairman, Roger Withers, two non-executive directors, Raymond Mould (Deputy Chairman) and Andrew Parker Bowles, and two executive directors, Mark Elliott and Ian Renton, of which Mark Elliott is the Chief Executive. Both of the non-executive directors are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement.

Biographies of the board members appear on page 25 of this report. These indicate the high levels and range of business experience which is essential to manage effectively a business of the size and complexity of the group. The group continues to experience rapid growth, and the board is aware of its responsibilities to strengthen the board at appropriate times in the group's development.

The board meets at least 12 times each year and has a schedule of matters reserved to it for decision. The requirement for board approval on these matters is communicated widely throughout the senior management of the group. This includes matters such as material capital commitments, commencing or settling major litigation, business acquisitions and disposals, and appointments to subsidiary company boards.

There is an agreed procedure for directors to take independent professional advice if necessary and at the company's expense. This is in addition to the access which every director has to the company secretary.

The differing roles of Chairman and Chief Executive are acknowledged and defined in separate statements approved by the board. The key functions of the Chairman are to conduct board meetings and meetings of shareholders and to ensure that all directors are properly briefed in order to take a full and constructive part in board discussions. The Chief Executive is required to develop and lead business strategies and processes to enable the group's business to meet the requirements of its shareholders.

The senior non-executive director is Raymond Mould and any concerns relating to the executive management of the company, or the performance of the other non-executive directors, can be raised with him.

Any director appointed during the year is required, under the provisions of the company's Articles of Association, to retire and seek election by shareholders at the next annual general meeting. The Articles also require that one third of the directors retire by rotation each year and seek re-election at the annual general meeting. The directors required to retire will be those in office longest since their previous re-election and this will usually mean that each director retires at least every three years, although there is no absolute requirement to this effect. In order to comply with the new Combined Code, but avoid the expense of amending the company's Articles to deal with this single point, the board has resolved that each director will retire at least every three years, even if this is not strictly required by application of the provisions of the Articles.

Full details of directors' remuneration and a statement of the company's remuneration policy is set out in the Remuneration report appearing on pages 31 to 33. The members of the Remuneration Committee and the principal terms of reference of the Committee appear on page 31. Executive directors abstain from any discussion or voting at full board meetings on Remuneration Committee recommendations, where the recommendations have a direct bearing on their own remuneration package. The details of each executive director's individual package are fixed by the Committee in line with the policy adopted by the full board.

## Nomination Committee

The members of the Nomination Committee are H R Mould (Chairman) who was appointed on 1 November 2005, R D Withers and A H Parker Bowles. M J Barnes served as Chairman of the nomination committee until his resignation on 31 October 2005. The Committee meets as required, but not less than once a year. Its responsibilities include reviewing the board structure, size and composition, nominating candidates to the board to fill board vacancies when they arise, and recommending directors who are retiring by rotation to be put forward for re-election. The Committee also ensures that all board appointees undergo training as appropriate.

## Audit Committee

The Audit Committee is scheduled to meet at least three times a year. It is comprised of R D Withers (Chairman), A H Parker Bowles and H R Mould from 1 November 2005. MJ Barnes served as a member of the Audit Committee until his resignation on 31 October 2005. Meetings are attended by senior representatives of the group's external auditors and appropriate members of senior management. Amongst other matters, the Committee considers the company's annual and interim financial statements and any issues raised by the auditors in relation to the financial statements, financial systems and internal control within the group.

The attendance at board and committee meetings by the directors and senior executives of the company during 2005 are as follows:

	Board meetings	Remuneration Committee	Audit Committee	Nomination Committee
Number of meetings	12	3	3	2
<b>Executive directors</b>				
I R Penrose – resigned 30 September 2005	10	–	–	–
R I Renton	12	–	–	–
MJ Elliott – appointed 1 October 2005	2	–	1	–
<b>Non-executive directors</b>				
R D Withers	12	3	3	2
MJ Barnes – resigned 30 October 2005	11	3	1	2
A H Parker Bowles	12	3	3	2
H R Mould – appointed 1 November 2005	1	–	–	–
<b>Executive management</b>				
R Mercer	12	–	3	–

## Communication

The company places a great deal of importance on communication with its shareholders. The full report and accounts are sent to all shareholders and to other parties on request who have an interest in the group's performance. Shareholders also have direct access to the company, and the company responds to numerous letters and enquiries from shareholders on a wide range of issues. There is regular dialogue with individual institutional shareholders, and all shareholders have the opportunity to put forward questions at the company's annual general meeting. The board makes a presentation at the meeting to highlight the key business developments during the financial year.

## Audit and internal control

The respective responsibilities of the directors and the auditors in connection with the accounts are explained on page 28 within the Director's report and page 61 in the report of the independent auditors and the directors' statement on going concerns appears in the Director's report.

The directors are responsible for the company's system of internal control which is designed to provide reasonable but not absolute assurance against material misstatement or loss. The key procedures that the directors have established to provide effective internal financial controls are as follows:

**Financial reporting:** a detailed formal budgeting process for all group businesses culminates in an annual group budget which is approved by the board. Results for the company and for its main constituent businesses are reported monthly against the budget to the board.

**Financial and accounting principles:** comprehensive financial and accounting controls are required by the board for effective financial control.

**Capital investment:** the company has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group, which complies with the guidance 'Internal Control: Guidance for

directors on the combined code'. This has been in place throughout the current period and up to the date of approval of the financial statements. The process is regularly reviewed by the board.

Following publication of guidance for directors on internal control (The Turnbull Guidance), the board confirms its commitment to the management of risk within the organisation. Information provided by the group's risk committee, internal management reporting, external auditors and industry sources provides the basis on which the board carries out its review; to identify, evaluate and manage any risk deemed significant to the achievement of the company's strategic objectives.

The group does not have an internal audit function. Following the necessary evaluation the board has concluded that due to the modest size of the group, a formal internal function is not required. Limited internal audit work is however carried out by the group finance department.

During the period under review, the group has operated a risk review committee chaired by A H Parker Bowles. The committee is appointed from members of the board (including MJ Elliott (from 1 October 2005) and R I Renton) and senior management. Its role is to identify, evaluate and report formally to the board on significant risk issues.

The Audit Committee will keep the scope and cost effectiveness of both internal controls and the external audit under review. The independence and objectivity of the external auditors is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year under review appears on page 43. The non-audit fees were paid in respect of tax advice and compliance work, due diligence reports and other advice and are considered by the Audit Committee not to affect independence or objectivity.

Two of the directors of the group are on the board of the group's joint venture, At The Races. At least one of the group's directors will attend all significant meetings of the joint venture, where they will use their influence to ensure that the highest standards of internal control are maintained.

## The listing rules – the model code

Dealings in the company's securities by directors and relevant employees follow the terms of the model code.

# Remuneration report

As well as complying with the provisions of the new Combined Code as disclosed in the Corporate Governance Statement, the company has applied the principles relating to directors' remuneration as described below.

## Remuneration Committee

The Remuneration Committee consists of H R Mould (Chairman) who was appointed on 1 November 2005, A H Parker Bowles and R D Withers. M J Barnes served as Chairman of the Remuneration Committee until his resignation on 31 October 2005. The Committee determines the remuneration of all directors and of certain other senior executives within the company.

## Remuneration policy

The company's remuneration policy is to pay individual directors a salary or fee at market levels for comparable jobs, recognising the size of the company and the business sector in which it operates.

The following comprised the principal elements of executive directors' remuneration:

- Basic salary and benefits.
- Annual bonus.
- Long-term incentives.
- Pension contributions into a defined contribution pension scheme.

It is group policy to ensure that there is a strong link between the level of directors' remuneration and performance of the group. Consequently only basic salaries and benefits are fixed. These fixed elements are recognised as being comparable with other companies. The Remuneration Committee recognises that the long-term success of the group is largely dependent on attracting executives of the highest quality. Therefore each director can significantly augment their salary through annual bonuses and long-term incentives. The group's contributions to a defined contribution pension scheme are based on basic salary levels only.

In addition to the statutory vote to be held on this Remuneration report, shareholders will be given the opportunity to ask the Chairman of the Remuneration Committee, H R Mould, questions on any aspect of the group's remuneration policy.

The remuneration for non-executive directors consists of salary or fees for their services in connection with the board and board Committee meetings. They are not eligible for pension scheme membership. Their fees are determined by the executive directors who have regard to the level of salary or fees paid to the non-executives of similar companies.

Each element of remuneration payable to executive directors is discussed in more detail below.

## Basic salary and benefits

Basic salaries for all executive directors are reviewed (but not necessarily increased) annually by the Committee. In determining the level of basic salaries, the Committee will give consideration to the government's published inflation statistics, salaries for comparable positions and any significant change in the role performed by the director. The Committee also makes use of external remuneration consultants.

In addition to basic salaries, each executive director is entitled to the following main benefits:

- Chief Executive – 29 working days' holiday per annum in addition to normal bank and public holidays. Other executives – 25 working days holiday per annum in addition to normal bank and public holidays
- A fully expensed company car or cash equivalent.
- Private health insurance for themselves, their spouse and children.

## Annual bonus

In addition to a basic salary, the Chief Executive is entitled to an annual performance related bonus of up to 60% of basic salary and other executive directors of up to 50% of basic salary. Specific performance criteria are set by the Committee at the commencement of the year following approval of the group's budgets and are primarily related to defined strategic and financial objectives of the group.

## Long-term incentives – share options

The Committee believes that share ownership and the granting of options strengthens the link between executives' personal interests and those of the shareholders. Specific performance criteria are linked to the exercise of options based upon growth in the share price. The grant of share options is at the discretion of the board. On 3 October 2005 MJ Elliott was granted options over 1,000,000 shares in the company.

## Pension policy

Each of the executive directors is entitled to participate in the group's defined contribution pension scheme to which the company will contribute 8% of basic salary. The pension scheme provides life insurance cover equal to four times basic salary.

