

Companies House  
Crown Way  
Cardiff  
CF14 3UZ

Dear Sirs

10<sup>th</sup> October 2003

**Sportingbet Plc – Number 03534726**

Please find enclosed:

- 1) Signed 'Financial Accounts' for 2003.

I should be grateful if you would please acknowledge receipt of the enclosures by fixing a bar code to the copy of this letter attached and returning to the individual stated at the bottom of the Form 225 in the enclosed SAE.

Yours faithfully



**Daniel Talisman**  
**Group Legal Counsel and Company Secretary**  
**Sportingbet Plc**

Enc.



## Financial review

### Trading Summary

Turnover for the twelve months to 31 March 2003 was £1,150.3m (2002: £991.5m). Gross margin was £74.1m (2002: £60.3m), representing 6.4% of turnover (2002: 6.1%). Turnover for the year comprised £950.3m (2002: £856.8m) on sports betting, £184.7m (2002: £124.5m) on casino betting and £15.3m (2002: £10.2m) from sports and casino "white label" services. The gross margin on sports betting was £54.8m (2002: £47.5m), on casino betting £4.0m (2002: £2.6m) and on services £15.3m (2002: £10.2m). This represented 5.8%, 2.2% and 100% of their respective turnovers (2002: 5.6%, 2.0% and 100%).

Administration costs, before amortisation of goodwill and exceptional costs, of £59.5m (2002: £46.0m) represented 5.2% of turnover (2002: 4.6%). Major items of administration costs were: marketing £12.9m (2002: £10.9m), information technology £9.4m (2002: £6.7m), banking fees £13.6m (2002: £9.6m) and employee costs £11.0m (2002: £7.2m).

Operating profit before goodwill and exceptional costs was £14.6m (2002: £14.3m), representing 1.3% (2002: 1.4%) of turnover. After charging exceptional costs of £1.4m (2002: £1.5m), amortisation of goodwill of £9.6m (2002: £6.3m), and net finance costs of £2.2m (2002: £1.4m), profit before tax was £1.4m (2002: £5.0m). The exceptional costs relate principally to the write off of a court imposed Australian bad debt, which is the subject of an appeal.

### Finance Costs

Finance costs comprise interest receivable on the Group's cash balances of £0.1m (2002: £0.2m), interest payable on the Group's £6.5m 2003 convertible loan note of £0.7m (2002: £0.7m) and a non cash charge of £1.5m (2002:

£1.0m) arising from the discounting of future earn out liabilities back to current values in accordance with U.K. accounting standard FRS7.

### Cashflow

In the year to 31 March 2003 the Group generated operating cash inflows of £9.2m (2002: inflow of £17.2m) and as at 31 March 2003 the Group had £20.1m (2002: £21.5m) of cash and cash deposits on its balance sheet.

### Earnings per share

Earnings per share pre exceptional costs and goodwill was 7.1p (2002: 8.7p). After taking account of exceptional costs and goodwill, basic earnings per share was 0.8p (2002: 3.4p).

### Treasury Management

The Group's treasury function provides a centralised service for the provision of finance and the management and control of liquidity, foreign exchange and interest rates. The function operates as a cost centre and manages the Group's treasury exposure to reduce risk in accordance with policies approved by the Board. It is not the policy of the Group to trade in or enter into speculative transactions. Authorities, procedures and reporting responsibilities are documented and regularly reviewed.

Due to the international nature of its core activities, the Group's reported profits, net assets and cash flows are all affected by foreign exchange rate movements of particular significance is the dollar/sterling exchange rate.

Operations are financed by a mixture of retained profits, bank borrowings and long term loans. In addition, various

financial instruments, such as trade debtors and trade creditors, arise directly from the Group's operations.

#### Going Concern

Since acquisition, the performance of IOE has exceeded expectations. Such has been the success of the business the associated earn out for the vendors has been achieved sooner than originally anticipated. During July 2003 the full amount became payable. To fund this, payment has been rescheduled and the Company has simultaneously entered into new facilities with its bankers under which it has an overdraft facility of up to £10.5m and a revolving credit facility of up to £10m. The Board believes that these facilities, and other actions taken, together with expected cash surpluses from trading arising post 31 March 2003, will be sufficient for the Group to meet its ongoing financial commitments. Accordingly, the Board consider it appropriate for the financial statements to continue to be drawn up applying the going concern basis.

#### Goodwill

In arriving at the goodwill carrying value of IOE and NOBS at 31 March 2003, it has been calculated as if the post-year end settlement of the obligations with the vendors of IOE and completion of the NOBS earn out had happened at that date.

#### Accounting Standards

The Group keeps up to date in respect of the work of the Accounting Standards Board and gives careful consideration to early application of the ASB's Financial Reporting Standards.

#### Financial Conduct

In addition to the financial probity obligations resulting from statutory, regulatory, and London Stock Exchange requirements, and the Customer Charter and Code of Conduct set out on page 7, the Group applies the following Financial Code:

#### Financial Code

1. Sportingbet maintains at all times available cash resources to cover its customer liabilities.
2. Sportingbet only deals with reputable, secure financial institutions.
3. Sportingbet's processes and systems are designed to minimise the risk of fraud or money laundering.
4. Sportingbet employs and retains qualified finance professionals to monitor and maintain a stringent financial control environment.
5. Sportingbet's financial control environment facilitates informed decision making, allowing the Group to adapt quickly to market changes.

## Corporate governance statement

### Compliance

As an AIM listed company, the Company is not required to follow the provisions of the Combined Code (the "Code") as set out in the Financial Services Authority Listing Rules. However, the Group recognises the importance of the principles of good corporate governance and has continued its commitment to such high standards throughout the year and particularly its voluntary compliance with the provisions set out in Section 1 of the Code.

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 Code are applied by the Group.

### The Board Constitution and Procedures

The Company is controlled through the Board of Directors which currently comprises three Executive and five Non-Executive Directors. All 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. As the Chairman is primarily responsible for the running of the Board, he ensures that all Directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities focus on coordinating the Company's business and implementing Group strategy.

A formal schedule of matters is reserved for consideration by the Board, which meets at least twelve times each year. The Board is responsible for overall Group strategy, acquisition and investment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of these budgets and their capital expenditure programmes. In addition, the Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent professional advice in the furtherance of their duties if necessary. The Directors receive training and advice on their responsibilities as necessary. All Directors, in accordance with the Code, submit themselves for re-election at least once every three years.

### Board Committees

The Board delegates clearly defined powers to its Audit, Remuneration and Nomination Committees. The minutes of each Committee are circulated to and reviewed by the Board.

#### Audit Committee

The Audit Committee is chaired by Peter Dicks with its other members being Sean O'Connor and Alfred Ballester. The Audit Committee meets at least twice a year and normally invites a representative of both the auditors and the Executive Directors, the latter usually being the Group Finance Director. The terms of reference of the Committee include monitoring the auditors' performance and reviewing accounting policies and financial reporting procedures.

#### Remuneration Committee

The Remuneration Committee is chaired by Peter Dicks with its other members being Sean O'Connor and Brian Harris. The Remuneration Committee meets when necessary during the year and considers the terms of employment for the Executive Directors and key members of senior management. In particular, the Committee makes decisions regarding grants under share plans, salaries and incentive compensation. The remuneration of Non-Executive Directors is determined by the Board.

#### Nomination Committee

The Nomination Committee is chaired by Peter Dicks with its other members being Sean O'Connor and Brian Harris. It meets during the year as and when required and its function is to carry out the process of nominating candidates to fill vacancies on the Board.

#### Communication with Investors

The Group places a great deal of importance on communication with its institutional and private shareholders and responds quickly to all queries received. There is regular dialogue with institutional shareholders as well as general presentations after each quarter end and the issue of preliminary results.

All shareholders have at least 20 working days' notice of the Annual General Meeting at which all Directors are introduced and available for questions.

## Accountability and Audit

### (a) Internal Control

The Group has fully complied with provision D.2.1 of the Code for the financial year to 31 March 2003 and up to the date of approval of the Report and Accounts. The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for monitoring its effectiveness. The Board has ensured that there is an ongoing process for reviewing the effectiveness of the system of internal control including identifying, evaluating and managing the significant risks faced by the Group. This process, which is regularly reviewed by the Board, is carried out in conjunction with business planning and is documented in a risk register that was developed up to the date of approval of the Annual Report and Accounts.

Whilst acknowledging the overall responsibility for the system of internal control, the Board are aware that the system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group's internal control procedures continue to be progressively developed and formalised to ensure that they sufficiently meet all requirements of the Group. A key control procedure is the day to day involvement of executive members of the Board in all aspects of the business and their attendance at regular management meetings at which performance against plan and business prospects are reviewed. Additionally, the Board seeks to continually strengthen the internal control system where this is consistent with improving the relationship between risk and reward.

