



## Highlights

### Financial

- > Group turnover increased by 22% to £19.1m (2002: £15.6m)
- > Group EBITDA increased by 114% to £4.1m (2002: £1.9m)
- > Group operating profit increased by 209% to £3.2m (2002: £1.0m)
- > *attheraces* losses reduced to £5.6m
- > Pre tax loss reduced by 55% to £2.0m (2002: £4.5m)
- > At 30 June 2003 :
  - Bank and other debt reduced by 62% to £2.2m (31 December 2002: £5.8m)
  - Cash on blocked deposit of £2.8m (31 December 2002: £10.5m)

### Operations

- > Racecourse attendances up 17%
- > Prize money increased by 28% to a record £5.7m
- > Partnership announced with Gala Group to develop the UK's first racecourse casino at Wolverhampton - planning application submitted
- > Investment in improved facilities at Lingfield Park, Wolverhampton and Folkestone racecourses
- > *attheraces* now available to 8.9m digital TV homes

## Chairman's statement

### Introduction

I am pleased to announce our results for the six months to 30 June 2003, during which period we have continued to make significant gains. Our racecourse division has once again achieved record operating profits. Our technology division has performed well and *attheraces* continues to progress.

### Financial Review

The unaudited interim results for the six months ended 30 June 2003 show a 22% increase in turnover to £19.1m from £15.6m in the same period last year. EBITDA improved by £2.2m to £4.1m. Central costs remain in line with last year and Group operating profit increased by £2.2m to £3.2m for the period. The Group's share of the *attheraces* losses reduced to £5.6m, which together with net interest receivable of £0.4m, results in a Group loss before tax of £2.0m, a 55% improvement compared to the same period last year.

It is the Board's intention not to pay a dividend for the six months ended 30 June 2003, but to continue to reinvest in the growth of the business to take advantage of expected future commercial opportunities.

### Racing Review

The first six months of 2003 have been very encouraging and resulted in a 162% increase in racecourse operating profits to £3.8m, after paying a 28% increase in total prize money to £5.7m. Over the period racecourse attendances have been up overall by 17%, and it was pleasing that the Midland Tracks all achieved record crowds in the period under review. Investments in our racing business during the first half of 2003 have included the refurbishment of public and racing facilities at Wolverhampton, Lingfield Park and Folkestone.

We are delighted that our race meetings continue to prove increasingly popular with owners, trainers and racegoers. Our second all-weather Championships, sponsored again by Littlewoods Bet Direct, culminated in March with the richest race day in the history of all-weather racing with prize money in excess of £230,000.

On 2 April 2003 we announced that we had signed a groundbreaking deal with Gala Group to develop the UK's first ever racecourse casino, or 'Racino', at Wolverhampton racecourse. The planning application for the 35,000 square foot gaming facility and the expansion of the existing hotel to 110 bedrooms, was submitted in June. Our redevelopment plans for Royal Windsor, which include improved spectator facilities and a branded hotel, are progressing and we expect to make further announcements in due course.

## Chairman's statement continued

### **attheraces Review**

Telewest Broadband commenced digital broadcast of the channel in March, increasing *attheraces*' overall broadcast coverage to 8.9m homes. Live racing, with betting, from France and South Africa began in May, complementing the already established British and American racing.

Record viewing figures were achieved during the Grand National festival in April when 691,000 individuals watched the racing over the three days. The largest audience to date was on Grand National Saturday, with 368,000 tuning in. June's Royal Ascot meeting attracted 659,000 individual viewers during the week, an increase of 100,000 viewers compared to the same race meeting in 2002.

*attheraces* launched its telephone betting service in March, and also launched fixed odds betting on its Sky digital channel in August. Total betting turnover during the period was £13.0m, compared to just over £1m over the same period in 2002. Account registrations broke the 100,000 milestone in June and pari-mutuel betting turnover through our interactive betting channel on Sky channel 418 was three times higher in June than at the start of the year. In the period, 55% of all pari-mutuel bets were placed on interactive digital TV, of which 25% were on international racing. In September we expect Channel 4 Racing also to offer *attheraces* digital TV betting opportunities to viewers by pressing the red button on their remote control.

