

ATTHERACES HOLDINGS LIMITED
(formerly Flujab Limited)

Report and Financial Statements

Period from 5 February 2001 to
31 December 2001

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR



REPORT AND FINANCIAL STATEMENTS 2001

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Executive Director

Christopher W Stoddart

Non-Executive Directors

David I A Brook

Keith C Brown

Trevor East

Richard Freudenstein

Martin R Goswami

Ian C Hogg

Ian R Penrose

Peter D Savill

David R A Scott

Roger D Withers

Robert S L Woodward

COMPANY SECRETARY

Teresa A Walsh

REGISTERED OFFICE

11-13 Charlotte Street

London

W1T 1RH

BANKERS

Bank of Scotland

The Mound

Edinburgh

EH1 1YZ

SOLICITORS

Olswang

90 Long Acre

London

WC2E 9TT

AUDITORS

Deloitte & Touche

Chartered Accountants

Hill House

1 Little New Street

London

EC4A 3TR

DIRECTORS' REPORT

The directors present their first annual report and the audited financial statements for the period from 5 February 2001 to 31 December 2001. The company was incorporated as Flujab Limited on 5 February 2001 and changed its name to Attheraces Holdings Limited on 27 March 2001.

ACTIVITIES

The company's activities are that of a holding company for the group.

The principal activities of the group are the worldwide exploitation of broadcast, media and other information rights acquired from 49 racecourses throughout the UK. The group is also involved in parimutuel pool betting through an agreement with the Horseracing Totalisator Board.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

On 22 June 2001 an agreement was entered into by the subsidiary company, Attheraces PLC, the Racecourse Association, and certain race courses whereby the group was granted the media, broadcast and information rights to horseraces held at those racecourses for an initial period of 5 years from 1 July 2001.

On 1 July 2001 the group commenced trading.

The directors are optimistic about the future prospects of the group and expect to see its business develop in the coming year as it develops its website and launches its horseracing television channel with interactive betting applications on digital platforms.

RESULTS AND DIVIDENDS

The results of the group for the period ended 31 December 2001 are shown on page 8.

There were no dividends proposed during the period.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were:


Stephen Martin	(appointed 5/2/2001, resigned 27/3/2001)
Martin Pope	(appointed 18/5/2001, resigned 31/10/2001)
David I A Brook	(appointed 2/5/2001)
Keith C Brown	(appointed 26/7/2001)
Trevor East	(appointed 3/5/2001)
Richard Freudenstein	(appointed 9/5/2001)
Martin R Goswami	(appointed 9/5/2001)
Ian C Hogg	(appointed 27/3/2001)
Ian R Penrose	(appointed 27/3/2001)
Peter D Savill	(appointed 26/7/2001)
David R A Scott	(appointed 2/5/2001)
Christopher W Stoddart	(appointed 2/5/2001)
Roger D Withers	(appointed 31/10/2001)
Robert S L Woodward	(appointed 28/8/2001)

No director had any interests in the share capital of the company or any group company throughout the period

AUDITORS

Deloitte & Touche were appointed as auditors during the period and have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


Teresa A Walsh

Secretary

25 July

2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed; 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. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
ATTHERACES HOLDINGS LIMITED
(formerly Flujab Limited)**

We have audited the financial statements of Attheraces Holdings Limited for the period from 5 February 2001 to 31 December 2001 which comprise the consolidated profit and loss account, the reconciliation of movements in consolidated shareholders' funds, the consolidated balance sheet, the company balance sheet, the consolidated cash flow statement and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

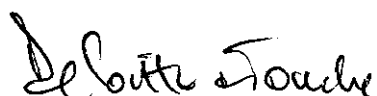
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company and group as at 31 December 2001 and of the loss of the group for the period from 5 February 2001, date of incorporation, to 31 December 2001 and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Deloitte & Touche

26 July 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period from 5 February 2001 to 31 December 2001

	Note	5 February 01 to 31 December 2001 £'000
TURNOVER	2	9,795
Cost of sales		(15,699)
Gross loss		(5,904)
Administrative expenses		(5,928)
OPERATING LOSS	3	(11,832)
Interest receivable and similar income		44
Interest payable and similar charges	5	(3)
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION AND RETAINED LOSS FOR THE PERIOD		<u>(11,791)</u>

All operations commenced during the period and are continuing.