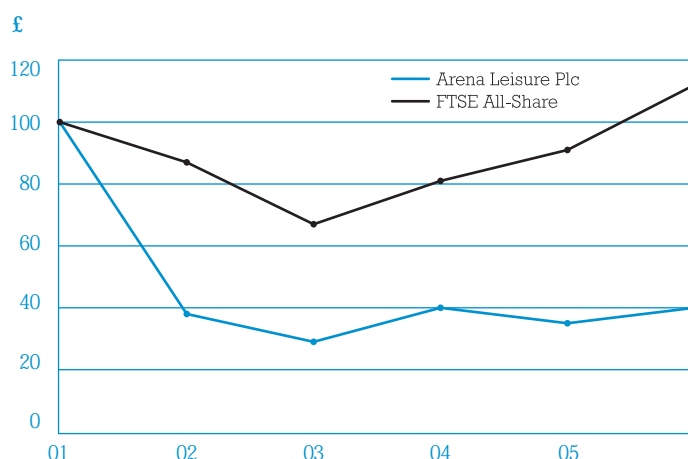
## Performance graph

The following graph compares the total return on the company's shares with that of the FTSE All-Share total return index over the last five years. The reasons the company has chosen this particular index are that it is considered the most likely benchmark by which the majority of shareholders would want to assess their investment in a public company and it is generally less volatile over time than other market indices.

The board does not however consider that the total shareholder return index as presented below properly reflects the true underlying performance of the group over the five-year period. This is due to the effect of the market 'boom' and subsequent decline in internet-related stocks which impacted upon the company share price. This was still evident at 31 December 2000, being the base point of the five-year index.

## Total shareholder return

31 December 2000 – 31 December 2005



## Remuneration report continued

### Service contracts

The Remuneration Committee has adopted the following policies concerning contracts and service periods which will be applied to any future appointment to the board:

- The notice period required by the company to terminate contracts is 12 months for executive directors.
- If the company terminates without notice the individual is entitled to a payment in lieu of notice of up to 12 months' pay.
- In the event of termination for reasons of misconduct, no payment in lieu of notice is payable.
- Executive directors will be employed under normal contracts of employment, but are required to give the company 12 months' notice of their intention to leave.
- Non-executive directors are required to give three months' notice under the terms of their service contracts. Details of each director's contract are shown below.
- The notice period required by the company to terminate contracts is three months for non-executive directors.

Director	Date of contract	Notice period
R D Withers	1 April 2002	3 months
M J Elliott	27 September 2005	1 year
R I Renton	9 April 2001	1 year
H R Mould	1 November 2005	3 months
A H Parker Bowles	8 September 1999	3 months

### Directors' remuneration

The following disclosures on directors' remuneration have been audited, as required by Part 3 of Schedule 7A of the Companies Act 1985.

The emoluments of the individual directors were as follows:

	Salary/fee £000	Bonus £000	Benefits £000	Year ended 31 December 2005		Year ended 31 December 2004	
				Total 2005 £000	Pension Contributions 2005 £000	Total 2004 £000	Pension Contributions 2004 £000
R D Withers	63	–	–	63	–	62	–
M J Elliott (appointed 1 October 2005)	62	31	3	96	5	–	–
I R Penrose (resigned 30 September 2005)	165	102	13	280	10	365	14
R I Renton	125	71	12	208	11	18	1
H R Mould (appointed 1 November 2005)	5	–	–	5	–	–	–
M J Barnes (resigned 30 October 2005)	22	–	–	22	–	25	–
A H Parker Bowles	27	–	–	27	–	25	–
I C Hogg (resigned 24 November 2004)	–	–	–	–	–	205	13
G T Parr (resigned 24 November 2004)	–	–	–	–	–	29	–
	469	204	28	701	26	729	28

The directors' holdings of options over ordinary shares are as follows:

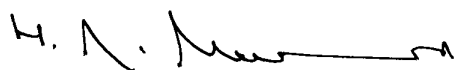
	At 31 December 2005	At 31 December 2004	Exercise price	Date from which exercisable	Expiry date
M J Elliott	1,000,000	–	40.75p	3 October 2008	2 October 2015
R I Renton	250,000	250,000	105.00p	25 May 2004	24 May 2011

All the options above are held under the discretionary Share Option Scheme, with the exception of 73,619 held by M J Elliott and 28,571 held by R I Renton which are under the Share Option Plan.

The share option performance criteria for these options are noted below:

	Date of grant	Options	Performance criteria
M J Elliott	3 October 2005	1,000,000	Exercisable if the market price of shares at the end of any dealing day after the date of grant is 25% or more greater than the option price of 40.75p, i.e. greater than 50.93p.
R I Renton	25 May 2001	125,000	Exercisable if the mean closing mid-price of shares is at least 139.75p over a continuous period of three months.
		62,500	Exercisable if the mean closing mid-price of shares is at least 159.5p over a continuous period of three months.
		62,500	Exercisable if the mean closing mid-price of shares is at least 181.5p over a continuous period of three months.
		250,000	

On 3 October 2005, M J Elliott was granted options over 1,000,000 shares in the company. The market price of the shares at 31 December 2005 was 41.0 pence. High and low prices were 47.25 pence and 36.25 pence respectively over the period.



On behalf of the board

**H R Mould**

**Chairman, Remuneration Committee**

28 February 2006

# Consolidated income statement and consolidated statement of changes in shareholders' equity

for the year ended 31 December 2005

	Note	2005 £000	2004 £000
<b>Turnover</b>	3	<b>40,747</b>	37,229
Cost of sales		<b>(26,235)</b>	(24,898)
<b>Gross profit</b>		<b>14,512</b>	12,331
Profit on sale of investments		<b>834</b>	–
Administrative costs		<b>(8,619)</b>	(7,157)
<b>Profit from operations</b>	4	<b>6,727</b>	5,174
Share of post tax results of joint venture	17	<b>(1,529)</b>	617
Share of post tax results of associate	17	<b>17</b>	(40)
Write down of investment in associate	17	<b>(315)</b>	–
<b>Profit before interest and taxation</b>		<b>4,900</b>	5,751
Finance costs	8	<b>(761)</b>	(1,035)
Finance income	8	<b>350</b>	192
Net finance costs		<b>(411)</b>	(843)
<b>Profit before taxation</b>		<b>4,489</b>	4,908
Taxation	9	<b>–</b>	195
<b>Profit on ordinary activities after taxation</b>		<b>4,489</b>	5,103
<b>Profit from discontinued operations</b>	10	<b>–</b>	482
<b>Profit for the period attributable to equity shareholders of the parent</b>		<b>4,489</b>	5,585
<b>Earnings per share:</b>	11		
		Pence	Pence
<b>Continuing operations</b>			
Basic earnings per share		<b>1.24</b>	1.41
Diluted earnings per share		<b>1.23</b>	1.40
<b>Continuing and discontinued operations</b>			
Basic earnings per share		<b>1.24</b>	1.54
Diluted earnings per share		<b>1.23</b>	1.53

## Consolidated statement of changes in shareholders' equity

	2005 £000	2004 £000
Total recognised income and expense	<b>4,489</b>	5,585
Share-based payment expense	<b>5</b>	–
Issue of new ordinary shares for cash	<b>71</b>	–
Dividends paid	<b>(1,988)</b>	–
	<b>2,577</b>	5,585
Capital and reserves attributable to equity holders of the company at the beginning of the period	<b>57,196</b>	51,611
Capital and reserves attributable to equity holders of the company at the end of the period	<b>59,773</b>	57,196

The notes on pages 37 to 56 form part of these financial statements.

# Consolidated balance sheet

at 31 December 2005

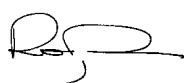
	Note	2005 £000	2004 £000
<b>Non-current assets</b>			
Property, plant and equipment	13	70,615	68,867
Intangible assets	14	5,596	4,878
Investment in joint venture – share of gross assets – share of gross liabilities		3,188 (5,974)	3,795 (5,052)
	17	(2,786)	(1,257)
Goodwill in respect of joint venture	17	1,580	1,374
Loans to joint venture		3,284	2,991
		2,078	3,108
Investment in associate	17	–	298
Financial assets – available for sale	18	–	345
Total non-current assets		78,289	77,496
<b>Current assets</b>			
Inventories	19	19	30
Trade and other receivables	20	4,785	3,904
Cash and cash equivalents		69	27
Total current assets		4,873	3,961
<b>Total assets</b>		<b>83,162</b>	<b>81,457</b>
<b>Current liabilities</b>			
Bank overdraft		(3,267)	(1,517)
Trade and other payables	21	(9,368)	(9,454)
Other financial liabilities	22	(315)	(401)
Corporation tax liability		–	(5)
Total current liabilities		(12,950)	(11,377)
<b>Non-current liabilities</b>			
Financial liabilities	23	(7,632)	(9,972)
Accruals and deferred income		(2,807)	(2,912)
Total non-current liabilities		(10,439)	(12,884)
<b>Total liabilities</b>		<b>(23,389)</b>	<b>(24,261)</b>
<b>Total net assets</b>		<b>59,773</b>	<b>57,196</b>
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital	27	18,100	18,075
Share premium	28	46	–
Merger reserve	28	5,417	5,417
Retained earnings	28	36,210	33,704
<b>Total equity</b>		<b>59,773</b>	<b>57,196</b>

The notes on pages 37 to 56 form part of these financial statements.