### **Technology Review**

Arena Online Services has continued in its software support and development role primarily focusing on the numerous technical enhancements required by *attheraces*. We are pleased that the division has maintained a steady financial performance and delivered an operating profit for the period in line with last year.

'Trackplay', our 30% associate gaming technology venture with Autotote Systems Incorporation, a subsidiary of the NASDAQ listed Scientific Games Corporation of the USA, has again focused on servicing current customers and trading is in line with plan at a near breakeven position.

### **The Office of Fair Trading ("OFT") and Arena**

On 8 April the OFT issued two separate Rule 14 Notices in relation to the horseracing industry inquiries it has undertaken. The first notice was served to the British Horseracing Board ("BHB") and the Jockey Club, addressing the OFT's investigations into the governance agreements between these two bodies. Arena understands that the OFT's notice to the BHB and the Jockey Club centres around the freedom of racecourses to organise their own racing and the supply of racing data.

The second Rule 14 Notice was served to the parties involved in the *attheraces* media rights transaction and the focus of the OFT's investigation concerned collective selling of rights by 49 racecourses to *attheraces*. We expect an announcement by the OFT within the next two months.

### **Looking Ahead**

We remain confident that the expected deregulation of the current horseracing and gaming environments will present Arena with numerous commercial opportunities.

Underlying trading at our racecourses is strong and we have experienced record crowds at Lingfield Park and Royal Windsor racecourses in July. Arena is also delighted to have secured an additional 57 meetings for the forthcoming season. These meetings will ensure that Arena will become the busiest racecourse operator in the UK, staging a record total of 305 meetings, a 22% increase on expected business activity levels in 2003.

We have made a significant start up investment in *attheraces*, which has created a pioneering betting and broadcast platform for racing from the UK and overseas. This is now an established feature within the racing industry. We believe that as technology continues to improve this will become an increasingly important betting medium and the channel of choice for bettors.

Since the half year the Group's bank debt has been eliminated, enabling future development of the Group to be planned from a position of strength.

The Board views the future with confidence.



**Roger D Withers**  
Chairman

## Consolidated profit and loss account

	Note	Six months ended 30 June 2003 Unaudited	Six months ended 30 June 2002 Unaudited	Year ended 31 December 2002 Audited
		£000	£000	£000
<b>Turnover</b>	4	<b>19,105</b>	15,633	32,675
<b>EBITDA</b>		<b>4,143</b>	1,935	5,830
Depreciation		<b>(742)</b>	(730)	(1,478)
Amortisation		<b>(154)</b>	(154)	(308)
<b>Operating profit</b>	4	<b>3,247</b>	1,051	4,044
Share of operating loss in: Joint venture		<b>(5,573)</b>	(5,703)	(11,129)
Associate		<b>(10)</b>	(35)	(54)
Goodwill amortisation in respect of joint venture		<b>(113)</b>	(113)	(226)
<b>Total operating loss</b>		<b>(2,449)</b>	(4,800)	(7,365)
<b>Group and share of joint ventures and associates</b>		<b>(2,449)</b>	(4,800)	(7,365)
<b>Net interest receivable</b>		<b>432</b>	258	478
<b>Loss on ordinary activities before taxation</b>		<b>(2,017)</b>	(4,542)	(6,887)
<b>Taxation</b>	2	<b>(443)</b>	-	-
<b>Loss on ordinary activities after taxation</b>		<b>(2,460)</b>	(4,542)	(6,887)
Basic and diluted loss per share	3	<b>Pence (0.68)</b>	Pence (1.26)	Pence (1.91)

All amounts relate to continuing activities.

All recognised gains and losses are included within the profit and loss account.