Other key features and the processes for reviewing effectiveness of the internal control system are described below:

- Monthly management information, including financial accounts and key performance indicators, have been defined and are produced on a timely basis for review by the Board;

- A detailed formal budgeting process for all Group businesses culminates into an annual budget which is reviewed and approved by the Board. Results for the Group and for its main constituent businesses are reported monthly against the budget to the Board and revised forecasts for the financial year are considered each quarter;
- A comprehensive financial and accounting package sets out the principles of the minimum standards required by the Board for effective financial control. This package sets out the financial and accounting policies and procedures to be applied throughout the Group. Compliance with the policies and procedures set out in this package is reviewed regularly;
- Formal reports for the Board are prepared by the senior executives on the operation of those elements of the system for which they are responsible;
- The Company has clearly defined guidance for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and stringent due diligence requirements where businesses are being acquired.

The Board has considered the need for an internal audit function but for the time being has concluded it is not warranted in the view of the financial controls within the Group. The position will remain under review.

### (b) Audit Committee and Auditors

The Audit Committee meets periodically to review the adequacy of the Group's internal control systems, accounting policies and compliance with applicable accounting standards and for considering the appointment of external auditors and audit fees. The Group's auditors are invited to attend its meetings. The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and obtain outside legal or other independent professional advice as necessary. The auditors and individual Board members are afforded the opportunity for separate meetings with the Audit Committee. The Audit Committee consists wholly of Non-Executive Directors.

## Remuneration Report

The Directors' Emoluments, Benefits and Shareholdings during the year were as follows:

1 Directors Emoluments	Notes	Salary/			Total		Total	
		Fees	Bonuses	Benefits	emoluments	Pension	emoluments	Pension
		£000	£000	£000	2003	2003	2002	2002
		£000	£000	£000	£000	£000	£000	£000
<b>Executive Directors</b>								
Mark Blandford		175	-	11	186	17	262	17
Nigel Payne	1	169	33	12	214	17	357	16
Andrew McIver		134	28	11	173	13	70	2
Colin Walker	2	100	-	1	101	13	149	11
<b>Non-Executive Directors</b>								
Peter Dicks		42	-	5	47	-	20	-
Sean O'Connor		20	-	4	24	-	20	-
Brian Harris		2	-	-	2	-	-	-
Alfred Ballester		20	-	-	20	-	12	-
John Blower		20	-	-	20	-	20	-
Robert Williams		-	-	-	-	-	16	-

1. Aggregate emoluments for Nigel Payne, as highest paid Director, amounted to £214,162 excluding pension contributions (2002: £366,687).

2. Included in salary/fees for 2003 is a £30,000 ex gratia payment.

### 2 Interests of Directors in share options and shares in the Company

Options	Notes	No. of options at 1 April 2002	No. of options at 31 March 2003	Date of grant	Exercise price (p)	Earliest exercise date	Expiry of exercise period
<b>Executive Directors</b>							
Mark Blandford		-	-	-	-	-	-
Nigel Payne	1	100,000	100,000	08/05/00	100.5	08/05/02	08/05/07
		900,000	900,000	01/11/00	150	01/11/02	01/11/07
		100,000	100,000	31/03/01	100	31/03/03	31/03/08
		1,000,000	1,000,000	05/02/02	125	05/02/05	05/02/09
		2,100,000	2,100,000				
Andrew McIver		-	100,000	01/04/02	121.5	01/04/05	01/04/09
		-	400,000	08/04/02	122	08/04/05	08/04/09
		-	25,000	04/07/02	72	04/07/04	04/07/09
		-	525,000				
Colin Walker	1 and 2	250,000	250,000	01/01/00	65	01/01/02	01/01/10
		250,000	250,000	22/02/01	120	22/02/04	22/02/08
		-	100,000	01/04/02	121.5	01/04/05	01/04/09
		500,000	600,000				
<b>Non-Executive Directors</b>							
Peter Dicks	3	250,000	250,000	13/12/99	65	13/12/01	13/12/06
Sean O'Connor		-	-	-	-	-	-
Brian Harris		-	-	-	-	-	-
Alfred Ballester		-	-	-	-	-	-
John Blower		-	-	-	-	-	-

1. Prior to 30 January 2001 share options were granted under Sportingbet Plc's Unapproved Share Option Scheme.
2. Colin Walker is entitled to exercise his share options up to 42 months following the date of termination of his Service Contract which was 31 October 2002. Any share options unexercised after 30 April 2006 lapse.
3. Peter Dicks's share options were granted by contract outside of Sportingbet Plc's Unapproved Share Option Scheme.

No options were exercised during the year. The market price of shares at 31 March 2003 was 22.25p and the range during the financial year was 122.5p to 22.25p.

Shares	Notes	1 April 2002	31 March 2003
<b>Executive Directors</b>			
Mark Blandford	1 and 5	25,130,173	<b>25,130,173</b>
Nigel Payne	2	-	<b>55,000</b>
Andrew McIver		-	<b>27,500</b>
Colin Walker		-	-
<b>Non-Executive Directors</b>			
Peter Dicks		40,000	<b>130,000</b>
Sean O'Connor		58,334	<b>78,334</b>
Brian Harris	3	-	-
Alfred Ballester		-	<b>24,197</b>
John Blower	4	1,745,000	<b>1,755,000</b>

- On 12 August 2003, Mark Blandford sold 8,000,000 shares in the Company at 31p per share. This was Mr Blandford's first sale of shares in the Company since its incorporation.
- On 25 July 2003, Nigel Payne bought a further 75,000 shares in the Company.
- On 4 August 2003, Brian Harris bought 4,879 shares in the Company.
- John Blower's shares are held by Adam & Co International Nominees Limited.
- Mark Blandford's shares in the Company are held jointly with his wife.

#### (a) Policy

The Company's policy is designed to attract, retain and motivate individuals to ensure the success of the Company. Remuneration packages are designed to reward the Executive Directors fairly for their contributions whilst remaining within the range of benefits offered by similar companies in the sector. The Remuneration Committee seeks to structure total benefits packages which align the interests of shareholders and senior executives with particular importance weighted upon the performance-related elements of such total remuneration. Directors' remuneration will be the subject of regular review in accordance with this policy in the next financial year.

#### (b) Terms of Reference

The terms of reference of the Remuneration Committee include:

- To determine the remuneration and benefits, including incentive arrangements, of the Executive Directors, the directors of divisional companies and other employees of similar status.
- To set targets for performance-related pay elements of remuneration packages.
- To review recommendations from the Executive Directors on the overall remuneration and benefits policy of the Group, with the power and authority to amend it if appropriate.
- To have regard to the provisions of the Combined Code and associated guidance in its decision-making.

#### (c) Service Contracts

The Company's policy on the duration of directors' contracts is that for both Executive and Non-Executive Directors notice periods will be no more than one year served by the Company or the Director.

#### (d) Bonuses

The Company operates a bonus incentive scheme which applies, at differing rates, to the employment terms of the Executive Directors and members of senior management. Part of any payment under this scheme is linked to the annual performance of the business for which they are responsible; the remainder of such payment is made on a discretionary basis.

#### (e) Share Option Schemes and Long-Term Incentive Plan

The Company operates two share option schemes, namely the Unapproved Share Option Scheme (the "Unapproved Scheme") and the Sportingbet Plc Company Share Option Plan (the "IR Approved Scheme"). Prior to the Company's admission to AIM on 30 January 2001, share options were granted under the Unapproved Scheme only and since that date, share options have been granted under the IR Approved Scheme only. The Company's policy to grant share options under the IR Approved Scheme is at the Remuneration Committee's discretion as and when considered appropriate.

After the year end, the Remuneration Committee engaged external consultants to review remuneration and benefits packages. As a result, a cash-based long-term incentive plan ("LTIP") was established and offered to a small number of key employees. The LTIP pays a cash sum equivalent to the average of the relevant employee's gross salary calculated over the preceding three years and matures in May 2006.

## Directors' Report

The Directors submit their annual report and audited financial statements of the Group for the year ended 31 March 2003.

### Principal Activities

The principal activities of the Group are the operation of interactive licensed betting operations over the internet and telephone.

### Results and Dividends

The results of the Group for the year are set out on page 32 and show a profit for the year of £1,367,000 (2002: £5,005,000). The Directors do not recommend a dividend.

### Review of the Business and Future Developments

The Group operates worldwide internet and telephone betting facilities in respect of a wide variety of sporting events and casino gaming.

During the year the Group completed the acquisition of Sporting Odds Limited which owns the website [www.sportingodds.com](http://www.sportingodds.com), an online fixed odds sports betting business which operates using a UK bookmaker's permit. The Group also acquired the database of an Austrian company, RW-Sportwettbüro GmbH, in order to increase the focus of its German language website.

A more detailed review of the business and future developments is given in the Chairman's statement on page 9 and Chief Executive's review on pages 10 to 12.