These financial statements were approved by the board of directors and authorised for issue on 28 February 2006 and signed on its behalf by:



**M J Elliott**  
Chief Executive



**R D Withers**  
Chairman

# Consolidated cash flow statement

for the year ended 31 December 2005

	Note	2005 £000	2004 £000
<b>Operating activities</b>			
Profit for the year		4,489	5,585
Adjustments for:			
Depreciation		1,847	1,424
Impairment provision – Wolverhampton development re assets under construction		400	–
Share-based payment expense		5	–
Net interest expense		411	843
Share of loss/(income) of joint venture		1,529	(617)
Share of (income)/loss of associate		(17)	40
Impairment provision – Trackplay LLC		315	–
(Profit)/loss on sale of property, plant and equipment		(69)	23
Profit on sale of SIS shares		(834)	–
Goodwill released on allocation of shares in ATR to Ascot racecourse		–	71
Profit on allocation of shares in ATR to Ascot racecourse		–	(36)
Taxation provision released		(5)	(195)
<b>Operating profit before changes in working capital and provisions</b>		<b>8,071</b>	<b>7,138</b>
Increase in trade and other receivables		(881)	(642)
Decrease in inventories		11	25
(Decrease)/increase in trade and other payables		(1,014)	490
<b>Cash flows from operating activities</b>		<b>6,187</b>	<b>7,011</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(4,409)	(13,537)
Sale of property, plant and equipment		184	82
Proceeds from sale of SIS shares		1,179	–
Loans to joint venture		(174)	(2,991)
Investment in Doncaster Racecourse Management Co Ltd		(718)	–
Investment in joint venture		(206)	(2,025)
Decrease in restricted bank account		–	1,365
Interest received		231	106
		(3,913)	(17,000)
<b>Financing activities</b>			
Issue of ordinary shares		71	–
Proceeds from bank and other borrowings		–	8,580
Repayment of loans		(1,326)	(422)
Repayment of finance lease creditors		(14)	–
Interest paid		(725)	(943)
Dividends paid		(1,988)	–
		(3,982)	7,215
<b>Decrease in cash and cash equivalents</b>		<b>(1,708)</b>	<b>(2,774)</b>
Net cash and cash equivalents at beginning of year	33	(1,490)	1,284
Net cash and cash equivalents at end of year		(3,198)	(1,490)

The notes on pages 37 to 56 form part of these financial statements.

# Notes forming part of the financial statements

for the year ended 31 December 2005

## 1 Accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements ('financial statements') are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) issued by the International Accounting Standards Board ('IASB'), as adopted by the EU, and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the group has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRS has affected the group's reported financial position, financial performance and cash flows are given in Note 2.

### First-time adoption

In preparing these financial statements, the group has elected to apply the following transitional arrangements permitted by IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- Business combinations effected before 1 January 2004, including those that were accounted for using the merger method of accounting under UK accounting standards have not been restated.
- The carrying amount of capitalised goodwill at 31 December 2003 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and was subject to annual impairment review at 1 January 2004.
- IFRS 2 'Share-based payments' has been adopted from the transition date and is only being applied to equity instruments (eg: share options) granted after 7 November 2002 that had not vested by 1 January 2005.

Except as noted above, the following principal accounting policies have been applied consistently in the preparation of these financial statements:

### Revenue

#### Turnover

Turnover principally relates to income derived directly from the holding of horse race meetings, including industry-related funding from the Horserace Betting Levy Board and the non race-day use of the racecourse facilities. The group also derives income from the operation of a hotel at Wolverhampton Racecourse, two golf courses located at Lingfield Park and Southwell Racecourse and a management contract in respect of Doncaster Racecourse.

Income is recognised once a race meeting has been held. In certain circumstances income is taken over the life of the agreement to which it relates, such as rental income and golf club members' subscriptions.

#### Media rights

On 29 March 2004, *attheraces* terminated its media rights agreement with The Racecourse Association ('RCA') and the 49 racecourses which were party to the contract, including the six racecourses owned by Arena Leisure Plc. Following termination of this agreement, the group negotiated a new media rights contract and a new At The Races channel was launched in June 2004. The new media rights agreement enabled the group to resolve its rebate liability under the original contract and to receive future rights payments based on a percentage share of the relevant revenues generated by the broadcasts from the group's racecourses. Income from the new media rights agreement is credited to the income statement in the period in which it is earned.

At 29 March 2004, the group held within creditors the sum of £3.2m in respect of deferred media rights income received under the original contract. This income will be released to the income statement on a straight line basis over the initial five year period of the new contract.

#### Horserace Betting Levy Board ('HBLB') grants

The HBLB provides revenue grants to racecourses to support the holding of race meetings. These revenue grants can be waived by racecourses and transferred to 'capital credits'. Such capital credit grants may be claimed by racecourses, but at the HBLB's discretion, against expenditure on approved capital projects. It is the group's policy that all such grants are taken to income when the race to which they relate is held. As these grants are derived from and are dependent upon trading activities, they are taken to the income statement when the related race meeting is held.

### Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ('the group') as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

### Business combinations

The consolidated financial statements incorporate the results of business combinations using the purchase method of accounting. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 1 Accounting policies continued

### Goodwill

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the income statement.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the income statement.

### Impairment of non-financial assets

Impairment tests in respect of goodwill are undertaken annually on 31 December. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash generating unit, in this case being the racecourse operations. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expense.

### Associates and joint ventures

Associate undertakings are entities in which the group holds a long-term minority interest and has the power to influence (but not control) the financial and operating policy decisions of the entity. Joint ventures are entities in which the group holds a long-term interest and shares control under a contractual arrangement. Interests in associate and joint venture undertakings are accounted for using the equity method of accounting. The group's share of post acquisition profits and losses is recognised in the consolidated income statement. Any premium paid for an interest in a jointly controlled entity or associate above the fair value of the group's share of identifiable assets and liabilities is dealt with under the goodwill policy.

### Foreign currency

Transactions entered into by group entities in a currency other than sterling are recorded at the rates ruling when the transactions occur. The results of the overseas associate are translated at the average rate of exchange during the year, which is a reasonable approximation of the rate of the underlying transaction and the balance sheet is translated into sterling at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and from translating the income statement at an average rate are taken to reserves.

### Financial assets

The group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The group's accounting policy for each category is as follows:

**Loans and receivables:** These assets are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors). They are carried at cost less any provision for impairment.

**Available for sale:** Non derivative financial assets not included in the above category are classified as available-for-sale and comprise the group's strategic investments in entities not qualifying as subsidiaries, associates or joint ventures. They are required to be carried at fair value with changes in fair value recognised directly in equity. Where an estimate of reasonable fair value cannot be reasonably assessed, the group is precluded from measuring the investment at fair value and measures the instrument at cost.

### Financial liabilities

Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost; and
- Bank borrowings are recognised at the outstanding amount advanced less issue costs which are accreted to the income statement over the life of the borrowing facility. Interest expense on outstanding borrowings is charged to the income statement as incurred.

The group does not hold or issue derivative financial instruments for trading purposes or any other purpose.

### Retirement benefits: defined contribution schemes

Contributions to the group's defined contribution pension scheme are charged to the income statement in the year to which they relate.

## 1 Accounting policies continued

### Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

### Leased assets

Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the group (a 'finance lease'), the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the lower of fair value and present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are retained by the lessor (an 'operating lease'), the total rentals payable under the lease are charged to the income statement on a straight line basis over the lease term.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

Where the group enters into leases for land and buildings, the land element and the building elements are split, with generally the land element being treated as an operating lease and the building element as a finance lease. However, if lease payments cannot be allocated reliably between land and buildings, then the entire lease is classified as a finance lease.

As a consequence, the lease in respect of Worcester Racecourse has been classified as a finance lease and has been capitalised as a fixed asset with a corresponding finance lease creditor. Future lease payments will be allocated between capital and interest accordingly.

### Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs to its tax base, except for differences arising on:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). Deferred tax balances are not discounted.

### Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when paid by the company. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

### Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost.

Freehold land is not depreciated. Depreciation is provided on all other items of property, plant and equipment to write off the cost or valuation, less estimated residual values of items, over their expected useful economic lives. Depreciation is provided on a straight line basis at the following rates:

Freehold buildings	2% per annum
Leasehold land and buildings	Evenly over the length of lease
All Weather tracks	Surface 5% to 10% per annum Base 2.5% to 3.3% per annum
Plant and machinery	5% to 33% per annum
Fixtures and fittings	5% to 25% per annum
Motor vehicles	25% per annum

### Inventories

Inventories are recognised at the lower of cost and net realisable value.

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 2 First-time adoption of International Financial Reporting Standards ('IFRS')

Reconciliations and explanatory notes on how the transition to IFRS has affected profit and net assets for the group previously reported under UK Generally Accepted Accounting Principles ('UK GAAP') are given below:

Income statement reconciliation for the group for the year ended 31 December 2004

	Sub-note	UK GAAP £000	Adjustments £000	IFRS £000
Turnover	viii	36,019	1,210	37,229
Cost of sales	viii	(23,688)	(1,210)	(24,898)
Gross profit		12,331	–	12,331
Administrative expenses	i	(7,466)	309	(7,157)
Profit from operations		4,865	309	5,174
Share of profits of associates		(40)	–	(40)
Share of profits of joint ventures		617	–	617
Goodwill in respect of joint venture	ii	(47)	47	–
Profit before interest and tax		5,395	356	5,751
Net finance costs	iii	(751)	(92)	(843)
Profit before tax		4,644	264	4,908
Corporation tax credit		195	–	195
Profit after tax		4,839	264	5,103
Profit from discontinued operations		482	–	482
Profit for the period attributable to equity shareholders		5,321	264	5,585
Dividends	iv	(1,084)	1,084	–
Retained profit for the year		4,237	1,348	5,585

## 2 First-time adoption of International Financial Reporting Standards ('IFRS') continued

Balance sheet reconciliation as at 1 January 2004

	Sub-note	UK GAAP £000	Adjustments £000	IFRS £000
<b>Non-current assets</b>				
Property, plant and equipment	v	55,834	1,025	56,859
Intangible assets		4,878	–	4,878
Investment in joint venture – share of gross assets		5,006	–	5,006
– share of gross liabilities		(41,464)	–	(41,464)
Loans to joint venture		(36,458)	–	(36,458)
		33,968	–	33,968
Investment in associate		(2,490)	–	(2,490)
Financial assets – available for sale		338	–	338
		345	–	345
<b>Total non-current assets</b>		<b>58,905</b>	<b>1,025</b>	<b>59,930</b>
<b>Current assets</b>				
Inventories		55	–	55
Trade and other receivables		3,176	–	3,176
Blocked bank deposit		1,365	–	1,365
Cash and cash equivalents		1,284	–	1,284
<b>Total current assets</b>		<b>5,880</b>	<b>–</b>	<b>5,880</b>
<b>Total assets</b>		<b>64,785</b>	<b>1,025</b>	<b>65,810</b>
<b>Current liabilities</b>				
Trade and other payables		(8,964)	–	(8,964)
Short-term borrowings		(422)	–	(422)
Corporation tax liability		(200)	–	(200)
<b>Total current liabilities</b>		<b>(9,586)</b>	<b>–</b>	<b>(9,586)</b>
<b>Non-current liabilities</b>				
Other payables	vi	–	(1,311)	(1,311)
Long-term borrowings		(390)	–	(390)
Accruals and deferred income		(2,912)	–	(2,912)
<b>Total non-current liabilities</b>		<b>(3,302)</b>	<b>(1,311)</b>	<b>(4,613)</b>
<b>Total liabilities</b>		<b>(12,888)</b>	<b>(1,311)</b>	<b>(14,199)</b>
<b>Total net assets</b>		<b>51,897</b>	<b>(286)</b>	<b>51,611</b>
<b>Capital and reserves attributable to equity holders of the company</b>				
Share capital		18,075	–	18,075
Share premium		87,625	–	87,625
Merger reserve		5,417	–	5,417
Revaluation reserve		15	–	15
Retained earnings		(59,235)	(286)	(59,521)
		51,897	(286)	51,611