## Consolidated balance sheet

	Note	At 30 June 2003 Unaudited	At 30 June 2002 Unaudited	At 31 December 2002 Audited
		£000	£000	£000
<b>Fixed assets</b>				
Intangible assets – goodwill		<b>5,032</b>	5,340	5,186
Tangible assets		<b>55,712</b>	54,607	54,824
Investments – in associate		<b>350</b>	290	360
– other		<b>345</b>	345	345
		<b>695</b>	635	705
		<b>61,439</b>	60,582	60,715
<b>Current assets</b>				
Stock		<b>44</b>	46	41
Debtors – due within one year		<b>4,386</b>	4,162	3,491
– due after more than one year		<b>57,235</b>	42,400	49,500
		<b>61,621</b>	46,562	52,991
Blocked bank deposit	7	<b>2,765</b>	17,600	10,500
Cash at bank and in hand		<b>42</b>	8,172	569
		<b>2,807</b>	25,772	11,069
		<b>64,472</b>	72,380	64,101
Creditors: amounts falling due within one year		<b>(10,902)</b>	(19,184)	(10,974)
<b>Net current assets</b>		<b>53,570</b>	53,196	53,127
<b>Total assets less current liabilities</b>		<b>115,009</b>	113,778	113,842
<b>Creditors: amounts falling due after one year</b>				
Share of gross assets in joint venture		<b>24,942</b>	26,870	14,670
Share of gross liabilities in joint venture		<b>(45,578)</b>	(36,502)	(29,733)
		<b>(20,636)</b>	(9,632)	(15,063)
Goodwill in respect of joint venture		<b>1,906</b>	2,132	2,019
Other		<b>(4,665)</b>	(9,959)	(6,724)
		<b>(23,395)</b>	(17,459)	(19,768)
<b>Net assets</b>		<b>91,614</b>	96,319	94,074
<b>Capital and reserves</b>				
Called up share capital		<b>18,075</b>	18,036	18,075
Share premium account		<b>87,625</b>	87,564	87,625
Merger reserve		<b>5,417</b>	5,417	5,417
Other reserves		<b>15</b>	4,579	15
Profit and loss account		<b>(19,518)</b>	(19,277)	(17,058)
<b>Shareholders' funds</b>		<b>91,614</b>	96,319	94,074

All shareholders' funds are equity.

## Consolidated cash flow statement

	Note	Six months ended 30 June 2003 Unaudited	Six months ended 30 June 2002 Unaudited	Year ended 31 December 2002 Audited
		£000	£000	£000
Net cash inflow from operating activities	5	<b>4,765</b>	2,947	6,904
<b>Returns on investment and servicing of finance</b>				
Interest received		<b>546</b>	642	1,144
Interest paid		<b>(114)</b>	(384)	(661)
		<b>432</b>	258	483
<b>Taxation</b>				
Taxation paid		-	-	-
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		<b>(1,658)</b>	(1,146)	(2,365)
Sale of tangible fixed assets		<b>37</b>	345	632
Loans to joint venture		<b>(7,735)</b>	(21,450)	(28,550)
		<b>(9,356)</b>	(22,251)	(30,283)
<b>Acquisition and disposals</b>				
Investment in associate		-	-	(89)
<b>Net cash outflow before financing</b>		<b>(4,159)</b>	(19,046)	(22,985)
<b>Management of liquid resources</b>				
Withdrawals from short term deposits		<b>7,735</b>	21,450	28,550
<b>Financing</b>				
Inception of loans		-	900	900
Issue of ordinary shares		-	-	100
Repayment of loans		<b>(2,552)</b>	(4,265)	(7,548)
<b>Increase/(Decrease) in cash</b>		<b>1,024</b>	(961)	(983)

## Notes to the accounts

1 There have been no changes to the accounting policies of the group as set out in the financial statements for the period ended 31 December 2002.

2 The taxation charge represents the expected UK corporation tax liability based on the anticipated effective tax rate to be applied for the full year to 31 December 2003.

