

Dunstall Park Centre Limited

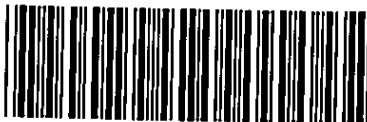
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Report and Financial Statements

Year Ended

31 December 2006

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BDO Stoy Hayward
Chartered Accountants

Dunstall Park Centre Limited

Annual report and financial statements for the year ended 31 December 2006

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Directors

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Directors

R I Renton
WA Parker
R Mercer
M J Elliott
D A Roberts

Secretary and registered office

W A Parker, Dunstall Park, Gorsebrook Road, Wolverhampton, WV6 0PE

Company number

2159607

Auditors

BDO Stoy Hayward LLP, 8 Baker Street, London, W1U 3LL

Dunstall Park Centre Limited

Report of the directors for the year ended 31 December 2006

The directors present their report together with the audited financial statements for the year ended 31 December 2006

Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year

The directors paid an interim ordinary dividend of £1,580,000 (2005 - £8,350,000) during the year

Principal activities, trading review and future developments

The principle activity of the company is that of operator of Wolverhampton Racecourse in the West Midlands, a leisure complex embracing a racecourse, conference and exhibition centre, and hotel

In 2006 Wolverhampton Racecourse, with its floodlit all-weather surface, staged a record 111 fixtures (2005 - 91) and achieved an operating profit of £2.0m (2005 - £1.4m). Its fixture list was enhanced by transfers from Doncaster Racecourse, closed for redevelopment until August 2007, and also from Great Leighs Racecourse which did not open on schedule. The benefit of these additional fixtures in the second half of the year mitigated the negative impact of the World Cup on attendances in the summer months. Overall attendances of 86,000 were achieved (2005 - 79,000). Prize money payments also increased in 2006 to £3.7m (2005 - £2.8m).

Racecourse Developments

Significant progress was made in 2006 on new developments and expanding profit generating opportunities. In evaluating these major investments, we look for a 15% return on the net cash cost.

Throughout the year, we worked on a new planning application for a major redevelopment of Wolverhampton Racecourse. The original plans to introduce a casino and expand the hotel were rejected in 2005 by the Office of the Deputy Prime Minister, despite support from Wolverhampton City Council, and, at that stage, we wrote-off £0.4m of costs incurred on the project. The development was viewed as negatively impacting upon the 'openness' of the Green Belt location in which it is situated. Nevertheless, the concept of the extension and the synergy between the component parts were supported by the local planning authority, the Call-In Inquiry Inspector and the Secretary of State. A detailed planning application for the revised scheme was submitted to Wolverhampton City Council in February 2007. The new application incorporates a fundamental redesign to overcome the reasons for the previous refusal. The development includes the expansion of the current hotel from 54 to 170-bedrooms, the construction of a new conference, exhibition and banqueting suite, a new leisure facility including a swimming pool, and the incorporation of a casino within the Racecourse, thereby creating the UK's first 'racino'. The proposed expansion of facilities will play a crucial role in securing the long-term future of Wolverhampton Racecourse and will further enhance its status as a leading racing, conferencing and leisure destination for the West Midlands region. We are optimistic that the revised plans have fully addressed the cause of the earlier failure. The cost of the development is estimated at £23m, and will generate up to 280 additional jobs once fully operational. In a related development, the City of Wolverhampton was recently recommended as a location for a 'small' casino by the Casino Advisory Panel. Wolverhampton Racecourse played a prominent role in the City's application and the proposed racino is physically capable of accommodating a small casino. The Panel commented that "Wolverhampton well satisfies all of our criteria and if the casino happens to end up at the racecourse it would add to its uniqueness and provide an interesting and unusual social impact test".

Dunstall Park Centre Limited

Report of the directors for the year ended 31 December 2006 (*Continued*)

Principal activities, trading review and future developments (*Continued*)

Arena acknowledges that the Panel's recommendations have to be endorsed by Parliament and that it will be Wolverhampton City Council that determines the granting of the casino premises licence. The integrated nature of what we are proposing, together with the jobs that are both safeguarded and indeed created, would make a casino at Wolverhampton Racecourse a very exciting addition to the City of Wolverhampton. We therefore naturally hope that Wolverhampton Racecourse will be chosen as the best site within Wolverhampton for such a casino, although do not expect a decision to be announced before the end of 2007.