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 2 First-time adoption of International Financial Reporting Standards ('IFRS') continued

Balance sheet reconciliation as at 31 December 2004

	Sub-note	UK GAAP £000	Adjustments £000	IFRS £000
<b>Non-current assets</b>				
Property, plant and equipment	v	67,840	1,027	68,867
Intangible assets	vii	4,571	307	4,878
Investment in joint venture – share of gross assets		3,795	–	3,795
– share of gross liabilities		(5,052)	–	(5,052)
Goodwill in respect of joint venture	ii	(1,257)	–	(1,257)
Loans to joint venture		1,327	47	1,374
		2,991	–	2,991
Investment in associate		3,061	47	3,108
Other investments		298	–	298
		345	–	345
<b>Total non-current assets</b>		<b>76,115</b>	<b>1,381</b>	<b>77,496</b>
<b>Current assets</b>				
Inventories		30	–	30
Trade and other receivables		3,904	–	3,904
Cash and cash equivalents		27	–	27
<b>Total current assets</b>		<b>3,961</b>	<b>–</b>	<b>3,961</b>
<b>Total assets</b>		<b>80,076</b>	<b>1,381</b>	<b>81,457</b>
<b>Current liabilities</b>				
Trade and other payables	iv	(10,538)	1,084	(9,454)
Short-term borrowings		(1,843)	–	(1,843)
Corporation tax liability		(5)	–	(5)
<b>Total current liabilities</b>		<b>(12,386)</b>	<b>1,084</b>	<b>(11,302)</b>
<b>Non-current liabilities</b>				
Other payables	vi	–	(1,403)	(1,403)
Long-term borrowings		(8,644)	–	(8,644)
Accruals and deferred income		(2,912)	–	(2,912)
<b>Total non-current liabilities</b>		<b>(11,556)</b>	<b>(1,403)</b>	<b>(12,959)</b>
<b>Total liabilities</b>		<b>(23,942)</b>	<b>(319)</b>	<b>(24,261)</b>
<b>Total net assets</b>		<b>56,134</b>	<b>1,062</b>	<b>57,196</b>
<b>Capital and reserves attributable to equity holders of the company</b>				
Share capital		18,075	–	18,075
Merger reserve		5,417	–	5,417
Retained earnings		32,642	1,062	33,704
		56,134	1,062	57,196

## 2 First-time adoption of International Financial Reporting Standards ('IFRS') continued

### Adjustments

Explanations of the adjustments made to the UK GAAP income statement and balance sheets are as follows:

Sub-note	Explanation
i	This adjustment reflects the reversal of the goodwill amortisation charge of £307,000 in 2004 in respect of the group's racecourse businesses and the net impact of £2,000 on administrative costs following the re-classification of the Worcester Racecourse lease as a finance lease.
ii	This adjustment reflects the reversal of the goodwill amortisation charge of £47,000 in 2004 in respect of the group's investment in At The Races.
iii	This adjustment reflects the impact on finance charges of the re-classification of the Worcester Racecourse lease as a finance lease.
iv	Previously under UK GAAP proposed dividends were included in the balance sheet as a liability even though formal declaration had taken place after the balance sheet date, whereas under IFRS if an entity declares a dividend after the balance sheet date, the entity must recognise the dividend in the period in which it was declared. This adjustment reflects the removal of the 2004 proposed dividend liability from the balance sheet at 31 December 2004 to be reflected in 2005.
v	This adjustment reflects the capitalisation of the Worcester Racecourse lease following its re-classification as a finance lease.
vi	This adjustment represents the finance lease creditor balance in respect of Worcester Racecourse following its re-classification from an operating lease.
vii	This adjustment reflects the reversal of the goodwill amortisation charge of £307,000 in 2004 in respect of the group's racecourse businesses.
viii	IAS 1 paragraph 32 requires that income and expenses are not offset unless required or permitted by a standard or interpretation. Previously under UK GAAP industry funding for integrity fees was shown net of integrity costs incurred. The adjustment is the grossing up of this revenue and cost.

### Cash flow statement for the year ended 31 December 2004

The only changes to the cash flow statement are presentational. The key ones include:

- Presenting a statement showing movements in cash and cash equivalents, rather than just cash. Cash under UK GAAP comprised only amounts accessible in 24 hours without penalty less overdrafts repayable on demand. The components of cash equivalents are shown in Note 33.
- Classifying equity dividends as relating to financing activities.

## 3 Revenue

	2005 £000	2004 £000
Sale of services	40,747	37,229

## 4 Profit from operations

	2005 £000	2004 £000
This has been arrived at after charging/(crediting):		
Staff costs (see Note 5)	5,964	5,392
Depreciation of property, plant and equipment	1,847	1,424
Audit fees	150	136
Fees paid to the company's auditors for non-audit services provided to the company and UK subsidiaries	179	235
(Profit)/loss on disposal of fixed assets	(69)	23
Profit from sale of unlisted investment	(834)	–

Audit fees include an amount of £54,000 (2004: £68,000) in respect of the company.

In November 2005, the group sold its investment in Satellite Information Systems (Holdings) Ltd ('SIS') for £1,179,000 resulting in a profit of £834,000.

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 5 Staff numbers and costs

The average number of persons employed by the group (including directors and part-time staff but excluding race-day casual staff) during the period, analysed by category, was as follows:

	2005	2004
Management and administration	81	84
Customer service	160	179
	<b>241</b>	<b>263</b>

	2005	2004
	£000	£000
Staff costs (including directors) comprise:		
Wages and salaries	5,333	4,775
Defined contribution pension cost	119	120
Share-based payment expense (see Note 31)	5	-
Employer's national insurance contributions and similar taxes	507	497
	<b>5,964</b>	<b>5,392</b>

The table above includes staff costs of £856,000 (2004: £232,000) in respect of 50 staff employed (2004: 66) and recharged to Doncaster Metropolitan Borough Council as part of the Doncaster Racecourse management contract which commenced on 14 September 2004.

The company employs casual staff to assist during race-days. The number of casual staff varies between 22 and 180 depending on the race-day. Casual staff are not included in the staff numbers or costs stated above. The aggregate payroll in respect of casual staff for 2005 was £1,290,000 (2004: £800,000). This includes casual staff costs of £265,000 (2004: £32,000) for Doncaster Racecourse.

## 6 Directors' and key management remuneration

	2005	2004
	£000	£000
<b>Directors' remuneration</b>		
Directors' emoluments	701	699
Defined contribution pension cost	26	28
Compensation for loss of office	-	30
Share-based payment expense (see Note 31)	5	-
	<b>732</b>	<b>757</b>

There were three directors in the company's defined contribution pension scheme (2004: 2) during the year.

Further disclosures relating to the remuneration of each individual director is included in the Remuneration report of which the information on pages 32 to 33 has been audited.

Note that directors' emoluments include amounts attributed to benefits-in-kind on which the directors are assessed for tax purposes. This may differ to the cost to the group of providing those benefits included in Note 5 and 6.

	2005	2004
	£000	£000
<b>Key management remuneration (including directors)</b>		
Wages and salaries	1,113	1,038
Defined contribution pension cost	47	46
Compensation for loss of office	-	30
Share-based payment expense (see Note 32)	5	-
	<b>1,165</b>	<b>1,114</b>

There are 3 employees (excluding directors) defined as being key management for 2005 (2004: 3).

## 7 Segment information

	Racecourse operations		Central costs		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
<b>Revenue</b>	<b>40,747</b>	37,229	–	–	<b>40,747</b>	37,229
<b>Profit from:</b>						
Operations	<b>8,021</b>	7,295	<b>(2,128)</b>	(2,121)	<b>5,893</b>	5,174
Sale of unlisted investment	–	–	<b>834</b>	–	<b>834</b>	–
Profit from operations	<b>8,021</b>	7,295	<b>(1,294)</b>	(2,121)	<b>6,727</b>	5,174
<b>Balance sheet</b>						
Segment assets	<b>72,262</b>	70,352	<b>8,822</b>	7,699	<b>81,084</b>	78,051
Unallocated assets:						
Investment in joint venture – unallocated					<b>2,078</b>	3,108
Investment in associate – unallocated					–	298
Consolidated total assets					<b>83,162</b>	81,457
Segment liabilities	<b>(9,942)</b>	(14,256)	<b>(3,180)</b>	(488)	<b>(13,122)</b>	(14,744)
Unallocated liabilities:						
Bank loans and overdrafts					<b>(10,267)</b>	(9,517)
Consolidated total liabilities					<b>(23,389)</b>	(24,261)
Net assets	<b>62,320</b>	56,096	<b>5,642</b>	7,211	<b>59,773</b>	57,196
<b>Other:</b>						
Capital expenditure	<b>5,211</b>	13,485	<b>21</b>	52	<b>5,232</b>	13,537
Depreciation	<b>1,823</b>	1,401	<b>24</b>	23	<b>1,847</b>	1,424
Share of associate result					<b>17</b>	(40)
Share of joint venture result					<b>(1,529)</b>	617
Discontinued operations					–	482

All business segments arise in the UK.