There are no recognised gains or losses in the current financial period other than the loss for the period as shown above. Therefore no statement of total recognised gains and losses is presented.

The company has taken advantage of S230 Companies Act 1985 and has not prepared a separate profit and loss account. The loss after taxation dealt with in the accounts of the parent company is £2,203.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Period from 5 February 2001 to 31 December 2001

	5 February to 31 December 2001 £'000
Loss for the period	(11,791)
Issue of share capital	<u>3</u>
Decrease in shareholders' funds	(11,788)
Opening shareholders funds	<u>-</u>
Closing shareholders' deficit	<u>(11,788)</u>

CONSOLIDATED BALANCE SHEET
31 December 2001

	Note	2001 £'000
FIXED ASSETS		
Tangible assets	7	361
CURRENT ASSETS		
Debtors: amounts due within one year	9	6,874
Debtors: amounts due after more than one year	10	10,306
Cash at bank and in hand		3,643
CREDITORS: amounts falling due within one year	11	20,823
		(7,622)
NET CURRENT ASSETS		13,201
TOTAL ASSETS LESS CURRENT LIABILITIES		13,562
CREDITORS: amounts falling due after more than one year	12	(25,350)
TOTAL NET LIABILITIES		(11,788)
CAPITAL AND RESERVES		
Called up share capital	13	3
Profit and loss account		(11,791)
EQUITY SHAREHOLDERS' DEFICIT		(11,788)

These financial statements were approved by the Board of Directors on 3 July 2002.
Signed on behalf of the Board of Directors




Director

COMPANY BALANCE SHEET
31 December 2001

	Note	2001 £'000
FIXED ASSETS		
Investments	8	14
CURRENT ASSETS		
Debtors	9	6,595
Cash at bank and in hand		5
CREDITORS: amounts falling due within one year	11	6,600 (13)
NET CURRENT ASSETS		6,587
TOTAL ASSETS LESS CURRENT LIABILITIES		6,601
CREDITORS: amounts falling due after more than one year	12	(6,600)
TOTAL NET ASSETS		1
CAPITAL AND RESERVES		
Called up share capital	13	3
Profit and loss account		(2)
EQUITY SHAREHOLDERS' FUNDS		1

These financial statements were approved by the Board of Directors on 3 July 2002.
Signed on behalf of the Board of Directors



Director

CONSOLIDATED CASH FLOW STATEMENT
Period from 5 February 2001 to 31 December 2001

	Note	5 February 2001 to 31 December 2001 £'000
Net cash outflow from operating activities	(i)	(21,526)
Returns on investments and servicing of finance		
Interest received		44
Interest paid		(1)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets		(226)
Acquisitions		
Investment in subsidiary		(1)
Cash outflow before financing		(21,710)
Financing		
Issue of ordinary share capital		3
Loans repayable from July 2004		18,750
Loans repayable on demand from July 2006		6,600
Increase in cash in the period		3,643

NOTES TO THE CASH FLOW STATEMENT
Period from 5 February 2001 to 31 December 2001

(i) RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	5 February 2001 to 31 December 2001 £'000
Operating loss	(11,832)
Depreciation	9
Increase in debtors	(18,053)
Increase in creditors	8,350
Net cash (outflow) from operating activities	(21,526)

(ii) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	5 February 2001 31 December 2001 £'000
Increase in cash in the period	3,643
Cash inflow from increase in debt	(25,350)
Change in net debt resulting from cashflow	(21,707)
Accrued loan interest	(2)
Movement in net debt in the period	(21,709)
Net debt at 5 February 2001	
Net debt at 31 December 2001	(21,709)

(iii) ANALYSIS OF MOVEMENT IN NET DEBT

	5 February 2001 £'000	Cash flow £'000	Other non-cash transactions £'000	31 December 2001 £'000
Cash at bank and in hand	-	3,643	-	3,643
Debt due within 1 year	-	-	(2)	(2)
Debt due after 1 year	-	(25,350)	-	(25,350)
Total	-	(21,707)	(2)	(21,709)

NOTES TO THE ACCOUNTS
Period from 5 February 2001 to 31 December 2001

1. ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of consolidation

The group financial statements consolidate the financial statements of Attheraces Holdings limited and all its subsidiaries.

Going concern

The financial statement have been prepared under the going concern assumption.