Also at Wolverhampton Racecourse, we have just completed a £0.6m refurbishment of the 370-seat racecourse viewing restaurant. This restaurant had previously been one of the busiest and most popular restaurants in racing, with average occupancy on a Saturday evening very close to full capacity. The refurbishment aims to completely reinvigorate the customer experience. Air conditioning has been introduced, granite tables and leather chairs provided throughout, and the top bar, betting and entrance area expanded in order to create a larger, multifunctional space. The aim is to produce a modern, contemporary restaurant that will relaunch Wolverhampton Racecourse as a premier dining venue within the West Midlands, allowing it to attract both customers back to the Racecourse and also a wider array of events. The restaurant relaunched on 21 April as *Horizons* and, under the management of the new Arena catering division, is expected to revive what has been an extremely popular dining experience. With typically around 95 fixtures each year, including the increased midweek evening opportunities provided by the introduction of the Gaming Act 2005, *Horizons* will not only generate a return in excess of the desired 15% for Arena projects, but it will also serve as a fitting complement to the proposed hotel and casino development at the Racecourse.

Racing industry developments

The uncertainty over the future of the Levy, which is the major source of funding for the UK racing industry, was resolved with the UK Government's announcement in December of the Levy's extension until such time as a secure and adequate alternative commercial funding arrangement can be identified. In 2006, Dunstall Park received £5.9m from the Levy (2005 - £4.2m), the vast majority of which is used to fund prize money payments. The majority of the increase in 2006 arose from the increased number of fixtures staged during the year and the higher levels of levy payment receivable in respect of Doncaster race meetings. In addition, responsibility for certain regulatory costs has passed from the Levy Board to the racecourses, together with the corresponding funding. As a consequence, the majority of this increase was matched by a similar increase in our 'costs of sale'. The method for distributing Levy funds is currently being re-evaluated. We hope for a more fair, equitable and commercial distribution mechanism to be introduced, one in which there is an increased emphasis on both betting turnover and betting gross profits and whereby a racecourse receives a greater proportion of its Levy income based on the amount of Levy that its races actually generate.

The related modernisation of the racing industry is now close to conclusion. The separate regulatory and governance functions will be combined into a new, single body – the British Horseracing Authority ('BHA') – which is expected to come into effect in mid-2007. Ian Renton, current Director of Dunstall Park Centre Limited, was elected to the board of the BHA as the representative of the UK's 59 racecourses. Racing Enterprises Limited will be established as the industry's commercial entity, jointly owned by the UK racecourses and the Horsemen's Group.

Dunstall Park Centre Limited

Report of the directors for the year ended 31 December 2006 (*Continued*)

Principal activities, trading review and future developments (*Continued*)

Racing industry developments (Continued)

A bidding process for the acquisition of fixtures on a leasehold basis was introduced in 2005. In the bidding for 2007 fixtures conducted in June 2006, Dunstall Park acquired 31 fixtures on a mixture of one, two and three year leases (2005 - 27, all one year leases). We were happy with this outcome, given the increased competition for these fixtures, particularly from Kempton Park, with its new floodlit all-weather track, and the promised all-weather racecourse at Great Leighs. Dunstall Park is well positioned to acquire further fixtures should they become available during the course of this year 2007.

A key objective for 2006 was for the extension of 48-hour declarations to all UK flat racing as a prerequisite for UK racing securing greater international distribution of its product. This extension was achieved in August 2006 and has allowed UK racing to start to compete with its international counterparts on a level playing field and thereby begin the process of maximising its revenue potential in overseas markets.

In December, we entered into a new five year agreement with Bookmakers' Afternoon Greyhound Service ('BAGS') for the supply of our live horseracing pictures to Britain's licensed betting shops and into new sponsorship arrangements with various individual bookmakers. These new contracts commenced on 1 January 2007 and replaced the previous five year contract with BAGS that had commenced in 2004. This new contract will attract increased income to the site with no additional costs associated.

Dunstall Park Centre's long-term aim is to deliver consistent profit growth through the provision of great product, superior quality service to our customers and the greater utilisation of our assets on both racedays and the many non-racedays in between.

Financial instruments

Dunstall Park Centre Limited is a borrower under the Arena Leisure Plc group overdraft facility. The group facility limit was £5m as at 31 December 2006. Interest is charged on the bank overdraft at 1% over Bank of Scotland base rate.

Directors

The directors of the company during the year were

E C Taylor (resigned 30 March 2006)
R I Renton
W A Parker
R Mercer
M J Elliott
D A Roberts

None of the directors had any interest in the shares of the company during the year.

M J Elliott and R I Renton were directors of the company's parent company, Arena Leisure Plc. Their interests in the ordinary shares and share options are disclosed in its financial statements.

Dunstall Park Centre Limited

Report of the directors for the year ended 31 December 2006 (*Continued*)

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 year. In preparing those 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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.

On behalf of the Board

M J Elliott



Director

Date

26 June 2007

Dunstall Park Centre Limited

Report of the independent auditors

To the shareholders of Dunstall Park Centre Limited

We have audited the financial statements of Dunstall Park Centre Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements 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 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 have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with those 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 read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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.