## 8 Finance income and expense

	2005 £000	2004 £000
<b>Finance income</b>		
Bank interest receivable	<b>231</b>	106
Other interest receivable	<b>119</b>	86
	<b>350</b>	192
<b>Finance expense</b>		
Bank interest payable	<b>(725)</b>	(317)
Other interest payable	–	(626)
Finance lease interest	<b>(36)</b>	(92)
	<b>(761)</b>	(1,035)

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 9 Tax expense

	2005 £000	2004 £000
<b>UK Corporation tax</b>		
Current tax	-	(195)

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2005 £000	2004 £000
<b>Tax reconciliation</b>		
Factors affecting tax for the period:		
Profit on ordinary activities before taxation	4,489	4,908
Profit on ordinary activities at standard rate of corporation tax in the UK of 30%	1,347	1,472
Effects of:		
Expenses not deductible for tax purposes	100	1,357
Income not assessable to tax	(1,006)	(2,019)
Short-term temporary differences	-	(54)
Accelerated capital allowances	(563)	(20)
Adjustment for joint ventures and associates	548	(187)
Tax losses utilised	(426)	(549)
Adjustment to prior year tax charge	-	(195)
Total tax credit for the year	-	(195)

At the year end, corporation tax losses representing trading and non trading losses of £54,777,000 (2004: £58,309,000) were available for utilisation in future years subject to agreement with the HM Customs & Revenue.

## 10 Discontinued operations

	2004 £000
<b>Group turnover</b>	1,293
Operating costs	(565)
<b>Gross profit</b>	728
Administrative costs	(246)
<b>Profit before interest and taxation</b>	482
Finance costs	-
<b>Profit before and after taxation attributable to equity holders</b>	482

### Earnings per share:

	Pence
Basic earnings per share	0.13
Diluted earnings per share	0.13

The cash flow statement includes the following amounts relating to discontinued operations:

	2004 £000
Operating activities	427
Investing activities	24
Financing activities	(3)
	448

Discontinued operations relate to the closure of Arena Online Services Ltd which ceased operation in June 2004.

## 11 Earnings per share

	2005 £000	2004 £000
Earnings:		
Profit for the year – continuing	4,489	5,103
Profit for the year – discontinued	–	482
Profit for year – continuing and discontinued	4,489	5,585
Adjustments:		
Discontinued operation – Arena Online Services Limited	–	(482)
Impairment provision re Wolverhampton development	400	–
Impairment provision – Trackplay LLC	315	–
Arena share of At The Races exceptional items	862	923
Arena share of At The Races consortium relief	(464)	(4,884)
Profit from sale of SIS shares	(834)	–
Adjusted profit for year used in calculation of adjusted earnings per share	4,768	1,142

An adjusted earnings per share figure is included as, in the opinion of the directors, this gives a more useful indication of underlying performance.

	2005 No.'m	2004 No.'m
Weighted average number of shares:		
Weighted average number of shares used in the calculation of basic and adjusted EPS	361.52	361.50
Dilutive potential ordinary shares:		
– Employee share options	2.20	2.70
Weighted average number of shares used in the calculation of diluted EPS	363.72	364.20

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 year. 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 year (i.e. they are out-of-the-money) and therefore would not be dilutive.

## 12 Dividends

	2005 £000	2004 £000
Final dividend of 0.3 pence (2004: nil) per ordinary share proposed and paid during the year relating to the previous year's results	1,084	–
Interim dividend of 0.25 pence (2004: nil) per ordinary share paid during the year relating to the current year's results	904	–
Dividends paid in the year	1,988	–

The directors have proposed a final dividend of 0.2 pence (2004: 0.3 pence) per share totalling £728,000 (2004: £1,084,000). This dividend has not been accrued at the balance sheet date.

Under IFRS, dividends are shown as a change in shareholders' equity on the basis of cash paid or dividends declared prior to the year end. Previously, under UK GAAP, the profit and loss charge was calculated on an accruals basis, with the proposed final dividend, declared post year end, shown as a charge in the year to which it related.

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 13 Property, plant and equipment

Cost:	Assets under construction £000	Long leasehold land and buildings £000	Freehold land, buildings and All Weather tracks £000	Plant and machinery £000	Fixtures, fittings and vehicles £000	Total £000
At 1 January 2004	1,326	2,361	53,216	5,100	5,154	67,157
Additions	1,072	2	8,908	2,497	1,058	13,537
Re-classification	-	-	-	(3)	3	-
Disposals	-	-	-	(41)	(994)	(1,035)
At 31 December 2004	2,398	2,363	62,124	7,553	5,221	79,659
Depreciation						
At 1 January 2004	-	(109)	(3,120)	(3,506)	(3,563)	(10,298)
Charged in the year	-	(24)	(585)	(370)	(445)	(1,424)
Re-classification	-	-	-	2	(2)	-
Disposals	-	-	-	8	922	930
At 31 December 2004	-	(133)	(3,705)	(3,866)	(3,088)	(10,792)
Net book value at 31 December 2004	2,398	2,230	58,419	3,687	2,133	68,867
Net book value at 31 December 2003	1,326	2,252	50,096	1,594	1,591	56,859

Cost:	Assets under construction £000	Long leasehold land and buildings £000	Freehold land, buildings and All Weather tracks £000	Plant and machinery £000	Fixtures, fittings and vehicles £000	Total £000
At 1 January 2005	2,398	2,363	62,124	7,553	5,221	79,659
Additions	1,700	70	1,356	1,270	836	5,232
Impairment provision	(400)	-	-	-	-	(400)
Re-negotiation of lease	-	(1,112)	-	-	-	(1,112)
Disposals	-	-	(203)	(39)	(33)	(275)
At 31 December 2005	3,698	1,321	63,277	8,784	6,024	83,104
Depreciation						
At 1 January 2005	-	(133)	(3,705)	(3,866)	(3,088)	(10,792)
Charged in the year	-	(24)	(825)	(531)	(467)	(1,847)
Re-negotiation of lease	-	(10)	-	-	-	(10)
Disposals	-	-	114	15	31	160
At 31 December 2005	-	(167)	(4,416)	(4,382)	(3,524)	(12,489)
Net book value at 31 December 2005	3,698	1,154	58,861	4,402	2,500	70,615
Net book value at 31 December 2004	2,398	2,230	58,419	3,687	2,133	68,867

Assets under construction consist of expenditure in respect of proposed developments at Wolverhampton, Windsor, Lingfield Park and Doncaster racecourses. The expenditure includes a variety of professional fees incurred in the design and planning process for the individual developments. This will include amongst other things, fees for building and landscape architects, engineers, surveyors, cost consultants, planning consultants, legal fees and specialist reports.

The board has reviewed the carrying costs in respect of the development of a hotel extension and casino at Wolverhampton Racecourse, which a Government call in inquiry rejected principally on the grounds of its impact on the openness of the green belt site. As a result, the board has written down the carrying value of the expenditure on this project by £400,000. An alternative design and location within the racecourse site is being developed which aims to address the principal issue for rejection by the Government inspector.

Property, plant and equipment include non-depreciable assets of £40,168,000 (31 December 2004: £38,081,000).

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases:

	2005 £000	2004 £000
Long leasehold land and buildings	1,154	2,230

At 31 December 2005 the gross original cost of all assets with a nil net book value still in use was £1,487,000 (2004: 1,425,000).

## 14 Intangible assets

	Racecourse operations £000
Goodwill	
At 1 January 2004 and 2005	4,878
Additions – goodwill re investment in Doncaster Racecourse Management Co Ltd	718
At 31 December 2005	5,596

In December 2005 Arena Leisure Plc and Doncaster Racecourse Management Co Ltd entered into various agreements with Doncaster Metropolitan Borough Council to re-develop Doncaster Racecourse, which, following completion of the re-development, will lead to the grant of a 99-year lease to Doncaster Racecourse Management Co Ltd. The various legal and professional fees associated with the process leading to the signing of agreements with Doncaster Metropolitan Borough Council have been capitalised by Arena as an investment in Doncaster Racecourse Management Co Ltd and, on consolidation, is recognised as goodwill.

## 15 Goodwill and impairment

A review of the carrying value of goodwill arising from the acquisition of the group's racecourse operations was undertaken at 31 December 2005. The board based its review on the anticipated level of profitability and cash flow generated from the group's racecourse operations for the coming year. As a result, the board considers that the carrying value of goodwill is well supported and does not consider that any impairment provision is necessary.

## 16 Subsidiaries

The principal subsidiaries of Arena Leisure Plc, in which the company owns 100% of the ordinary share capital (with the exception of Worcester Racecourse Ltd (81%) and Doncaster Racecourse Management Company Ltd (81%) are as follows:

Name	Country of incorporation	Principal activity
Windsor Racing Ltd	Great Britain	Racecourse
Lingfield Park (1991) Ltd	Great Britain	Racecourse
Dunstall Park Centre Ltd *	Great Britain	Racecourse/Hotel
Southwell Racecourse Ltd *	Great Britain	Racecourse
Folkestone Race Course Ltd	Great Britain	Racecourse
Worcester Racecourse Ltd ***	Great Britain	Racecourse
Windsor Concessions Ltd	Great Britain	Racecourse concessions
Doncaster Racecourse Management Co Ltd **	Great Britain	Racecourse management
Windsor Racecourse Co Ltd	Great Britain	Holding company

\* Denotes indirect holdings.

\*\* No minority interests have been recognised on the grounds of materiality.

\*\*\* Worcester minority interest has not been recognised on the grounds of net liabilities and that the minority investee has no obligation to fund.