### Directors and their interests

The following Directors have held office during the year and subsequently:

P Dicks	Non Executive Chairman
M Blandford	Executive
N Payne	Executive
A McIver	Executive
C Walker	Executive (resigned 31 Oct 2002)
S O'Connor	Non Executive
B Harris	Non Executive (appointed 24 Jan 2003)
A Ballester	Non Executive
J Blower	Non Executive

Brian Harris, having been appointed during the year, will seek election at the Annual General Meeting. John Blower and Mark Blandford will retire by rotation at this Annual General Meeting and, being eligible, will each seek re-election. The interests of the Directors and their wives in the shares of the Company and options for such shares,

were as shown on pages 24 to 25 both reflecting the year end figures and any subsequent changes. No Director has any interest in any other Group company. Details of the Directors' remuneration and service contracts appear on pages 24 to 25.

### Related Party Transactions

Details of transactions with related parties undertaken by the Group during the year are disclosed in note 23 to the Financial Statements.

### Corporate Governance

The Board's statement on Corporate Governance appears on pages 22 to 23.

### Charitable Donations

During the year, the Group donated £282 to the Injured Jockey Society and £5,700 to local charities in Costa Rica. It is Group Policy not to make political donations and no such donations were made during the year (2002: £nil).

### Substantial Shareholdings

As at 29 August 2003 the following interests in 3 percent or more of the Company's existing ordinary share capital had been reported:

Shareholder	Number of ordinary shares of 0.1 pence each	% of issued ordinary shares of 0.1 pence each
DBS Advisors Limited	38,496,804	18.53
Fidelity International	23,676,374	11.40
G. Wilkinson	18,662,603	8.98
M & P Blandford	17,130,173	8.25
Merrill Lynch Asset Mgmt UK	7,266,934	3.50

### Employee involvement and policy

The Directors recognise the need for communication with employees at every level. Copies of the annual Report and Accounts are available to employees of every level which, together with staff briefings on Group developments, keeps them informed of the Group's progress. The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, marital status, nationality, race or religion. Full consideration is given to continuing the employment of staff who become disabled and to provide training and career development opportunities to disabled employees.



#### Euro

Euro notes and coins have been introduced in participating member states. All necessary steps were taken to ensure Group systems would cope with the changeover. No problems have occurred to date or are expected to occur in the future. The Group does not expect to incur any further costs as a result of the introduction of the Euro.

#### Payment of Suppliers

It is the policy of the Group that each company within the Group should agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are normally made in accordance with these terms and conditions. At 31 March 2003 the Company's trade creditors represented 23 days of purchases (2002: 37 days) and Group trade creditors represented 21 days of purchases (2002: 40 days).

#### Post Balance Sheet Events

On 4 April 2003, the Group acquired 5,000,000 shares in World Gaming Plc, the parent company of the software licensing company which provides the online platform for the Group's Americas Division. This acquisition included the right to acquire a further 7,500,000 shares at US \$0.12 per share any time prior to and including 4 April 2005. This shareholding was increased to 29.5% in July 2003.

On 4 July 2003, the Company entered into Settlement Agreements with the assignee of the vendor of the business of Number One Betting Shop, Bayard Management Inc ("Bayard"). These Agreements finalised the terms of the final earn out payment due to Bayard. Accordingly, 9,503,286 new, ordinary shares in the Company were allotted and issued to Bayard, along with a cash payment of AUS \$1,496,291. The Company and Bayard have also agreed that further consideration will become due and payable, with shares to be allotted and issued, upon the Company successfully defending two of the three litigation matters in Australia to which the Group is a party. These two matters are known as Telford 2 and Griffin respectively and such further consideration which is fully provided for in the financial statements is detailed below:

	Cash	Sportingbet Shares
Telford 2	AUS \$2,077,473	6,692,967
Griffin	AUS \$1,434,130	4,523,669
Total	AUS \$3,481,603	11,216,636

Other than this conditional, further consideration, all amounts and obligations due under the original acquisition agreement have now been satisfied.

On 25 July 2003, the Company entered into a Settlement Agreement with the vendor of the Sportsbook.com group of websites, DBS Advisors Limited ("DBS"). This Agreement comprises the allotment and issue to DBS of 28,580,358 new ordinary shares in the Company, a convertible loan note (convertible into a further 83,171,926 new ordinary shares in the Company) and a non interest bearing loan note to the value of \$65.0 million. The Settlement Agreement satisfies all amounts and obligations due to DBS under the 2001 Internet Opportunity Entertainment acquisition agreement and related contracts (the "2001 Agreements"). The Company simultaneously entered into new facilities with Barclays Bank Plc under which it has an overdraft facility of up to £10.5 million and a revolving loan facility of up to £10 million.

On 28 July 2003, the Company redeemed the £6.5 million Convertible Loan Stock for cash to term.

#### Annual General Meeting

The Annual General Meeting will be held on Thursday 23 October 2003. The Notice of the Meeting is set out on page 54. The Notice contains special business, including the renewal of authority to the Board to allot shares and the dis-application of statutory pre-emption rights on equity issues for cash – both in accordance with ABI Guidelines. Shareholders should complete the Proxy form accompanying this Report in accordance with the notes contained in the Notice of Annual General Meeting.

#### Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them and authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

*D. J. Talsman*

*D. J. Talsman*

D Talsman  
Company Secretary  
8 September 2003

## Directors' responsibilities in relation to the accounts

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 Group and the Company and of the profit or loss of the Group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 Group and the Company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company'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 Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# Report of the independent auditors to the shareholders of Sportingbet Plc

We have audited the financial statements of Sportingbet Plc for the year ended 31 March 2003 on pages 32 to 53, which have been prepared under the accounting policies set out on pages 35 to 36.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards. Where a company is fully listed, there are additional responsibilities for auditors contained in the Listing Rules of the Financial Services Authority. Sportingbet Plc has voluntarily complied with the requirements of rule 12.43A of the Listing Rules in preparing its annual report. As auditors, we have agreed that our responsibilities in relation to the annual report will be those set out below.

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 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 or rule 12.43A of the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the Group's compliance with the seven provisions of the Combined Code specified for review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all procedures or its risk and control procedures 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. This other information comprises only the Directors' Report, the Chairman's Statement, Chief Executive's Review, Financial Review, Review Reports, Corporate Governance Statement and the unaudited part of the Remuneration Report. 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 on 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 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 Group'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.

## Fundamental uncertainty - degree of recoverability of debt

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the recoverability of an amount due from a payment processing supplier. Details of the circumstances relating to this matter are set out in note 13 to the financial statements but our opinion is not qualified in this respect.

## Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Group and the Company at 31 March 2003 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward  
Registered Auditors and  
Chartered Accountants  
London  
8 September 2003

BDO Stoy H

**Consolidated Profit and Loss Account**  
for the year ended 31 March 2003

	Notes	Before goodwill amortisation £000	Goodwill amortisation £000	Total 2003 £000	Total 2002 £000
Turnover					
Continuing operations		1,099,007	-	1,099,007	991,522
Acquisitions		81,282	-	81,282	-
<b>Turnover</b>	<b>1, 2</b>	<b>1,180,289</b>	<b>-</b>	<b>1,180,289</b>	<b>991,522</b>
Cost of sales		(1,076,205)	-	(1,076,205)	(931,241)
Gross profit		74,084	-	74,084	60,281
Net operating expenses (including exceptional items)		(80,945)	(9,588)	(70,533)	(53,808)
Operating profit before exceptional items		14,555	(9,588)	4,967	7,940
Exceptional items	3	(1,416)	-	(1,416)	(1,467)
Operating profit/(loss)					
Continuing operations		14,195	(9,382)	4,813	6,473
Acquisitions		(1,058)	(206)	(1,262)	-
<b>Operating profit</b>		<b>13,139</b>	<b>(9,588)</b>	<b>3,551</b>	<b>6,473</b>
EBITDA		14,658	-	14,658	14,676
Depreciation		(1,519)	-	(1,519)	(1,385)
Amortisation	10	-	(9,588)	(9,588)	(6,818)
Net interest payable	6	(837)	-	(837)	(427)
Other finance charges	7	(1,506)	-	(1,506)	(1,004)
Interest payable and similar charges		(2,143)	-	(2,143)	(1,431)
Profit on ordinary activities before taxation	4	10,996	(9,588)	1,408	5,042
Taxation	8	(55)	-	(55)	(37)
Profit on ordinary activities after taxation		10,941	(9,588)	1,353	5,005
Minority interest		14	-	14	-
<b>Profit for financial year</b>		<b>10,955</b>	<b>(9,588)</b>	<b>1,367</b>	<b>5,005</b>
<b>Earnings per ordinary share</b>					
Basic	9			0.8p	3.4p
Diluted	9			0.5p	3.2p
<b>Adjusted earnings per ordinary share (before goodwill amortisation and exceptional items)</b>					
Basic	9			7.1p	8.7p
Diluted	9			4.1p	8.3p

The notes on pages 35 to 53 form part of these financial statements.