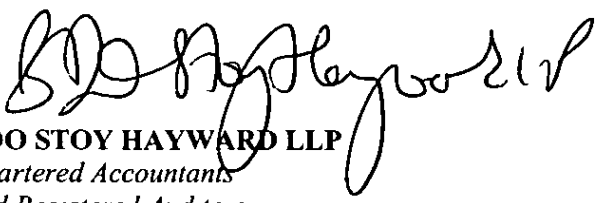
Dunstall Park Centre Limited

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the directors' report is consistent with the financial statements


BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

2 July 2007

Dunstall Park Centre Limited**Profit and loss account for the year ended 31 December 2006**

	Note	2006 £	2005 £
Turnover	1	11,998,081	9,726,238
Cost of sales		(7,800,445)	(6,141,887)
Gross profit		4,197,636	3,584,351
Administrative expenses		2,196,586	2,137,544
Operating profit	4	2,001,050	1,446,807
Interest payable and similar charges	5	(402,778)	(457,637)
Interest receivable and similar income		1,901	66,999
Profit on ordinary activities after taxation and transferred to reserves	14	1,600,173	1,056,169

All amounts relate to continuing activities

The notes on pages 9 to 16 form part of these financial statements

Dunstall Park Centre Limited

Balance sheet at 31 December 2006

	Note	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	8		14,072,062		14,151,956
Current assets					
Stocks	9	9,227		1,319	
Debtors	10	3,406,625		3,615,625	
Cash at bank and in hand		500,807		4,284	
		3,916,659		3,621,228	
Creditors: amounts falling due within one year	11	15,465,428		15,217,294	
Net current liabilities			(11,548,769)		(11,596,066)
Total assets less current liabilities			2,523,293		2,555,890
Accruals and deferred income	12		2,475,180		2,527,950
			48,113		27,940
Capital and reserves					
Called up share capital	13		100		100
Profit and loss account	14		48,013		27,840
Shareholder's funds			48,113		27,940

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2007

M J Elliott
Director



The notes on pages 9 to 16 form part of these financial statements

Dunstall Park Centre Limited

Notes forming part of the financial statements for the year ended 31 December 2006

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

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. Income is also derived from the operation of a hotel on site.

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 annual memberships.

Media rights

On the 29 March 2004 attheraces terminated its media rights agreement with the RCA and the 49 racecourses which were party to the contract, including the 6 racecourses owned by Arena Leisure Plc. Following termination of this agreement the group negotiated a new media rights contract with At The Races. This 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. This income will be credited to the profit and loss account in the period in which it is earned.

At the 29 March 2004 Dunstall Park Centre Limited held within creditors the sum of £675,000 in respect of deferred media rights income received under the original contract. This will be released to the profit and loss account on a straight line basis over the initial five year period of the new contract.

Depreciation

Depreciation is provided to write off the cost or valuation less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their estimated useful economic lives. Depreciation is provided on a straight line basis as follows:

Land and buildings	- 2% per annum
Plant and machinery	- 5% to 25% per annum
Motor Vehicles	- 25% per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase in a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Dunstall Park Centre Limited

Notes forming part of the financial statements for the year ended 31 December 2006

1 Accounting policies (*Continued*)

Deferred taxation

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 Financial Reporting Standard 19, 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. An asset is recognised where there is no uncertainty as to the transfer of future economic benefits. Deferred tax is measured on a non discounted basis

Dividend

Equity 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

2 Staff numbers and costs

The average number of persons employed by the company (including directors and part-time staff but excluding raceday casual staff) during the year, analysed by category, was as follows

	2006 Number	2005 Number
Management and administration	17	14
Customer service	46	44
	63	58
	£	£
Wages and salaries	979,798	890,262
Social security costs	85,264	79,103
Pension	5,800	6,769
	1,070,862	976,134

The company employs casual staff to assist during race days. The number of casual staff varies between 30 and 40 depending on the race day. Casual staff are not included in the staff numbers or costs stated above. The aggregate payroll cost in respect of casual staff in 2006 was £569,236 (2005 - £154,076)

Dunstall Park Centre Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****3 Directors**

	2006 £	2005 £
Directors' emoluments consist of		
Remuneration	24,276	23,568
Social security costs	2,463	2,390
	<u>26,739</u>	<u>25,958</u>

4 Operating profit

	2006 £	2005 £
This is stated after charging/(crediting)		
Group management charges – expense	931,552	509,000
Group management charges – income	(24,000)	(34,500)
Depreciation of tangible fixed assets	501,515	468,663
Auditors' remuneration	17,990	12,960
Profit on disposal of fixed assets	1,459	(26)
	<u></u>	<u></u>

5 Interest payable

	2006 £	2005 £
Group interest	393,809	457,637
Bank interest payable	8,969	-
	<u></u>	<u></u>

Dunstall Park Centre Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)

