

3471576

**REGISTRAR OF
COMPANIES**

Arena Online Services Limited

Report and Financial Statements

Period Ended

31 March 1999



BDO

BDO Stoy Hayward
Chartered Accountants

ARENA ONLINE SERVICES LIMITED

Report and financial statements for the period ended 31 March 1999

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Directors

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Directors

G T Parr
M E Pope

Secretary and registered office

I R Penrose, Lingfield Park, Lingfield, Surrey, RH7 6PQ.

Company number

3471576

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1M 1DA.

ARENA ONLINE SERVICES LIMITED

Report of the directors for the period ended 31 March 1999

The directors present their report together with the audited financial statements for the period ended 31 March 1999. The company was incorporated on 26 November 1997 and changed its name from Webproof Limited to Arena Online Services Limited on 23 December 1997.

Results and dividends

The profit and loss account is set out on page 4 and shows the results for the period.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The principal activity of the company is internet development. During the year the company has invested heavily in this development and hopes to see profits arising from it in the future.

Year 2000

The directors are reviewing the likely impact of the Year 2000 issue on the company's operations. They do not consider that the business will be affected to any significant extent, nor do they anticipate any material cost being incurred in addressing the issue.

Directors

The directors of the company during the period neither of whom held any interests in the ordinary share capital of the company were:

Instant Companies Limited	(appointed 26 November 1997; resigned 4 December 1997)
G T Parr	(appointed 4 December 1997)
M E Pope	(appointed 4 December 1997)

Details of the directors interests in the share capital and share options of Arena Leisure Plc, its parent company, are disclosed in that company's financial statements.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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 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.

ARENA ONLINE SERVICES LIMITED

Report of the directors for the period ended 31 March 1999 (*Continued*)

Auditors

BDO Stoy Hayward, who were appointed as first auditors of the company by the directors, 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

I R Penrose



Secretary

Date

23 September 1999

ARENA ONLINE SERVICES LIMITED

Report of the auditors

To the shareholders of Area Online Services Limited

We have audited the financial statements on pages 4 to 9 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

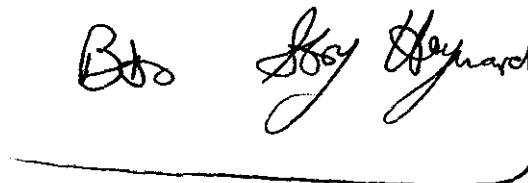
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

Handwritten signatures of BDO Stoy Hayward, consisting of three distinct signatures in cursive script, enclosed within a large, hand-drawn rectangular bracket.

23 September 1999

ARENA ONLINE SERVICES LIMITED**Profit and loss account for the period ended 31 March 1999**

	Note	£
Turnover	2	252,427
Cost of sales		212,370
		<hr/>
Gross profit		40,057
Administrative expenses		32,918
		<hr/>
Operating profit		7,139
Interest receivable		323
		<hr/>
		7,462
Interest payable	4	7,462
		<hr/>
Profit/(loss) on ordinary activities before and after taxation and retained	5	-
		<hr/> <hr/>

All amounts relate to continuing activities.

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

The notes on pages 6 to 9 form part of these financial statements.

ARENA ONLINE SERVICES LIMITED**Balance sheet at 31 March 1999**

	Note	£	£
Fixed assets			
Tangible assets	6		46,477
Current assets			
Debtors	7	715,712	
		<hr/>	
Creditors: amounts falling due within one year	8	749,811	
		<hr/>	
Net current assets			(34,099)
			<hr/>
Total assets less current liabilities			12,378
Creditors: amounts falling due after more than one year	9		12,278
			<hr/>
			100
			<hr/>
Capital and reserves			
Called up share capital	10		100
Profit and loss account			-
			<hr/>
Shareholders' funds			100
			<hr/>

The financial statements were approved by the Board on 23/9/99

G T Parr

M E Pope

Directors

The notes on pages 6 to 9 form part of these financial statements.

ARENA ONLINE SERVICES LIMITED

Notes forming part of the financial statements for the period ended 31 March 1999

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 represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives. It is calculated at the following rates:

Fixtures, fittings	-	25% per annum
Motor vehicles	-	33% per annum

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are split between capital and interest using the actuarial method. The interest is charged to the profit and loss account. The capital part reduces the amounts payable to the lessor.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Development costs

Costs (net of income received/incurred) on the development in relation to broadcasting horseraces over the internet have been included within prepayments. These costs will continue to be accumulated until the earlier of three years from the commencement of the development (November 1997) or the launch of the service, at which point they will be amortised over a period not in excess of three years.

2 Turnover

All of the companies' turnover arose in the United Kingdom.

ARENA ONLINE SERVICES LIMITED

Notes forming part of the financial statements for the period ended 31 March 1999 (Continued)

3	Employees	£
	Staff costs consist of:	
	Wages and salaries	176,564
	Social security costs	18,009
		<hr/>
		194,573
		<hr/>
	The average number of employees during the period was as follows:	Number
	Full time	5
		<hr/>
4	Interest payable	£
	Bank loans and overdrafts	6,045
	Hire purchase interest	1,417
		<hr/>
		7,462
		<hr/>
5	Profit/(loss) on ordinary activities before taxation	
	This is arrived at after charging:	
	Depreciation	10,315
	Auditors' remuneration	3,000
		<hr/>

Neither of the directors' received any emoluments from the company during the period. Emoluments were paid to them by the parent company, Arena Leisure PLC. Details of these emoluments are included in the financial statements of that company.

ARENA ONLINE SERVICES LIMITED

Notes forming part of the financial statements for the period ended 31 March 1999 (Continued)

6 Tangible assets

	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<i>Cost</i>			
Additions and at end of period	10,365	46,427	56,792
<i>Depreciation</i>			
Provided for the period and at end of period	3,853	6,462	10,315
<i>Net book value</i>			
At 31 March 1999	6,512	39,965	46,477

7 Debtors

	£
Trade debtors	50,646
Other debtors	15,406
Prepayments and accrued income	649,660
	715,712

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

Prepayments include development costs of £629,994 which will be amortised from the earlier of three years from the commencement of the development (November 1997) or the launch of the service.

8 Creditors: amounts falling due within one year

	£
Bank loans and overdraft	291,094
Trade creditors	32,802
Amounts owed to group undertakings	392,075
Other creditors	6,807
Creditors for taxation and social security	3,486
Obligations under finance leases	9,833
Accruals	13,714
	749,811

ARENA ONLINE SERVICES LIMITED

Notes forming part of the financial statements for the period ended 31 March 1999 *(Continued)*

9	Creditors: amounts falling due after more than one year	£
	Obligations under finance leases	12,278
		<u> </u>
10	Share capital	
		Authorised £
		Allotted, called up and fully paid £
		1,000
		100
		<u> </u>
11	Ultimate parent company	

At 31 March 1999, the company's ultimate parent company was Arena Leisure PLC. Copies of its financial statements are available from Arena Leisure PLC, Lingfield Park, Lingfield, Surrey, RH7 6PQ.