There are no material differences on an historical cost basis to the amounts stated above.

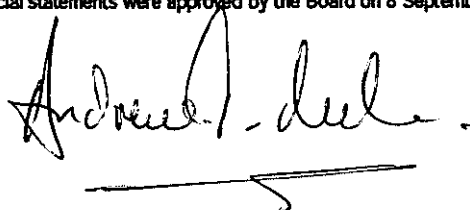
**Balance Sheets**  
as at 31 March 2003

	Notes	Group		Company	
		2003 £000	2002 £000	2003 £000	2002 £000
<b>Fixed assets</b>					
Intangible assets – goodwill	10	125,123	184,184	-	-
Tangible assets	11	4,294	3,114	551	356
Investments	12	-	-	98,193	113,886
		<b>129,417</b>	<b>187,298</b>	<b>98,744</b>	<b>114,242</b>
<b>Current assets</b>					
Debtors					
– amounts falling due within one year	13	9,822	7,484	9,471	11,997
Cash at bank and in hand		20,105	21,455	2,098	8,533
		<b>29,927</b>	<b>28,939</b>	<b>11,567</b>	<b>20,530</b>
Creditors					
– amounts falling due within one year					
Other creditors	14	(18,519)	(19,960)	(14,757)	(18,114)
Convertible debt	14	(15,356)	(3,540)	(15,356)	(3,540)
		<b>(33,875)</b>	<b>(23,500)</b>	<b>(30,113)</b>	<b>(21,654)</b>
<b>Net current (liabilities)/assets</b>		<b>(3,948)</b>	<b>5,439</b>	<b>(18,546)</b>	<b>(1,124)</b>
<b>Total assets less current liabilities</b>		<b>125,469</b>	<b>192,737</b>	<b>80,188</b>	<b>113,118</b>
Creditors					
– amounts falling due after more than one year					
Other creditors	15	(151)	-	-	-
Convertible debt	15	-	(13,552)	-	(13,552)
		<b>(151)</b>	<b>(13,552)</b>	<b>-</b>	<b>(13,552)</b>
<b>Provisions for liabilities and charges</b>	16	<b>(36,964)</b>	<b>(48,306)</b>	<b>(36,279)</b>	<b>(47,412)</b>
		<b>(37,115)</b>	<b>(61,858)</b>	<b>(36,279)</b>	<b>(60,964)</b>
<b>Net assets</b>		<b>88,354</b>	<b>130,879</b>	<b>43,909</b>	<b>52,154</b>
<b>Capital and reserves</b>					
Called up share capital	18	170	152	170	152
Shares to be issued	19	29,475	87,644	4,810	13,422
Share premium	19	48,583	43,179	48,583	43,179
Other reserves	19	13,862	5,105	300	300
Profit and loss account	19	(3,722)	(5,201)	(9,764)	(4,899)
<b>Equity shareholders' funds</b>		<b>88,368</b>	<b>130,879</b>	<b>43,909</b>	<b>52,154</b>
<b>Minority Interests (Equity)</b>		<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>88,354</b>	<b>130,879</b>	<b>43,909</b>	<b>52,154</b>

The notes on pages 35 to 53 form part of these financial statements.

These financial statements were approved by the Board on 8 September 2003.

A McIver  
Director



**Consolidated Cash Flow Statement**  
for the year ended 31 March 2003

	Notes	2003 £000	2002 £000
Cash inflow in respect of EBITDA		14,858	14,676
Net working capital movement		(5,413)	2,545
Net cash inflow from operating activities	22a	9,245	17,221
Returns on investment and servicing of finance	22b	(637)	(380)
Taxation		(55)	(37)
Capital expenditure	22b	(1,873)	(1,877)
Acquisitions	22b	(7,967)	(12,903)
<b>Cash (outflow)/inflow before financing</b>		<b>(1,257)</b>	<b>2,024</b>
Management of liquid resources	22b	(5,981)	(4,813)
Financing	22b	(62)	7,347
<b>(Decrease)/increase in cash in the period</b>		<b>(7,330)</b>	<b>4,558</b>
<b>Reconciliation of net cashflow to movement in net funds</b>			
(Decrease)/increase in cash in the period		(7,330)	4,558
Cash outflow from increase in liquid resources	22b	5,981	4,813
Cash outflow from decrease in debt	22c	3,487	5,180
<b>Movement in net funds resulting from cash flows in period</b>		<b>2,138</b>	<b>14,551</b>
Loan notes issued to fund acquisition		(2,500)	(15,630)
Other movements		320	-
<b>Movement in net funds in period</b>		<b>(42)</b>	<b>(1,079)</b>
Net funds at start of period		4,474	5,553
<b>Net funds at end of period</b>	22c	<b>4,432</b>	<b>4,474</b>

**Consolidated Statement of Total Recognised Gains and Losses**  
for the year ended 31 March 2003

	2003 £000	2002 £000
Profit for the financial year	1,367	5,005
Exchange translation differences on consolidation	112	-
<b>Total recognised gains and losses for the year</b>	<b>1,479</b>	<b>5,005</b>

The notes on pages 35 to 53 form part of these financial statements.

## Accounting Policies

### Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

As explained in the financial review on page 21, measures have been put in place to deal with any short-term cash requirement. Accordingly, the Board consider it appropriate for the financial statements to continue to be drawn up applying the going concern basis.

The principal accounting policies are:

### Basis of consolidation

The consolidated financial statements incorporate the results of Sportingbet Plc and all of its subsidiary undertakings as at 31 March 2003 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the effective date of acquisition.

### Goodwill

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the Directors' estimate of its useful economic life which ranges from 10 to 20 years. Impairment tests on the carrying value of goodwill are undertaken at the end of the first full financial year following acquisition and in other periods if events or changes in circumstance indicate that the carrying value may not be recoverable.

### Merger accounting

Where merger accounting or merger relief is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of such a subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value, of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

### Turnover

Turnover represents the amounts staked in respect of bets placed on sporting events and casino games that have concluded in the period, plus net commissions involved in respect of licensing type agreements.

### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows.

Fixtures, fittings and equipment	25% on cost
Motor vehicles	25% on cost
Computer equipment	33% on cost

### Computer software

Where the Group's expenditure in relation to development of internet activities results in the provision of further services under licensing type agreements, these costs are capitalised and amortised over the shorter of three years or the average period of aggregate license agreements in existence during the year.

### Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment in value. Investments held as current assets are stated at the lower of cost and market value.

### Convertible debt

On conversion the total value of the shares allotted is treated as the carrying value of the loan stock. The excess over the nominal value of the shares issued is taken to the share premium account.

### Finance costs

Finance costs associated with the issue of debt are deducted from the proceeds of the issue and charged to profit over the term of the debt.

### Financial instruments

In relation to the disclosures made in note 17, short term debtors and creditors are not treated as financial assets or financial liabilities except for currency disclosures.

The Group does not hold or issue derivative financial instruments for trading purposes.

### Foreign currency

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign

## Accounting Policies (continued)

currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates or at contracted rates. Any differences are taken to the profit and loss account.

The results of overseas operations are translated at the average rates of exchange during the year and their balance sheets translated into sterling at the rates of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of foreign subsidiary undertakings and from translating the profit and loss account at an average rate are taken to reserves.

### Deferred taxation

Deferred tax is recognised in respect of all material timing differences that have originated but not reversed by the balance sheet date, except for deferred tax assets which are only recognised to the extent that they have either been agreed with the relevant Revenue authority and/or the Group anticipates making sufficient suitable taxable profits in the near future.

### Liquid resources

For the purposes of the cash flow statement liquid resources are defined as current asset investments and short term deposits.

### Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and

other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.



## Notes to the Financial Statements

### 1 Turnover and profit on ordinary activities before taxation

The Group's turnover and profit before taxation were all derived from its principal activity of offering, through licenses domiciled in respective global regions, interactive betting over the internet and telephone. The Company has taken advantage of the exemption in the Companies Act 1985, Section 230, not to present its own profit and loss account. Of the Group's profit for the period, a loss of £4,855,000 (2002: loss of 2,598,000) has been dealt with in the Company's financial statements.