6 Taxation

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2006 £	2005 £
<i>Tax reconciliation</i>		
Factors affecting tax charge for the year		
Profit on ordinary activities	1,600,173	1,056,169
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	480,052	316,851
Effects of		
Expenses not deductible for tax purposes	52,638	174,081
Income not assessable to tax	(777,518)	(155,652)
Short term timing differences	-	(210)
Depreciation in excess of capital allowances/ (accelerated capital allowances)	68,476	(192,246)
Group relief claimed	-	(142,824)
Tax losses unutilised	176,352	-
Current tax charge for year	-	-

Unrecognised deferred tax

	2005 £	Movement in the year £	2006 £
Accelerated capital allowances	(128,799)	(62,461)	(191,260)
Other short term timing differences	(617)	617	-
Tax losses	-	(176,352)	(176,352)
Unrecognised deferred tax assets	(129,416)	(238,196)	(367,612)

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

7 Dividends

	2006 £	2005 £
Interim dividend paid £15,800 per share (2005 - £83,500)	1,580,000	8,350,000

Dunstall Park Centre Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

8 Tangible assets	Assets under construction £	All weather track £	Freehold land and buildings £	Flood lights £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>							
At 1 January 2006	287,348	3,767,272	9,495,405	1,074,112	4,374,171	119,009	19,117,317
Additions	229,315	-	20,884	-	123,677	68,892	442,768
Disposals	-	-	-	-	(14,710)	(44,280)	(58,990)
At 31 December 2006	516,663	3,767,272	9,516,289	1,074,112	4,483,138	143,621	19,501,095
<i>Depreciation</i>							
At 1 January 2006	-	758,687	362,424	701,870	3,082,855	59,525	4,965,361
Charge for year	-	110,364	64,160	53,706	245,030	28,255	501,515
Disposals	-	-	-	-	(6,863)	(30,980)	(37,843)
At 31 December 2006	-	869,051	426,584	755,576	3,321,022	56,800	5,429,033
<i>Net book value</i>							
At 31 December 2006	516,663	2,898,221	9,089,705	318,536	1,162,116	86,821	14,072,062
At 31 December 2005	287,348	3,008,585	9,132,981	372,242	1,291,316	59,484	14,151,956
Freehold land and buildings and assets under construction include £7,165,000 (2005 - £6,931,226) of non depreciable assets							

Dunstall Park Centre LimitedNotes forming part of the financial statements for the year ended 31 December 2006 (*Continued*)**9 Stocks**

	2006 £	2005 £
Consumables and goods for resale	9,227	1,319

10 Debtors

	2006 £	2005 £
Trade debtors	754,786	497,073
Amounts owed by group undertakings	2,194,412	2,520,593
Other debtors	143,040	125,729
Corporation tax	-	-
Prepayments and accrued income	314,387	472,230
	<u>3,406,625</u>	<u>3,615,625</u>

All amounts shown under debtors fall due for payment within one year

11 Creditors: amounts falling due within one year

	2006 £	2005 £
Bank overdraft	-	343,314
Trade creditors	707,156	703,875
Amounts owed to group undertakings	13,913,333	13,245,294
Other taxation and social security costs	52,812	33,631
Other creditors	207,761	115,791
Accruals and deferred income	584,366	775,389
	<u>15,465,428</u>	<u>15,217,294</u>

Dunstall Park Centre Limited**Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)****12 Accruals and deferred income**

	Capital credits and grants £
Balance at 1 January 2006	2,527,950
Amortisation for the year	52,770
Balance at 31 December 2006	2,475,180

The above balance represents Department of Environment Grants to be amortised over the life of the asset to which it relates

13 Share capital

	Authorised, allotted, called up and fully paid			
	2006	2005	2006	2005
	Number	Number	£	£
Ordinary shares of £1 each	100	100	100	100

14 Profit and loss account

	£
At 1 January 2006	27,840
Profit for the year	1,600,173
Dividend Paid	(1,580,000)
At 31 December 2006	48,013

15 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £5,800 (2005 - £5,692)

There were no pension creditors at the year end (2005 - Nil)

Dunstall Park Centre Limited

Notes forming part of the financial statements for the year ended 31 December 2006 (Continued)

16 Contingencies

The company has guaranteed the bank borrowings of its parent undertaking and fellow subsidiary undertakings

The company has guaranteed an amount of \$50,000 to the benefit of Holiday Inns Incorporated in relation to the hotel franchise

17 Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard 8, "Related Party Transactions", not to disclose transactions with entities that are included in the consolidated financial statements of Arena Leisure Plc

18 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company

19 Ultimate parent company

The immediate parent company is R A M Racing Leisure Limited

The ultimate holding company is Arena Leisure Plc which is incorporated in Great Britain. A copy of the financial statements can be obtained from 1 Hay Hill, Berkeley Square, London, W1J 6DH