## 17 Joint ventures and associates

Joint venture and associate companies in which the company owns an equity share are as follows:

	Equity share	Classification	Country of registration	Principal activity
Attheraces Holdings Ltd	47.5%	Joint venture	Great Britain	Racing broadcaster
Trackplay LLC	30%	Associate	United States	Gaming technology

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 17 Joint ventures and associates continued

The movement in the group's investment in associate and joint venture operations was as follows:

	Associate		Joint venture	
	2005 £000	2004 £000	2005 £000	2004 £000
At 1 January	722	722	1,374	2,260
Additions	-	-	206	1,445
Disposals	-	-	-	(71)
Provisions utilised	-	-	-	(2,260)
At 31 December	722	722	1,580	1,374
Provisions:				
At 1 January	-	-	-	(2,260)
Provisions (created)/utilised	(315)	-	-	2,260
At 31 December	(315)	-	-	-
Share of profit/(loss):				
At 1 January	(424)	(384)	(1,257)	(36,458)
At The Races – group reconstruction (capitalisation of shareholder loans)	-	-	-	35,368
Profit/(loss) for the year	17	(40)	(1,529)	617
Increase in share of net liabilities in At The Races due to acquisition of Channel 4 shares	-	-	-	(820)
Reduction in share of net liabilities in At The Races due to issue of shares to Ascot racecourse	-	-	-	36
At 31 December	(407)	(424)	(2,786)	(1,257)
Net book value at 31 December	-	298	(1,206)	117

The group had the following aggregate interests in the At The Races joint venture:

	31 December 2005 £000	31 December 2004 £000
Non-current assets	125	143
Current assets	3,062	3,652
Current liabilities	(2,675)	(1,881)
Non-current liabilities	(3,298)	(3,171)
Share of net liabilities	(2,786)	(1,257)
Income	5,156	6,203
Expenses	(6,685)	(5,586)
(Loss)/profit after tax	(1,529)	617

Arena Leisure Plc and BSkyB as part of its shareholders agreement have a commitment to fund At The Races by way of loans up to an amount not exceeding £10,000,000 pro rata to shareholding. Arena Leisure is therefore committed to fund up to £5,000,000 of which £3,284,000 has been provided by way of loans at 31 December 2005.

At The Races Holdings Ltd and its subsidiaries have commenced proceedings against The Racecourse Association ('RCA') and various racecourses to recover rebates in excess of £50 million in connection with a former media rights contract with *attheraces*. The rebates are payable from monies received by the racecourses from prospective media agreements. To date, 29 racecourses have reached agreement with At The Races, with the effect that the amount being sought in the form of rebates is around a net £30 million.

Following claims made by Attheraces Holdings Ltd and Attheraces Ltd as detailed above, the RCA and the racecourses have made a counterclaim for £210 million against Attheraces Ltd which it is vigorously defending.

At this point the directors of Arena Leisure Plc cannot reliably assess the financial impact of the rebate claim and counterclaim and as such no contingent asset or liability has been recognised in these accounts.

## 18 Financial assets (non-current)

	2005 £000	2004 £000
Available-for-sale investments – unquoted	–	345

In November 2005 the group sold its investment in Satellite Information Systems (Holdings) Ltd (see Note 4).

## 19 Inventories

	2005 £000	2004 £000
Consumable stock	19	30

## 20 Trade and other receivables

	2005 £000	2004 £000
Trade debtors	2,253	1,889
Other debtors	890	926
Prepayments and accrued income	1,642	1,089
	<b>4,785</b>	<b>3,904</b>

All amounts shown above are due within one year.

An analysis of the interest rate receivable on financial assets and information about fair values is given in Note 25.

## 21 Trade and other payables – current

	2005 £000	2004 £000
Trade creditors	(4,011)	(2,988)
Sales and social security taxes	(290)	(293)
Other creditors	(509)	(594)
Accruals and deferred income	(4,558)	(5,579)
	<b>(9,368)</b>	<b>(9,454)</b>

## 22 Other financial liabilities – current

	2005 £000	2004 £000
Finance lease creditor (Note 29)	(19)	(75)
Other loans	(296)	(326)
	<b>(315)</b>	<b>(401)</b>

An analysis of the interest rate payable on financial liabilities and information about fair values is given in Note 25.

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 23 Non-current financial liabilities

	2005 £000	2004 £000
Bank loans	(7,000)	(8,000)
Finance lease creditor (Note 29)	(284)	(1,328)
Other loans	(348)	(644)
	<b>(7,632)</b>	<b>(9,972)</b>

The bank loans 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 in respect of security for interest free loans provided to the group.

## 24 Financial instruments – risk management

The group is exposed through its operations to one or more of the following financial risks:

- Fair value or cash flow interest rate risk
- Liquidity risk
- Credit risk

The policy for each of the above risks is described in more detail below.

### Fair value and cash flow interest rate risk

With the exception of interest free borrowing from the Horserace Betting Levy Board, the group's bank borrowings are in sterling and at floating interest rates. In the current economic climate and with the current low level of bank debt, hedging for interest rate risk is not considered appropriate. However the board constantly monitors the financial markets and the group's future borrowing requirements to ensure that this policy remains in the group's interest.

### Liquidity risk

Liquidity risk is managed centrally on a group basis. Bank facilities are agreed at appropriate levels having regard to the group's forecast operating cashflows and future capital expenditure requirements.

### Credit risk

The group has limited exposure to credit risk. A high proportion of the group's income is derived from the Horserace Betting Levy Board operated under Government statute; from fees payable by the Bookmakers Afternoon Greyhound Service Ltd ('BAGS') for transmission of pictures of live racing into licensed betting shops across the UK, and from the sale of other media rights to our 47.5% joint venture company At The Races. Income derived from much of the group's race-day activity is paid on the day of the event or is invoiced and paid in advance of the event. With the exception of a small number of significant centrally negotiated transactions, credit control is managed on a local basis.

## 25 Financial assets and liabilities – numerical information

### Maturity of financial liabilities

The carrying amounts of financial liabilities, all of which are exposed to cash flow or fair value interest rate risk, are repayable as follows:

	2005 £000	2004 £000
In less than one year	(9,531)	(7,331)
In more than one year but not more than two years	(116)	(8,296)
In more than two years but not more than three years	(116)	(116)
In more than three years but not more than four years	(116)	(116)
In more than four years but not more than five years	(7,000)	(116)
In more than five years	-	-
	<b>(16,879)</b>	<b>(15,975)</b>

All financial assets mature in less than one year.

## 25 Financial assets and liabilities – numerical information continued

### Interest rate risk

The currency and interest profile of the group's financial assets and liabilities are as follows:

	Floating rate liabilities		Interest free liabilities		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Sterling	(10,267)	(9,517)	(6,612)	(6,458)	(16,879)	(15,975)

	Floating rate assets		Interest free assets		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Sterling	–	–	3,143	3,160	3,143	3,160

The rate at which sterling floating liabilities are payable is 1% (2004: 1%) above Bank of Scotland base rate or LIBOR.

### Fair values

The book value and fair value of financial liabilities are as follows:

	Book value 2005 £000	Fair value 2005 £000	Book value 2004 £000	Fair value 2004 £000
Bank loans and overdrafts	(10,267)	(10,267)	(9,517)	(9,517)
Other loans	(644)	(644)	(970)	(970)
Other	(5,968)	(5,968)	(5,488)	(5,488)
	(16,879)	(16,879)	(15,975)	(15,975)

Fair values of financial liabilities have been determined by discounting cash payments at prevailing market rates of interest having regard to the specific risks attaching to them.

To the extent financial assets are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 December 2004 and 2005.

### Borrowing facilities

The group has undrawn committed borrowing facilities available at 31 December 2005 in which all conditions have been met:

	Floating rate 2005 £000	Floating rate 2004 £000
Expiry within one year	1,733	3,483
Expiry within one and two years	–	2,000
Expiry in more than two years	3,000	–
	4,733	5,483

## 26 Unrecognised deferred tax

	At 31 December 2004 £000	Movement in the year £000	At 31 December 2005 £000
Depreciation in excess of capital allowances	1,648	(1,101)	547
Other short-term temporary differences	33	–	33
Tax losses	17,493	(1,060)	16,433
Unrecognised deferred tax assets	19,174	(2,161)	17,013

The group has not provided for the deferred tax asset on losses, accelerated capital allowances and other short-term temporary differences as it is prudent to assume that the group will not make sufficient taxable profits in the short-term to absorb these amounts.

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 27 Share capital

	2005 Number	2005 £000	Authorised	
			2004 Number	2004 £000
Ordinary shares of 5p each	429,353,724	21,468	429,353,724	21,468

	2005 Number	2005 £000	Issued and fully paid	
			2004 Number	2004 £000
Ordinary shares of 5p each				
At beginning of the year	361,495,535	18,075	361,495,535	18,075
Exercise of employee share options	500,000	25	–	–
At end of the year	361,995,535	18,100	361,495,535	18,075

## 28 Reserves

	Share premium account £000	Merger reserve £000	Revaluation reserve £000	Retained earnings £000
At 1 January 2004	87,625	5,417	15	(59,521)
Profit for the year	–	–	–	5,585
Capital reorganisation	(87,625)	–	(15)	87,640
At 31 December 2004	–	5,417	–	33,704

	Share premium account £000	Merger reserve £000	Revaluation reserve £000	Retained earnings £000
At 1 January 2005	–	5,417	–	33,704
Exercise of employee share options	46	–	–	–
Profit for the year	–	–	–	4,489
Dividends paid	–	–	–	(1,988)
Share-based payment expense	–	–	–	5
At 31 December 2005	46	5,417	–	36,210

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	The merger reserve arose due to availability of merger relief in connection with the acquisitions of RAM Racing Leisure Ltd (Wolverhampton and Southwell Racecourses) and Royal Windsor Racecourse partly paid by a share for share exchange and represents the difference between the fair value of the consideration given for the shares issued and the nominal value of those instruments.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.

## 29 Leases

### Finance leases

Future lease payments are due as follows:

	Minimum lease payments 2005 £000	Interest 2005 £000	Present value 2005 £000
Not later than one year	19	18	1
Later than one year and not later than five years	76	69	7
Later than five years	746	451	295
	<b>841</b>	<b>538</b>	<b>303</b>

	Minimum lease payments 2004 £000	Interest 2004 £000	Present value 2004 £000
Not later than one year	75	75	–
Later than one year and not later than five years	400	399	1
Later than five years	8,925	7,523	1,402
	9,400	7,997	1,403

The present value of future lease payments are analysed as:

	2005 £000	2004 £000
Current liabilities	19	75
Non-current liabilities	284	1,328
	<b>303</b>	<b>1,403</b>

## 30 Retirement benefits

The group operates a defined contribution pension scheme. Pension costs for the defined contribution scheme in 2005 were £119,000 (2004: £120,000). The unpaid contributions outstanding at the year end, included in other creditors were £2,000 (2004: £2,000).