2 Segmental information	Continuing operations £000	Acquisitions £000	Total year to 31 March 2003 £000	Year to 31 March 2002 £000
Turnover				
AMER	763,576	-	763,576	573,477
EMEA	121,722	51,282	173,004	96,868
AA	213,709	-	213,709	321,177
Total	1,099,007	51,282	1,150,289	991,522
Cost of sales	(1,027,912)	(48,293)	(1,076,205)	(931,241)
Gross profit	71,095	2,989	74,084	60,281
Net operating expenses				
Administration expenses				
- excluding goodwill amortisation and exceptional items	(55,484)	(4,045)	(59,529)	(46,023)
Administration expenses - exceptional items	(1,416)	-	(1,416)	(1,467)
Administration expenses pre goodwill amortisation (including exceptional items)	(56,900)	(4,045)	(60,945)	(47,490)
Administration expenses - goodwill amortisation	(9,382)	(206)	(9,588)	(6,318)
Net operating expenses (administration expenses)	(66,282)	(4,251)	(70,533)	(53,808)
Operating profit	4,813	(1,262)	3,551	6,473
Net interest payable			(637)	(427)
Other finance charges			(1,506)	(1,004)
Profit on ordinary activities before taxation			1,408	5,042
Net assets				
AMER			36,907	17,492
EMEA			44,470	105,402
AA			6,977	7,985
			88,354	130,879

### 3 Exceptional items

	2003 £000	2002 £000
Marketing and advertising	-	(500)
Integration and reorganisation costs	(192)	(967)
Bad debt provision	(1,224)	-
	(1,416)	(1,467)

Integration and reorganisation costs relate principally to the integration costs following the acquisition of Sportsbook and the move onshore of the Australian operation. Bad debt provision relates to the write off of a court imposed Australian bad debt and associated legal costs, which is the subject of an appeal (see note 24).

## Notes to the Financial Statements (continued)

	2003	2002
	£000	£000

### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

Amortisation of goodwill	9,588	6,318
Depreciation of tangible fixed assets	1,519	1,385
Operating lease rentals – land and buildings	418	617
Auditors' remuneration – audit services	180	170
– non-audit services	202	46

Auditors' remuneration includes £20,000 (2002: £20,000) in respect of the Company. Auditors' remuneration for non-audit work of £nil (2002: £446,000) arising on the issue of shares has been charged to the share premium account.

	2003	2002
	No.	No.

### 5 Employees and staff costs

The average number of persons employed by the Group during the year was as follows:

EMEA	65	104
AMER	285	303
AUS	40	46
	370	453

	2003	2002
	£000	£000

Employee costs including Directors were as follows:

Wages and salaries	10,010	7,333
Pensions and social security costs	1,138	707
	11,148	8,040

	2003	2002
	£000	£000

Directors' remuneration

Salary and fees	674	564
Benefits	44	33
Bonus	61	329
Pension	60	46
Ex gratia payment	30	–
	869	972

There were 4 (2002: 4) Directors in the Company's defined contribution pension scheme. Further disclosures on the remuneration of each individual director are given in the Remuneration Report.

	2003 £000	2002 £000
<b>6 Net interest payable</b>		
Interest on convertible loan stock	(653)	(653)
Finance leases	(17)	-
Other interest payable	(99)	-
	<b>(769)</b>	<b>(653)</b>
Interest receivable	<b>132</b>	<b>226</b>
	<b>(637)</b>	<b>(427)</b>

Interest of £114,000 was paid to the vendors of Internet Opportunity Entertainment Limited, under loan note arrangements.

	2003 £000	2002 £000
<b>7 Other finance charges</b>		
Finance charge on discounting of deferred consideration	<b>(1,506)</b>	<b>(1,004)</b>

The finance charge on the discounting of deferred consideration arises from the requirement under FRS7 to discount consideration, deferred in respect of acquisitions, back to current values.

#### 8 Taxation

The tax charge for the year is lower than the standard UK rate of corporation tax as explained below:

	2003 £000	2002 £000
Profit on ordinary activities before taxation	<b>1,408</b>	<b>5,042</b>
Profit assessed at UK corporation tax rate	<b>422</b>	<b>1,513</b>
Expenses not allowed for tax purposes (primarily goodwill amortisation)	<b>3,784</b>	<b>1,961</b>
Effect of lower tax rates on overseas earnings net of losses	<b>(4,161)</b>	<b>(3,437)</b>
Current tax charge for the year	<b>55</b>	<b>37</b>

There are significant taxation losses available to the Group. Utilisation of these losses is contingent upon agreement with the relevant Revenue authorities.

## Notes to the Financial Statements (continued)

### 9 Earnings per ordinary share

The calculation of basic earnings per share is based on the profit on ordinary activities after taxation attributable to shareholders of Sportingbet Plc of £1,367,000 (2002: £5,005,000) and the weighted average number of shares in issue during the year of 174,649,840 (2002: 148,048,110).

The calculation of diluted earnings per share is based on the profit for the financial year of £1,367,000 (2002: £5,005,000) and the weighted average number of shares in issue, adjusted to assume the exercise of options over shares and the effect of dilutive earn out shares to be issued, of 302,164,280 (2002: 154,327,000).

Adjusted earnings per ordinary share before goodwill and exceptionals excludes amortisation of goodwill of £9.6m (2002: £6.3m) and exceptional charges of £1.4m (2002: £1.5m).

10 Intangible assets - Goodwill	£000
Group	
Cost	
At 1 April 2002	191,538
Additions	8,936
Other movements	(58,409)
<b>At 31 March 2003</b>	<b>142,065</b>
Amortisation	
At 1 April 2002	(7,354)
Charge for the year	(9,588)
<b>At 31 March 2003</b>	<b>(16,942)</b>
Net book value	
<b>At 31 March 2003</b>	<b>125,123</b>
<b>At 31 March 2002</b>	<b>184,184</b>

The other movements arise primarily as a result of changes in the underlying value of the amount payable due to foreign currency movements and movements in the price of shares to be issued to satisfy the contingent consideration sums and includes cash paid in respect of additional contingent consideration for prior year acquisitions and settlement of earn outs subsequent to the year end. Details of acquisitions in the year are set out in note 20.

Included within charge for the year is an impairment provision of £1,030,000 against the carrying value of Ozmosa Limited.

11 Tangible assets	Fixtures, fittings and equipment £000	Motor vehicles £000	Computer Software and equipment £000	Total £000
Group				
Cost				
As at 1 April 2002	1,112	39	4,407	5,558
Additions	965	35	1,699	2,699
<b>As at 31 March 2003</b>	<b>2,077</b>	<b>74</b>	<b>6,106</b>	<b>8,257</b>
Depreciation				
As at 1 April 2002	445	19	1,980	2,444
Charge for the year	538	29	952	1,519
<b>As at 31 March 2003</b>	<b>983</b>	<b>48</b>	<b>2,932</b>	<b>3,963</b>
Net book value				
<b>As at 31 March 2003</b>	<b>1,094</b>	<b>26</b>	<b>3,174</b>	<b>4,294</b>
As at 31 March 2002	667	20	2,427	3,114

	Fixtures, fittings and equipment £000	Computer equipment £000	Total £000
Company			
Cost			
As at 1 April 2002	412	86	498
Additions	568	11	579
Transfer to subsidiary undertaking	(105)	-	(105)
<b>As at 31 March 2003</b>	<b>875</b>	<b>97</b>	<b>972</b>
Depreciation			
As at 1 April 2002	103	39	142
Charge for the year	240	39	279
<b>As at 31 March 2003</b>	<b>343</b>	<b>78</b>	<b>421</b>
Net book value			
<b>As at 31 March 2003</b>	<b>532</b>	<b>19</b>	<b>551</b>
As at 31 March 2002	309	47	356

The net book value of tangible fixed assets for the Group includes an amount of £387,000 (2002 - £nil) of assets held under finance leases. The Company had no assets under such leases at either year end.

## Notes to the Financial Statements (continued)

	Shares in subsidiary undertakings £000
<b>12 Investments</b>	
<b>Company</b>	
Investment in subsidiary undertakings	
As at 1 April 2002	113,886
Acquisition of subsidiaries	4,355
Repayment of investment	(9,071)
Other movements	(9,947)
Impairment provision	(1,030)
<b>As 31 March 2003</b>	<b>98,193</b>

The other movements arise primarily as a result of changes in the underlying value of the amount payable due to foreign currency movements and movements in the price of shares to be issued to satisfy the contingent consideration sums and include cash paid in respect of additional consideration for prior year acquisitions.

Acquisitions of subsidiaries are stated net of merger relief and adjustments arising for discounting on contingent consideration.

The following principal trading subsidiaries were wholly owned at 31 March 2003.

Directly owned	Activity	Country of incorporation or registration
Interactive Sports Limited	On-line and telephone betting	England
Fincorp Propiedades F.P. S.A.	Administrative services	Costa Rica
Capital Consulting Services (NA) N.V.	Internet based casino	Curacao
Sportingbet Australia Pty Limited	On-line and telephone betting	Australia
Internet Opportunity Entertainment Limited	On-line and telephone betting	Antigua & Barbuda
Sporting Odds Limited	On-line and telephone betting	England
Sportingbet (Alderney) Limited	On-line and telephone betting	Alderney

For all undertakings listed above, the country of incorporation is the same as the country of operation.