3 Earnings per ordinary share have been calculated using the weighted average number of shares in issue during the periods. The weighted average number of shares in issue for the six months ended 30 June 2003 is 361,495,535 (six months ended 30 June 2002: 360,726,897). There are no potentially dilutive shares in issue.

### 4 Segmental Information

	Note	Six months ended 30 June 2003 Unaudited	Six months ended 30 June 2002 Unaudited	Year ended 31 December 2002 Audited
<b>Turnover</b>				
		£000	£000	£000
Racecourse operations		<b>16,126</b>	11,817	25,106
Gaming technology		<b>2,979</b>	3,816	7,569
		<b>19,105</b>	15,633	32,675
<b>Operating Profit</b>				
Racecourse operations		<b>3,767</b>	1,440	5,094
Gaming technology		<b>646</b>	723	1,419
Central costs		<b>(1,012)</b>	(958)	(2,161)
Goodwill amortisation		<b>(154)</b>	(154)	(308)
		<b>3,247</b>	1,051	4,044

Operating profit is stated before group management charges and income within each business segment

### 5 Reconciliation of operating profit to net cash flow from operating activities

	Note	Six months ended 30 June 2003 Unaudited	Six months ended 30 June 2002 Unaudited	Year ended 31 December 2002 Audited
		£000	£000	£000
Operating profit		<b>3,247</b>	1,051	4,044
Depreciation charges		<b>742</b>	730	1,478
Amortisation of goodwill		<b>154</b>	154	308
Profit on disposal of tangible fixed assets		<b>(9)</b>	(5)	(38)
(Increase)/Decrease in stocks		<b>(3)</b>	100	105
Increase in debtors		<b>(895)</b>	(1,672)	(1,001)
Increase in creditors		<b>1,529</b>	2,589	2,008
<b>Net cash inflow from operating activities</b>		<b>4,765</b>	2,947	6,904

## Notes to the accounts continued

### 6 Reconciliation of net cash flow to movement in net debt

Note	Six months ended 30 June 2003 Unaudited £000	Six months ended 30 June 2002 Unaudited £000	Year ended 31 December 2002 Audited £000
	<b>£000</b>	£000	£000
Increase/(Decrease) in cash in the period	<b>1,024</b>	(961)	(983)
Cash outflow from reduction in debt	<b>2,552</b>	3,365	6,648
Change in net debt arising from cash flows	<b>3,576</b>	2,404	5,665
Opening net debt	<b>(5,792)</b>	(11,457)	(11,457)
Closing net debt	<b>(2,216)</b>	(9,053)	(5,792)
Blocked bank deposit	7 <b>2,765</b>	17,600	10,500
Net funds	<b>549</b>	8,547	4,708

**7** The blocked bank deposit is a restricted cash deposit to fund Arena's obligations to Attheraces Holdings Ltd and its subsidiaries, this being the joint venture company controlled by Arena Leisure Plc, BSKyB and Channel 4. The monies are made available to fund payments to racecourses in connection with the acquisition of media rights and to fund Arena Leisure Plc's share of the *attheraces* working capital requirements. Interest on the Bank deposit is payable to Arena Leisure Plc and its use is unrestricted.

**8** The figures for the year ended 31 December 2002 have been extracted from the accounts, which have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Section 237. These accounts do not comprise statutory accounts within the meaning of Section 240.

## Company information and advisers

### The Board

*Roger D Withers*  
Chairman

*Ian R Penrose*  
Group Managing Director

*Ian C Hogg*  
Director of Gaming Systems

*M John Barnes*  
Non Executive Director

*Brigadier Andrew H Parker Bowles OBE*  
Non Executive Director

*Graham T Parr*  
Non Executive Director

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### Company Secretary

Robert Mercer FCMA

### Registered number

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### Auditors

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### Solicitors

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### Principal bankers

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### Stockbrokers and financial advisers

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### Financial advisers

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### Registrar and transfer office

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