## 31 Share-based payment

The company operates two share option schemes for employees: a HM Customs & Revenue approved share option scheme and an unapproved discretionary share option scheme. Performance criteria based upon the future market price of the company's shares are attached to each grant of options which must be met prior to exercise. In normal circumstances employees will forfeit rights over share options six months after leaving the company's employment although directors have discretionary power to extend this to one year following cessation of employment or three and a half years from the date of grant.

	2005 Weighted average exercise price	2005 Number	2004 Weighted average exercise price	2004 Number
Outstanding at beginning of the year	50.61	8,451,540	53.95	9,509,040
Granted during the year	40.75	1,000,000	–	–
Forfeited during the year	64.17	(2,027,500)	80.60	(1,057,500)
Exercised during the year	14.25	(500,000)	–	–
Lapsed during the year	–	–	–	–
Outstanding at the end of the year	<b>47.84p</b>	<b>6,924,040</b>	50.61p	8,451,540

The exercise price of options outstanding at the end of the year ranged between 13p and 105p (2004: 13p and 105p) and their remaining weighted average contractual life was 4.6 years (2004: 4.9 years).

Of the total number of options outstanding at the end of the year, 2,206,472 (2004: 2,706,472) had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) of options exercised during the year was 42.25p.

The weighted average fair value of each option granted during the year was 10.7p.

# Notes forming part of the financial statements continued

for the year ended 31 December 2005

## 31 Share-based payment continued

The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share-based remuneration schemes operated by the group. There were no share options granted during 2004.

	2005 £000
<b>Equity-settled</b>	
Option pricing model used	<b>Black-Scholes</b>
Share price at grant date	<b>40.75p</b>
Exercise price	<b>40.75p</b>
Estimated period to exercise of options	<b>5 years</b>
Expected volatility	<b>21%</b>
Risk-free interest rate	<b>4.5%</b>

The volatility assumption is based on a statistical analysis of daily share prices over a period of 90 days.

	2005 £000	2004 £000
The share-based remuneration expense (Note 5) comprises:		
Equity-settled schemes	<b>5</b>	-

## 32 Related party transactions

Details of directors' and key management remuneration are given in the Remuneration report on pages 31 to 33 and Note 6.

Other related party transactions are as follows:

Related party relationship	Type of transaction	Transaction amount		Balance owing	
		2005 £000	2004 £000	2005 £000	2004 £000
Joint venture	Payments for media rights, contribution to picture provision and interest receivable on loans. 2004 comparative figures include payments for the provision of technology services from Arena Online.	<b>1,110</b>	1,457	<b>268</b>	54
Joint venture	Loans	<b>293</b>	2,991	<b>3,284</b>	2,991

In December 2005, I R Penrose, a former director, exercised options over 500,000 ordinary shares at 14.25 pence which realised a gain of £140,000.

The group has not made any provision for bad or doubtful debts in respect of related party debtors nor has any guarantee been given or received during 2005 or 2004 regarding related party transactions.

All transactions with the joint venture have been undertaken on a commercial arm's length basis.

## 33 Notes supporting cash flow statement

Cash and cash equivalents comprises:

	2005 £000	2004 £000
Cash and cash equivalents	<b>69</b>	27
Overdrafts	<b>(3,267)</b>	(1,517)
Net cash and cash equivalents	<b>(3,198)</b>	(1,490)
Decrease in cash and cash equivalents	<b>(1,708)</b>	(2,774)
Cash and cash equivalents at beginning of year	<b>(1,490)</b>	1,284
Cash and cash equivalents at end of year	<b>(3,198)</b>	(1,490)

# Company balance sheet – UK GAAP financial statements

at 31 December 2005

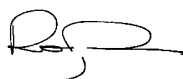
## Company balance sheet

	Note	2005 £000	2004 (as restated) £000
<b>Fixed assets</b>			
Tangible assets	4	59	64
Investments	5	48,192	48,184
		<b>48,251</b>	<b>48,248</b>
<b>Current assets</b>			
Debtors – due within one year	8	632	880
Debtors – due in more than one year	8	38,384	13,499
		<b>39,016</b>	<b>14,379</b>
Cash at bank and in hand		517	–
		<b>39,533</b>	<b>14,379</b>
Creditors: amounts falling due within one year	9	(3,639)	(5,570)
Net current assets		<b>35,894</b>	<b>8,809</b>
Total assets less current liabilities		<b>84,145</b>	<b>57,057</b>
Creditors: amounts falling due after one year	9	(7,000)	(8,000)
Net assets		<b>77,145</b>	<b>49,057</b>
Called up share capital	10	18,100	18,075
Share premium	11	46	–
Merger reserve	11	5,417	5,417
Profit and loss account	11	53,582	25,565
Shareholders' funds – equity		<b>77,145</b>	<b>49,057</b>

The notes on pages 58 to 60 form part of these financial statements. These financial statements were approved by the board of directors on 28 February 2006 and signed on its behalf by:



**M J Elliott**  
Chief Executive



**R D Withers**  
Chairman

# Notes forming part of the UK GAAP financial statements

for the year ended 31 December 2005

## 1 Accounting policies

The financial statements of the company have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied on a basis consistent with the IFRS financial statements and are explained on pages 37 to 39.

Depreciation  
Share-based payments  
Dividends  
Pension costs

**The following accounting policies differ from the IFRS accounting policies:** Financial assets and liabilities – all financial assets and liabilities are accounted for consistently with the IFRS financial statements with the exception of investments in subsidiaries which are held at cost less provisions for impairment; and Deferred tax – deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. In accordance with FRS19, deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that may give rise to an obligation to pay more or less tax in the future. The recognition of deferred tax is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of underlying timing differences. Deferred tax is measured on a non-discounted basis.

## 2 Change of accounting policy

### Dividends

Previously where the company declared dividends to holders of equity instruments after the balance sheet date, the company recognised those dividends as a liability at the balance sheet date. Now where dividends are declared after the balance sheet date they are not recognised as a liability as they do not meet the definition of a present obligation.

The company has adopted FRS21 'Events after the balance sheet date' and as a result changed its accounting policy.

The effect of this accounting policy change on the comparative figures is that net assets have been increased by £1,084,000 and retained profit for the year increased by £1,084,000. Had this accounting policy not changed, at 31 December 2005, current year net assets would have been £728,000 lower and retained profit for the year would have been £728,000 lower.

## 3 Result for the period

The company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements.

Profit after tax for the company was £30,005,000 for the period, including intercompany dividends of £28,693,000 (2004: profit of £69,000 as restated).

## 4 Tangible assets

	Fixtures, fittings and vehicles £000
Cost	
At 1 January 2005	95
Additions	21
Disposals	(6)
At 31 December 2005	110
Depreciation	
At 1 January 2005	(31)
Charged in the year	(24)
Disposals	4
At 31 December 2005	(51)
Net book value at 31 December 2005	59
Net book value at 31 December 2004	64

## 5 Investments

	Associate £000	Unlisted investment £000	Joint venture £000	Subsidiaries £000	Total £000
Cost:					
At 1 January 2005	722	195	2,025	45,242	48,184
Additions	–	–	206	719	925
Disposals	–	(195)	–	–	(195)
At 31 December 2005	722	–	2,231	45,961	48,914
Provisions:					
At 1 January 2005	–	–	–	–	–
Impairment provision	(722)	–	–	–	(722)
At 31 December 2005	(722)	–	–	–	(722)
Net book value at 31 December 2005	–	–	2,231	45,961	48,192
Net book value at 31 December 2004	722	195	2,025	45,242	48,184

Disclosure in respect of the company's funding obligation to At The Races is detailed in Note 17 to the IFRS financial statements.

## 6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period was as follows:

	2005	2004
Management and administration	20	16
	2005 £000	2004 £000
Staff costs (including directors) comprise:		
Wages and salaries	1,521	1,395
Defined contribution pension cost	68	62
Employer's national insurance and similar taxes	188	169
	1,777	1,626

## 7 Subsidiaries

The principal subsidiaries of Arena Leisure Plc are detailed in Note 16 to the IFRS financial statements.

## 8 Debtors

	2005 £000	2004 £000
<b>Amounts falling due within one year</b>		
Trade debtors	155	1
Other debtors	259	487
Prepayments and accrued income	218	392
	632	880
Amounts due after one year		
Amounts owed by subsidiary undertakings	35,100	10,508
Loans to joint venture	3,284	2,991
	38,384	13,499

## 9 Creditors

	2005 £000	2004 (as restated) £000
<b>Amounts falling due within one year</b>		
Bank overdraft (secured)	-	(1,139)
Trade creditors	(1,986)	(597)
Amounts due to subsidiary undertakings	(953)	(3,111)
Other taxation and social security	(120)	(60)
Other creditors	-	(123)
Accruals and deferred income	(580)	(540)
	(3,639)	(5,570)
<b>Amounts falling due after one year</b>		
Bank loan (secured)	(7,000)	(8,000)

The bank loan and overdraft is secured by a fixed and floating charge on the assets and undertakings of the group companies, and a first legal charge on all 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 in respect of security for interest free loans provided to the group.

# Notes forming part of the UK GAAP financial statements continued

for the year ended 31 December 2005

## 10 Called up share capital

	2005 £000	2004 £000	
Authorised 429,353,724 ordinary shares of 5p each (31 December 2004: 429,353,724)	<b>21,468</b>	21,468	
Allotted, called up and fully paid 361,995,535 ordinary shares of 5p each (31 December 2004: 361,495,535)	<b>18,100</b>	18,075	
Total share options in issue at 31 December 2005 were as follows:			
	Number of ordinary shares	Exercise price	Period exercisable
(i) Under the Share Option Plan	41,294	14.25p	3 August 2001 – 2 August 2008
	230,355	105p	25 May 2004 – 24 May 2011
	73,619	40.75p	3 October 2008 – 2 October 2015
	345,268		
(ii) Under the Discretionary Share Option Scheme	2,165,178	13p	18 June 2000 – 17 June 2007
	877,378	62p	25 January 2003 – 24 January 2010
	37,690	62p	25 January 2005 – 24 January 2010
	2,075,000	62p	25 May 2006 – 24 May 2011
	497,145	105p	25 May 2004 – 24 May 2011
	926,381	40.75p	3 October 2008 – 2 October 2015
	6,578,772		
Total	6,924,040		

Details of directors' share options, included above are disclosed in the Remuneration report.