Eurosportwetten Limited, a then wholly owned subsidiary of the Company, acquired the database of RW-Sportwettbüro GmbH, in consideration of which the owners of such database acquired a 40% shareholding in Eurosportwetten Limited and £429,000 for working capital and discharge of certain liabilities (see note 20g).

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>13 Debtors</b>				
Due within one year:				
Other debtors	8,580	5,205	-	43
Prepayments and accrued income	1,242	2,279	590	848
Owed by subsidiary undertakings	-	-	8,881	11,106
	<b>9,822</b>	<b>7,484</b>	<b>9,471</b>	<b>11,997</b>

The Company has agreed to provide its subsidiary undertakings with such financial support as is necessary to enable the subsidiary to continue to trade and meet its obligations to third party creditors as and when they fall due.

Other debtors include £3,300,000 in respect of amounts due from a payment processing supplier whose agreement has been terminated. As a consequence of a dispute within the processing chain there is uncertainty as to the degree of recoverability of the aforementioned debt and the level of any costs associated with that recovery. The directors are, nevertheless, confident that the aforementioned debt will be materially recovered.

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>14 Creditors</b>				
<b>Amounts falling due within one year</b>				
Trade creditors	1,191	1,913	115	94
Other creditors	1,916	4,047	166	2,874
Customer liabilities	12,871	12,284	-	-
Tax and social security	278	457	114	108
Accruals and deferred income	2,098	1,259	546	742
Obligations under finance leases	166	-	-	-
Convertible debt:				
Convertible redeemable				
Loan notes	2,500	3,540	2,500	3,540
Loan stock 2003 (unsecured)	6,530	-	6,530	-
Loan stock 2004 (unsecured)	6,326	-	6,326	-
Due to subsidiary undertakings	-	-	13,816	14,296
	<b>33,875</b>	<b>23,500</b>	<b>30,113</b>	<b>21,654</b>

Other creditors include an earn out payment due to the vendors of the Number One Betting Shop of £163,000. (2002: £2,874,000)

The loan note of £3,540,000 in 2002 was the balance outstanding in respect of the initial loan note issued to the vendors of the Sportsbook Group and was payable in twelve equal monthly instalments concluding in July 2002.

The loan note of £2,500,000 is payable to the vendors of Sporting Odds Limited concluding in October 2003.

Interest of £653,000 (2002: £653,000) was paid during the year in respect of the 10% convertible loan stock 2003. It was issued at par on 27 July 2000 and was redeemed in cash to term since the year end.

The non-interest bearing loan stock 2004 was issued as part consideration for the Sportsbook acquisition and was redeemable at par or convertible into a maximum of 7,111,434 shares between 1 August 2003 and 31 July 2004 at the option of the loan note holder. As part of the settlement agreement reached in July 2003 with the vendors of Internet Opportunity Entertainment Limited, the loan note has been settled and payment rescheduled.

	Group		Company	
	2003 £000	2002 £000	2003 £000	2002 £000
<b>15 Creditors</b>				
<b>Amounts falling due after more than one year</b>				
Obligations under finance leases	151	-	-	-
Convertible debt:				
Convertible redeemable				
Loan stock 2003 (unsecured)	-	6,530	-	6,530
Loan stock 2004 (unsecured)	-	7,022	-	7,022
	<b>151</b>	<b>13,552</b>	<b>-</b>	<b>13,552</b>

## Notes to the Financial Statements (continued)

16 Provisions for liabilities and charges	Contingent consideration £000	Chargeback provision £000	Social security £000	Total £000
<b>Group</b>				
At 1 April 2002	47,781	490	35	48,306
Charged/(released) to profit and loss account	-	247	(35)	212
Transfer to creditors within one year	(163)	-	-	(163)
Other movements	(8,863)	-	-	(8,863)
Finance charge on discounting contingent consideration	1,506	-	-	1,506
Exchange adjustments	(3,982)	(52)	-	(4,034)
<b>At 31 March 2003</b>	<b>36,279</b>	<b>685</b>	<b>-</b>	<b>36,964</b>
<b>Company</b>				
At 1 April 2002	47,377	-	35	47,412
Release to profit and loss account	-	-	(35)	(35)
Transfer to creditors within one year	(163)	-	-	(163)
Other movements	(8,486)	-	-	(8,486)
Finance charge on discounting contingent consideration	1,506	-	-	1,506
Exchange adjustments	(3,955)	-	-	(3,955)
<b>At 31 March 2003</b>	<b>36,279</b>	<b>-</b>	<b>-</b>	<b>36,279</b>

The contingent consideration provision is in respect of future payments that falling due in respect of the acquisition of Number One Betting Shop and Sportsbook. The Number One Betting Shop earn out was concluded on 31 March 2003. Further payments of £1,331,000 are contingent upon the outcome of ongoing litigation in Australia (see note 24).

The Sportsbook Group earn out was achieved in full by July 2003 and the amount payable has been renegotiated and settled.

The finance charge on discounting of deferred consideration arises from the requirement under FR57 to discount consideration, deferred in respect of acquisitions, back to current values.

Other movements relate to net cash payments made of £823,000 and revaluations of £8,040,000 based on revised earn out agreements with both the vendors of Number One Betting Shop and the Sportsbook Group.



	Financial assets at floating rate of up to 4.5%	Total £000
<b>17 Financial instruments</b>		
<b>Financial assets 2003</b>		
Currency		
Sterling	2,582	
US dollar	16,679	
Other	834	
		20,105

#### Financial assets 2002

Currency		
Sterling	9,692	
US dollar	11,238	
Other	525	
		21,455

Financial liabilities 2003	Fixed rate financial liabilities		Amount £000	Floating rate financial liabilities £000	Total £000
	Weighted average interest rate %	Number of years for which rate is fixed			
Currency					
US dollar	nil	-	35,518	-	35,518
US dollar	nil	-	6,326	-	6,326
Australian dollar	nil	-	1,494	-	1,494
Sterling	10.0	3	6,530	-	6,530
Sterling	4.4	-	-	2,500	2,500
Sterling	8.5	-	317	-	317
			50,185	2,500	52,685

#### Financial liabilities 2002

Currency					
US dollar	nil	-	45,822	-	45,822
US dollar	4.6	-	-	3,540	3,540
US dollar	nil	-	7,022	-	7,022
Australian dollar	nil	-	4,034	-	4,034
Sterling	10.0	3	6,530	-	6,530
			63,408	3,540	66,948

Short term debtors and creditors are excluded from the above. Floating rate financial assets and liabilities are at interest rates determined in advance for periods of up to one month based on LIBOR equivalents. There are no fixed rate financial assets.

The floating rate borrowings as at 31 March 2003 (2002: £nil) are in respect of a loan note issued to the vendors of Sporting Odds Limited payable in October 2003 bearing an interest rate of 1.0% above LIBOR.

The nil rate borrowings are in respect of the convertible loan note issued to the vendors of Internet Opportunity Entertainment Limited, as detailed in note 15 and contingent consideration as detailed in note 16.

The fixed rate borrowings as at 31 March 2003 are in respect of the convertible redeemable loan stock as detailed in note 15.

At 31 March 2003 Sportingbet Plc held two forward contracts to purchase \$15m at 1.5140 and \$15m at 1.5312 (2002: £nil). These were exercised post year end in conjunction with the IOE settlement.

## Notes to the Financial Statements (continued)

### 17 Financial instruments (continued)

There were no significant differences between book amounts and fair values of any of the Group's financial assets and liabilities.

Floating rate financial assets of £20,105,000 at 31 March 2003 (2002: £21,455,000) are held on deposits bearing interest at call rates. There are no other financial assets.

	Contingent consideration	Convertible debt	Loan notes	Finance leases	Total	Total
	2003	2003	2003	2003	2003	2002
	£000	£000	£000	£000	£000	£000
<b>Maturity of financial liabilities</b>						
The maturity profile of the Group's financial liabilities at 31 March 2003 was as follows:						
In one year or less	37,012	12,856	2,500	166	52,534	3,540
In more than one year but not more than two years	-	-	-	104	104	63,408
In more than two years but not more than five years	-	-	-	47	47	-
	37,012	12,856	2,500	317	52,685	66,948

	2003	2002
	£000	£000
<b>Borrowing facilities</b>		
The Group had undrawn committed borrowing facilities at 31 March 2003, as follows:		
Expiring in one year or less	500	500
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	500	2,500
	1,000	3,000

### Currency exposures

As explained within the Financial Review, the Group's objectives in managing the currency exposures arising from its net investments overseas (in other words, its structural currency exposures) are to maintain a low cost of borrowings and to retain some potential for currency-related appreciation while partially hedging against currency depreciation. Gains and losses arising from these structural currency exposures are recognised in the statement of total recognised gains and losses.