In reaching their decision, the directors have considered the commitments of Group's shareholders to provide finance for the Group to agreed levels during its period of business development. The directors believe that the finance available is sufficient for the Company to continue its operations in this development period and for a period of at least a further 12 months.

Turnover

The group derives its income from the operation of media channels, from the licensing of broadcast rights and from betting services.

Income is recognised on completion of substantially all of the group's associated contractual obligations.

Foreign currency translation

Foreign currency transactions are converted to sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling on the balance sheet date. These translation differences are taken to the profit and loss account.

Pension costs

The group operates a defined contribution personal pension scheme for its employees. Contributions payable into the scheme are charged to the profit and loss account on a monthly basis as they become due.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Office equipment	25% per annum
Computer software and equipment	Between 25% and 50% per annum
Furniture and equipment	25% per annum

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Rights prepayments

The initial prepaid premium to secure certain interactive media rights for future periods is stated within debtors at the lower of cost and net realisable value. Net realisable value is based on estimated future income derived from those rights in future periods or other recoverable amounts.

Loan interest

A shareholder has provided a loan facility to the company of £80 million. The loan bears interest of 3% of the company's prior month gross parimutuel betting. Interest is charged to the profit and loss account as it is incurred.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred except where the directors consider that development activity has generated an asset capable of generating revenues directly and the costs associated with its creation are separately identifiable.

NOTES TO THE ACCOUNTS

Period from 5 February 2001 to 31 December 2001

1. ACCOUNTING POLICIES (continued)

Leases

Operating lease rentals are charged to profit and loss in equal amounts over the lease term.

Deferred taxation

Deferred taxation is provided in full on timing differences which result in an obligation at the balance sheet to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit those earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2. TURNOVER AND SEGMENTAL REPORTING

Turnover represents the amount derived from the provision of services which fall within the Group's ordinary activities stated net of value added tax. All revenues during the period arose from activities conducted wholly within the United Kingdom.

All assets and liabilities of the group are located within the United Kingdom.

Turnover by activity is set out below. It is not practicable to allocate either profit before taxation or net assets by activity.

	5 February 2001 to 31 December 2001 £'000
Turnover by activity	
Exploitation of rights	6,525
Parimutuel betting pool revenues	11
Racing Channel subscription income	2,984
Other	275
	<hr/> 9,795 <hr/>

3. OPERATING LOSS

Operating loss is stated after charging

	5 February 2001 to 31 December 2001 £'000
Depreciation of tangible fixed assets	
Owned assets	9
Operating lease payments	
- plant and machinery	1
- other	19
Auditors' remuneration:	
- audit fees – group	18
- company	6
	<hr/> 6 <hr/>

NOTES TO THE ACCOUNTS
Period from 5 February 2001 to 31 December 2001

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	5 February 2001 to 31 December 2001 £'000
Directors' emoluments	
Salaries and fees	188
Pension contributions	18
	<hr/> 206 <hr/>

The above emoluments relate to solely to the one executive director.

Pension contributions were made on behalf of one director into a money purchase scheme.

Average monthly number of persons employed including directors:

	5 February 2001 to 31 December 2001 No.
Sales and distribution	2
Administration	3
	<hr/> 5 <hr/>

Staff costs, including directors, comprised:

	5 February 2001 to 31 December 2001 £'000
Wages and salaries	467
Social security costs	50
Pension costs	31
	<hr/> 548 <hr/>

NOTES TO THE ACCOUNTS

Period from 5 February 2001 to 31 December 2001

5. INTEREST PAYABLE AND SIMILAR CHARGES

**5 February
2001 to
31 December
2001
£'000**

Bank interest	1
Other loan interest	2
	<u>3</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge as a result of losses incurred during the period.

7. TANGIBLE FIXED ASSETS

Group	Office equipment £'000	Computer software and equipment £'000	Furniture and equipment £'000	Total £'000
Cost				
At 5 February 2001	-	-	-	-
Additions	11	211	148	370
	<u>11</u>	<u>211</u>	<u>148</u>	<u>370</u>
At 31 December 2001	11	211	148	370
	<u>11</u>	<u>211</u>	<u>148</u>	<u>370</u>
Accumulated depreciation				
At 5 February 2001	-	-	-	-
Charge for period	3	1	5	9
	<u>3</u>	<u>1</u>	<u>5</u>	<u>9</u>
At 31 December 2001	3	1	5	9
	<u>3</u>	<u>1</u>	<u>5</u>	<u>9</u>
Net book value				
At 31 December 2001	8	210	143	361
	<u>8</u>	<u>210</u>	<u>143</u>	<u>361</u>
At 5 February 2001	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The company does not own any tangible fixed assets.