## 11 Reserves

	Share premium account £000	Merger reserve £000	Profit and loss account (as restated) £000
At 1 January 2005 (as previously stated)	–	5,417	24,481
Prior year adjustment (Note 2)	–	–	1,084
At 1 January 2005 (as restated)	–	5,417	25,565
Retained profit for the year	–	–	30,005
Issue of shares	46	–	–
Dividends paid	–	–	(1,988)
At 31 December 2005	46	5,417	53,582

## 12 Reconciliation of movement in shareholders' funds

	2004 (as restated) £000
Loss for the year (as previously stated)	(1,015)
Prior year adjustment (Note 2)	1,084
Profit for the year (as restated)	69
Opening shareholders' funds	48,988
Closing shareholders' funds (as restated)	49,057
	2005 £000
Profit for the year	30,005
Dividends (Note 12 – IFRS financial statements)	(1,988)
Issue of shares	71
Opening shareholders' funds (as restated)	28,088
Closing shareholders' funds	49,057
Closing shareholders' funds	77,145

## 13 Share-based payment

The company operates two share option schemes for employees: a HM Customs & Revenue approved share option scheme and an unapproved discretionary share option scheme. Details are disclosed in Note 31 to the IFRS financial statements.

## 14 Contingent assets and liabilities

Disclosure in respect of contingent assets and liabilities relating to At The Races is detailed in Note 17 to the IFRS financial statements.

# Independent auditor's report

To the shareholders of Arena Leisure Plc

We have audited the group and parent company financial statements (the 'financial statements') of Arena Leisure Plc for the year ended 31 December 2005 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Chief Executive's review of operations, the Financial review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the group's affairs as at 31 December 2005 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2005; and
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

## BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

28 February 2006

# Notice of Meeting

Notice is hereby given that the 42nd annual general meeting of the company will be held at Royal Windsor Racecourse, Maidenhead Road, Windsor, Berkshire, SL4 5JJ on Monday 8 May 2006 at 3.30pm for the following purposes:

## Ordinary business

- 1 To receive the Directors' report, the accounts for the year ended 31 December 2005 and the auditors' report on the accounts.
- 2 To approve the directors' Remuneration report for the year ended 31 December 2005.
- 3 To authorise the payment of a final dividend for the year ended 31 December 2005 of 0.2 pence per share.
- 4 To re-appoint as a director A H Parker Bowles who retires by rotation pursuant to the company's Articles of Association and who, being eligible, offers himself for re-election.
- 5 To re-appoint as a director M J Elliott who having been appointed during the year retires and offers himself for election.
- 6 To re-appoint H R Mould who having been appointed during the year retires and offers himself for election.
- 7 To re-appoint BDO Stoy Hayward LLP as auditors of the company from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid before the company in accordance with the provisions of the Companies Act 1985, and to authorise the directors to fix the auditors' remuneration.

## Special business

As special business to consider and, if thought fit, to pass the following resolutions of which resolution 8 will be proposed as an ordinary resolution and resolution 9 will be proposed as a special resolution.

### Ordinary resolution

- 8 That the board of directors (the 'board') be and is hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985 (the 'Act')) up to an aggregate nominal amount of £3,259,650 provided that the authority hereby conferred shall expire 15 months after the passing of this resolution or on the conclusion of the annual general meeting of the company held in 2007, whichever first occurs, unless this authority is renewed, varied or revoked before such expiry by the company in general meeting, save that the company may at any time before such expiry make an offer or agreement which would or might require any relevant securities to be allotted after such expiry, and the board may allot relevant securities in pursuance of such offer or agreement as if the authority hereby conferred had not expired.

### Special resolution

- 9 That, subject to the passing of resolution 8 above, the board be and is hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash, pursuant to the authority conferred by that resolution, as if Section 89(1) of the Act did not apply to any such allotment, provided that this power be limited to:
  - a) the allotment of equity securities in connection with an offer by way of rights or any other offer on a pre-emptive basis in favour of holders of ordinary shares where the equity securities comprised in that offer are offered to the holders of ordinary shares on a fixed record date in proportion (as nearly as may be) to the respective numbers of such shares held by them on that date, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements; and
  - b) the allotment (other than pursuant to sub-paragraph (a) above) of equity securities having, in the case of relevant shares, a nominal amount, or in the case of other equity securities giving the right to subscribe for or convert into relevant shares having a nominal amount, not exceeding in aggregate the sum of £910,401 (representing approximately 5% of the issued share capital of the company at the date of the notice of meeting in which this resolution appears)

provided always that the power conferred by this resolution shall expire on the earlier of the date falling 15 months following the passing of this resolution and the date of the annual general meeting of the company held in 2007, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.



By order of the board  
**Robert Mercer FCMA**  
Company Secretary  
28 February 2006  
Registered office:  
1 Hay Hill  
Berkeley Square  
London W1J 6DH

### Explanatory notes to resolutions 8 and 9

Resolution 8 is proposed as an ordinary resolution to renew the directors' authority to allot shares and other relevant securities up to an aggregate nominal amount of £3,259,650 (which represents 17.9% of the total issued ordinary share capital of the company at the date of this notice). The authority will last until next year's annual general meeting or 15 months after the passing of the resolution, whichever is the earlier. This is standard practice for many public companies. The directors have no present intention of exercising this authority. If shares are to be allotted under this authority and are to be paid for in cash, Section 89(1) of the Companies Act 1985 requires that those shares are offered first to existing shareholders in proportion to the number of shares that they hold at that time. This is the statutory 'pre-emption right of existing shareholders'. There may be circumstances when it is in the interest of the company for the directors to be able to allot some of the shares for cash other than in proportion to the holdings of existing shareholders.

Resolution 9, which is proposed as a special resolution, gives the directors authority to disapply the statutory pre-emption rights of existing shareholders. The resolution gives the directors the power to allot shares and other equity securities for cash other than in proportion to the holdings of existing shareholders up to a maximum nominal value of £910,401, representing approximately 5% of the company's issued ordinary share capital at the date of this notice, which is in accordance with the guidelines issued by institutional investors. The resolution also gives the directors the power to allot shares for cash in connection with a rights issue or any other offer on a pre-emptive basis in favour of holders of ordinary shares, subject to the exclusions and arrangements set down in the resolution. This disapplication of pre-emption rights will last until next year's annual general meeting or 15 months after the passing of the resolution, whichever is earlier.

### Notes

A member entitled to attend and vote at this meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the company. A form of proxy is enclosed with this notice for your use in connection with the meeting. To be effective, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be lodged with the company's registrars not later than 48 hours before the time appointed for the meeting. The company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the company as at 3.30pm on 6 May 2006, or in the event that the meeting is adjourned, in such register 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after 3.30pm on 6 May 2006 or, in the event that the meeting is adjourned, in such register less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting. Copies of all the directors' service contracts are available for inspection at the company's registered office during normal business hours on business days from the date of this notice until the close of the meeting and will be available for inspection at the place of the meeting for 15 minutes before the meeting and during the meeting.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the issuer's agent (ID RA 10) by the latest time(s) for receipt of proxy appointments specified in the Notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST systems and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35 (5) (a) of the Uncertificated Securities Regulations 2001.

## Five year record

	Year to 31 December 2005 IFRS £000	Year to 31 December 2004 IFRS £000	Year to 31 December 2003 UK GAAP £000	Year to 31 December 2002 UK GAAP £000	Year to 31 December 2001 UK GAAP £000
Turnover*	40,747	37,229	29,094	25,106	22,954
Operating profit/(loss) before discontinued operations and exceptional items*	6,727	5,174	4,698	2,625	(87)
Tangible fixed assets	70,615	68,867	55,834	54,824	54,531
Net assets	59,773	57,196	51,897	94,074	100,861

The principal adjustments that would be made to the UK GAAP results to comply with IFRS relate to the treatment of goodwill, leases, dividends and share-based payments.

\*Excludes Arena online Services Ltd which was discontinued during 2004.

### Shareholder information

#### Analysis of shareholders

Number of shareholders: 6,313 as at 24 February 2006

	Shareholders %	Shares %
1,000 and under	50.1	0.4
1,001 to 5,000	34.0	1.5
5,001 to 10,000	6.9	0.9
10,001 to 100,000	7.1	3.7
Over 100,000	1.9	93.5

#### Held by

Banks	0.1	8.1
Nominee companies	7.5	34.6
Other corporate bodies	1.2	50.4
Individuals	91.2	6.9

# Company information

## Head and registered office

1 Hay Hill  
Berkeley Square  
London W1J 6DH  
Telephone +44(0) 20 7495 2277  
Facsimile +44(0) 20 7491 7174  
contact@arenaleisureplc.com  
www.arenaleisureplc.com

## Company secretary

Robert Mercer FCMA

## Registered number

857819

## Auditors

BDO Stoy Hayward LLP  
8 Baker Street  
London W1U 3LL

## Solicitors

Freshfields Bruckhaus Deringer  
65 Fleet Street  
London EC4Y 1HS

Kirkpatrick & Lockhart Nicholson Graham LLP  
110 Cannon Street  
London EC4N 6AR

## Principal bankers

Bank of Scotland  
New Uberior House  
11 Earl Grey Street  
Edinburgh EH3 9BN

## Stockbroker

Numis Securities Ltd  
Cheapside House  
138 Cheapside  
London EC2V 6LH

## Financial advisors

Investec Bank (UK) Limited  
2 Gresham Street  
London EC2V 7QP

Deutsche Bank  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

## Registrar and transfer office

Capita Registrars  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU

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