The table below shows the Group's currency exposures; in other words, those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved, other than certain non-sterling borrowings treated as hedges of net investments in overseas operations. As at 31 March 2003 those exposures were as follows:

	Net foreign currency monetary assets/(liabilities)				
	US dollar	Australian dollar	HK dollar	Other	Total
	£000	£000	£000	£000	£000
Functional currency of Group operation					
Sterling	1,930	67	74	369	2,440

# 17 Financial instruments (continued)

The exposures at 31 March 2002 for comparison purposes were as follows:

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities)			
	US dollar £000	Australian dollar £000	HK dollar £000	Total £000
Sterling	5,048	1,622	1,451	8,121

Narrative disclosures on the Group treasury policy are given on pages 20 and 21.

18 Share capital	2003 £000	2002 £000
Authorised:		
1,000 million (2002: 1,000 million) ordinary shares of 0.1p each	1,000	1,000
Allotted, issued and fully paid:		
At 31 March 2002: 152,052,739 shares of 0.1p each	152	136
Issues in respect of placements	-	9
Issues in respect of acquisitions	18	5
Issues in respect of exercised share options	-	2
At 31 March 2003: 169,692,075 shares of 0.1p each	170	152

At 31 March 2003 the following share options were outstanding in respect of ordinary shares:

Date of grant	Ordinary shares of 0.1 pence	Notes	Period of option	Exercise price (p)
Year ended 31 March 1999	139,000		July 2000 – July 2005	6.5
Year ended 31 March 2000	1,410,000		September 2001 – March 2007	33-135
Year ended 31 March 2001	2,900,832		April 2002 – March 2008	100.5-173.5
Year ended 31 March 2002	1,495,000		August 2003 – November 2008	105-120.5
April 2002	1,275,000	1	April 2005 – April 2009	122
July 2002	270,000	1	July 2004 – July 2009	72
July 2002	250,000		July 2004 – July 2009	73.5
July 2002	155,826		July 2004 – July 2009	82
August 2002	250,000		August 2004 – August 2008	61
September 2002	50,000		September 2005 – September 2009	68
September 2002	750,000	2	September 2005 – September 2009	83
November 2002	100,000		November 2005 – November 2009	39.5
November 2002	2,905,000	3	May 2005 – November 2009	41.5
November 2002	10,000		November 2004 – November 2009	41.5
December 2002	250,000		December 2004 – December 2009	38
December 2002	250,000		December 2004 – December 2009	38
January 2003	50,000		January 2006 – January 2010	32

At 31 March 2003 there were 12,510,658 options over ordinary shares outstanding, 3,475,000 of which relate to Directors, details of which can be found in the Remuneration report on page 24.

- 1 – These share options were granted to employees of the Group's European Division.
- 2 – These share options were granted to Sportingodds employees post-acquisition.
- 3 – These share options were granted to Sportsbook.com employees post-acquisition.

## Notes to the Financial Statements (continued)

	Share premium account £000	Shares to be issued £000	Other reserve £000	Profit and loss account £000
<b>19 Reserves</b>				
<b>Group</b>				
At 1 April 2002	43,179	87,644	5,105	(5,201)
Acquisitions	5,404	(58,169)	-	-
Merger relief on acquisitions	-	-	8,757	-
Retained profit	-	-	-	1,367
Foreign currency exchange	-	-	-	112
<b>At 31 March 2003</b>	<b>48,583</b>	<b>29,475</b>	<b>13,862</b>	<b>(3,722)</b>
<b>Company</b>				
At 1 April 2002	43,179	13,422	300	(4,899)
Acquisitions	5,404	(8,812)	-	-
Loss for period	-	-	-	(4,855)
<b>At 31 March 2003</b>	<b>48,583</b>	<b>4,610</b>	<b>300</b>	<b>(9,754)</b>

The movement in Group shareholders' funds of £47,169,000 (2002: £96,472,000) is wholly represented by the movements shown in reserves and share capital at notes 18 and 19.

The movement in shares to be issued for the Group represents a combination of the fair value of shares issued during the year of £12,178,000 and adjustments to the fair value of shares to be issued following changes in the Company's share price and foreign exchange movements of £45,991,000.

### 20 Acquisitions

#### Acquisitions made in previous years

##### (a) Internet Opportunity Entertainment Limited

The entire issued share capital of Internet Entertainment Opportunity Limited (the Sportsbook business) was acquired on 31 July 2001. The fair value of consideration as at 31 March 2002 comprised:

	£000
Cash	11,688
Shares	4,553
Deferred consideration – loan note	8,605
– convertible loan note	7,022
Contingent consideration – cash	45,822
– shares	73,557
	<b>151,247</b>

Deferred and contingent cash consideration was denominated in US dollars and therefore subject to exchange rate fluctuation until such time as consideration has been paid. The fair value of contingent consideration to be satisfied by the issue of shares is subject to both exchange rate fluctuations and movement in the Company's share price.

The fair value of consideration as at 31 March 2003 comprised:

	£000
Cash	11,688
Shares	10,695
Loan Note	8,552
Deferred consideration – convertible loan note	6,326
Contingent consideration – cash	35,520
– shares	24,865
	<b>97,646</b>

Contingent consideration is secured against certain assets of the Group.

## 20 Acquisitions (continued)

By July 2003, the net profit performance had been such that the full amount of contingent consideration became payable. The earn out was then settled and payment rescheduled.

Under the terms of the earn out arrangements, the ultimate vendors of Internet Opportunity Entertainment Limited retained certain rights relating to the trading of that business. The ultimate vendors have received payments of reimbursed expenses of £293,000 and payments under 'white label' arrangements of £822,000. Payments under 'white label' arrangements have been on similar terms to other white label arrangements.

Additionally, the ultimate vendors had an interest in the share capital of World Gaming PLC who supply software and support to the Group.

As part of the post year end settlement agreements with the vendors of IOE, the Group entered into a consultancy agreement with the ultimate vendors. Under this the Group will pay a fixed fee of \$500,000 per annum (including reimbursed expenses) and an annual incentive bonus of 7.5% on US profits in excess of \$25m. This agreement expires on the earlier of repayments of the \$65m loan note or January 2007.

### (b) Number One Betting Shop Limited

The entire issued share capital of Number One Betting Shop Limited was acquired on 14 March 2001. The fair value of consideration as at 31 March 2002 comprised:

	£000
Cash	7,850
Shares	6,570
Deferred consideration - cash	3,490
- shares	6,544
Contingent consideration - cash	3,668
- shares	6,878
	35,000

Deferred and contingent cash consideration was denominated in Australian dollars and therefore subject to exchange rate fluctuation until such time as consideration is paid. The fair value of contingent consideration to be satisfied by the issue of shares was subject to both exchange rate fluctuations and movement in the Company's share price.

The fair value of consideration as at 31 March 2003 comprised:

	£000
Cash	12,176
Shares	12,051
Deferred consideration - cash	1,494
- shares	4,610
	30,331

### (c) Michael Sullivan Bookmaking Pty Limited

The entire issued share capital of Michael Sullivan Bookmaking Pty Limited was acquired on 20 February 2002. The fair value of consideration as at 31 March 2002 comprised:

	£000
Cash	711
Shares	300
Contingent consideration - cash	366
- shares	665
	2,042

## Notes to the Financial Statements (continued)

### 20 Acquisitions (continued)

Deferred and contingent cash consideration was denominated in Australian dollars and therefore subject to exchange rate fluctuation until such time as consideration was paid. The fair value of contingent consideration to be satisfied by the issue of shares was subject to both exchange rate fluctuations and movement in the Company's share price.

The fair value of consideration as at 31 March 2003 comprised:

	£000
Cash	862
Shares	940
	1,802

### Acquisitions made in the year

	Book value on acquisition £000	Fair value adjustments £000	Fair value to the group £000
--	--------------------------------------	-----------------------------------	------------------------------------

#### (d) Sporting Odds Limited

The entire issued share capital of Sporting Odds Limited, an Internet based sports betting company focused on the UK market, was acquired on 2 July 2002 and was accounted for as an acquisition in the following manner:

Cash	2,369	-	2,369
Tangible fixed assets	708	(708)	-
Intangible fixed assets	12	(12)	-
Debtors	500	-	500
Creditors	(2,869)	-	(2,869)
	720	(720)	-

Goodwill 4,895

Consideration 4,895

Consideration comprises:

Cash	395
Shares	2,000
Deferred consideration - loan note	2,500

Consideration (including expenses of £145,000) 4,895

The summarised consolidated profit and loss account of Sporting Odds Limited for the accounting period immediately prior to its acquisition by the Group was:

	13 months ended 1 July 2002 £000
Turnover	36,642
Gross profit	2,920
Administrative costs	(6,135)
Operating Loss	(3,215)
Exceptional item	10,569
Net interest payable	(614)
Profit before taxation	6,740
Taxation	-
Profit after taxation	6,740

There were no other recognised gains or losses in the period.