NOTES TO THE ACCOUNTS
Period from 5 February 2001 to 31 December 2001

8. FIXED ASSET INVESTMENTS

Company	Subsidiary undertaking £'000
At 5 February 2001	-
Additions	14
As at 31 December 2001	14

The company owns shares in the following group companies:

Subsidiary undertakings	Country of incorporation and principal place of business	% of ordinary share capital and voting rights	Principal activities
Attheraces Plc	Great Britain	100%	Betting services and exploitation of media rights
Attheraces (UK) Limited	Great Britain	100%	International betting services and exploitation of media rights
Go Racing Limited	Great Britain	100%	Dormant company
Attheraces Gibraltar Limited	Gibraltar	100%	Dormant company

All of the above subsidiaries are included in the consolidated financial statements.

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	
	Group £'000	Company £'000
Trade debtors	946	-
Amounts owed by subsidiary undertakings	-	6,595
Other debtors	3,778	-
Prepayments and accrued income	2,150	-
	<u>6,874</u>	<u>6,595</u>

10. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001	
	Group £'000	Company £'000
Prepayments and accrued income	<u>10,306</u>	<u>-</u>

NOTES TO THE ACCOUNTS

Period from 5 February 2001 to 31 December 2001

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001	
	Group £'000	Company £'000
Trade creditors	3,275	-
Amounts due to subsidiary undertakings	-	13
Other creditors including taxation and social security	174	-
Accruals	4,173	-
	<u>7,622</u>	<u>13</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001	
	Group £'000	Company £'000
Other loans (i)	18,750	-
Other loans (ii)	6,600	6,600
Total Other loans	<u>25,350</u>	<u>6,600</u>
Analysis of loan repayments:		
In more than two years but not more than five years	13,294	6,600
In more than five years	12,056	-
	<u>25,350</u>	<u>6,600</u>

- (i) Loan amounts are repayable in monthly instalments from July 2004 and are subject to a monthly charge equal to 3% of gross parimutuel betting revenue earned in the previous calendar month.
- (ii) Loans of £6,600,000 to the company are repayable on demand from 1 July 2006 and bear annual interest at 1% above the Bank of Scotland Libor rate. The loan note holders have waived their interest for the period ended 31 December 2001.

13. CALLED UP SHARE CAPITAL

Number and value of shares:

	2001 £
Authorised:	
10,000 ordinary shares of £1 each	<u>10,000</u>
Allotted, called up and fully paid:	
3,000 ordinary shares of £1 each	<u>3,000</u>

3,000 ordinary shares of £1 each were issued during the period for cash consideration at par, in order to provide the initial working capital for the company.

NOTES TO THE ACCOUNTS
Period from 5 February 2001 to 31 December 2001

14. FINANCIAL COMMITMENTS

The group's financial commitments in respect of operating leases:

	2001	
	Land and buildings £'000	Other £'000
Leases which expire:		
Within two to five years	151	2

The company has no commitments under operating leases.

15. RELATED PARTY TRANSACTIONS

Related party	Transaction	Amounts owed to (owed by) the group at Income/ (expenditure) £'000	
		31 December 2001 £'000	2001 £'000
Arena Leisure plc	Provision of services relating to the development and operation of the Group's website and other commercial services	(3,483)	(672)
British Sky Broadcasting Ltd	Sale of broadcasting rights	500	294
	Programme related management charges	(916)	-
Channel Four Television Corporation	Sale of broadcasting rights	1,075	632
	Production services	(185)	(89)

Arena Leisure plc, British Sky Broadcasting Ltd and Channel Four Television Corporation are equal shareholders in the group and as such are related parties.

Each of the three shareholders has made loans to the group of £2.2 million, which are repayable on demand after 1 July 2006. Interest for the period until 31 December 2001 has been waived by the shareholders.

Arena Leisure has advanced loans totalling £18.75 million, which bear monthly interest calculated as 3% of the group's prior month's gross parimutuel betting revenue. At the period end the group had accrued interest payable on these loans of £2,000. These loans are repayable in instalments starting from July 2004.