## 20 Acquisitions (continued)

### (e) Superbook

The trade, assets and liabilities of Superbook.com were acquired in October 2002. The whole of the purchase price has been treated as goodwill as both the book and fair values of the assets acquired were negligible. The total cash consideration for the trade amounted to £2,583,000 (including expenses of £147,000). Details of the trading results for the period prior to acquisition have not been given as these are not available.

### (f) Ozmosa

The entire share capital of Ozmosa Limited was acquired in May 2002. The whole of the cash purchase price of £1,030,000 has been treated as goodwill as both the book and fair values of the assets acquired were negligible. Details of the trading results for the period prior to acquisition have not been given as these are not available.

### (g) Eurosportswetten Limited

The Company acquired a 60% share of the issued share capital of Eurosportswetten Limited in August 2002. The whole of the purchase price has been treated as goodwill as both the book and fair values of the assets acquired were negligible.

	£000
Consideration comprises:	
Cash	234
Creditors	195
Consideration (including expenses of £30,000)	429

Details of the trading results for the period prior to acquisition have not been given as these are not available.

	2003 £000	2002 £000
21 Commitments under operating leases		
At 31 March 2003 the Group had annual commitments under non-cancellable operating leases as follows:		
Land and buildings		
expiring within 1 year	416	410
expiring within 1-2 years	389	273
expiring within 2-5 years	1,023	720
	1,828	1,403

The leases are subject to periodic rent reviews.

	2003 £000	2002 £000
22 Cash flows		
(a) Reconciliation of operating profit to net cash flow from operating activities		
Operating profit	3,551	6,473
Amortisation – goodwill	9,588	6,318
– exceptional item	–	500
Depreciation	1,519	1,385
Increase in debtors	(3,210)	(1,041)
(Decrease)/increase in creditors	(2,316)	3,586
Unrealised translation differences	112	–
Net cash inflow from operating activities	9,245	17,221

## Notes to the Financial Statements (continued)

22 Cash flows (continued)	2003 £000	2002 £000		
<b>(b) Analysis of cash flows for headings netted in the cash flow statement</b>				
Returns on investments and servicing of finance				
Interest received	132	226		
Interest paid	(752)	(606)		
Interest element of finance leases	(17)	-		
Net cash outflow for returns on investments and servicing of finance	(637)	(380)		
Capital expenditure				
Purchase of tangible fixed assets	(1,873)	(1,877)		
Net cash outflow for capital expenditure	(1,873)	(1,877)		
Acquisitions				
Cash consideration and other sums paid to vendors (note 22d)	(10,336)	(16,842)		
Cash acquired with subsidiary undertakings (note 22d)	2,369	3,939		
Net cash outflow for acquisitions	(7,967)	(12,903)		
Management of liquid resources				
Increase in short term deposits	(5,981)	(4,813)		
Net cash outflow from management of liquid resources	(5,981)	(4,813)		
Financing				
Issue of share capital	-	8,808		
Expenses paid in connection with shares issued	-	(1,461)		
Capital element of finance lease	(82)	-		
Net cash (outflow)/inflow from financing	(82)	7,347		
	At 31 March 2002 £000	Cash flows £000	Other movements £000	At 31 March 2003 £000
<b>(c) Reconciliation of net cash flow to movement in net funds</b>				
Cash at bank and in hand	16,641	(7,330)	-	9,311
Liquid resources	4,813	5,981	-	10,794
	21,454	(1,349)	-	20,105
Debt due within 1 year	(3,425)	3,425	(15,356)	(15,356)
Debt due after 1 year	(13,555)	-	13,555	-
Finance Leases	-	62	(379)	(317)
	(16,980)	3,487	(2,180)	(15,673)
Total	4,474	2,138	(2,180)	4,432



<b>22 Cash flows (continued)</b>	<b>£000</b>
<b>(d) Net cash outflow arising from acquisitions</b>	
Cash consideration and other sums paid to vendors	(10,336)
Cash acquired	2,369
<b>Net cash outflow</b>	<b>(7,967)</b>
<b>(e) Cash flows relating to acquisitions</b>	
Operating cash flows	(1,279)
Returns on investments and servicing of finance	(9)
Capital expenditure and financial investment	(969)
<b>Total</b>	<b>(2,257)</b>

#### 23 Related parties

ectwo.com plc, a company of which P Dicks is a director contributed £500,000 to the 10% July 2003 Convertible Loan Stock. The contribution was made through respective third parties under standard commercial terms.

During the year, S O'Connor provided marketing consulting services to the Group via Trillum Venture Developments, amounting to £30,000 (2002: £8,250).

P Dicks is the Chairman of Daniel Stewart Securities Plc, a company which owns 344,827 shares in the Company.

#### 24 Contingent assets/liabilities

(a) During the year the Group's Australian subsidiary, Sportingbet Australia Pty Ltd was subject to litigation relating to a high staking customer, inherited through the acquisition of Number One Betting Shop, who had allegedly embezzled funds from his employer. The employer sought to recover these funds from the Australian business for the period it had operated onshore. In March 2003 the court ruled against Sportingbet. This court imposed bad debt together with legal fees has been shown as an exceptional item (see note 3). The Group is appealing against the decision and the Directors believe that the Group's case is strong.

(b) The Group is defending two legal claims that monies received by its Australian subsidiaries amounting to AUS \$8.5m and AUS \$5.75m respectively should be returned as it is alleged the funds deposited had been obtained by the customer fraudulently. The Directors are confident (based on legal opinion obtained) that the claims will not be successful and therefore no provision has been made at 31 March 2003. In the event that such claims are successful, amounts payable under the Number One Betting Shop earn out arrangement of £1,331,000 included in contingent consideration and £2,496,000 included in shares to be issued would not fall due.

#### 25 Post Balance Sheet Events

Details of Post Balance Sheet events are disclosed within the Director's report on page 27.

## Notice of meeting for the year ended 31 March 2003

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the offices of Dresdner Kleinwort Wasserstein, 20 Fenchurch Street, London EC3P 3DB on 23 October 2003 at 2.30 p.m.

The meeting will then consider the following business:

### Ordinary Business

To consider, and if thought fit, pass the following Ordinary Resolutions:

1. To receive and adopt the Accounts for the year ended 31 March 2003 and the Reports of the Directors and auditors in relation to the same. **Resolution 1**
2. To re-appoint BDO Stoy Hayward as auditors of the Company to hold office until the conclusion of the next General Meeting at which accounts are laid before the Company and to authorise the Directors to determine their remuneration. **Resolution 2**
3. To re-elect Brian Benjamin Harris as a Director. **Resolution 3**
4. To re-elect John William Blower as a Director. **Resolution 4**
5. To re-elect Mark Robert Blandford as a Director. **Resolution 5**

### Special Business

To consider, and if thought fit, pass the following resolutions, of which Resolution 6 will be proposed as an ordinary resolution and Resolution 7 will be proposed as a special resolution:

6. That, in substitution for all previous authorities, which are hereby revoked, pursuant to and in accordance with Section 80 of the Companies Act 1985 the Directors be and hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities within the terms of the restrictions and provisions following, namely:

(i) this authority shall (unless previously revoked, varied or renewed) expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company next following the passing of this resolution, and 31 December 2004; and

(ii) this authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount of £261,347;

For the purposes of Resolution 6 above the said authority shall allow and enable the Directors to make an offer or agreement before the expiry of that authority which would or might require relevant securities to be allotted after such expiry; and words or expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein. **Resolution 6**

7. That pursuant to and in accordance with Section 95 of the Companies Act 1985 the Directors be and are hereby given power to allot equity securities for cash pursuant to the general authority conferred upon the Directors in Resolution 6 above as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment, provided that this power here granted shall be limited to:

(i) the allotment of equity securities in connection with or pursuant to an offer of equity securities open for acceptance for a period fixed by the Directors to (a) holders on the register on a record date fixed by the Directors of ordinary shares in the capital of the Company in proportion to their respective holdings (for which purpose holdings in certificated and uncertificated form may be treated as separate holdings) and (b) other persons so entitled by virtue of the rights attaching to any other securities held by them but subject in both cases to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any stock exchange in any territory; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (a) (i) of this provision) of equity securities up to an aggregate nominal amount of £10,389;

and shall (unless previously revoked, varied or renewed) expire on whichever is the earlier of the conclusion of the Annual General Meeting of the Company next following the passing of this Resolution, and 31 December 2004.

For the purposes of Resolution 7 above the said power shall allow and enable the Directors to make an offer or agreement before the expiry of that power which would or might require equity securities to be allotted after such expiry; the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of any such shares which may be allotted pursuant to such rights; and words and expressions defined in or for the purposes of Part IV of the Companies Act 1985 shall bear the same meaning herein. **Resolution 7**

8 September 2003  
Registered Office:  
6th Floor  
Transworld House  
82-100 City Road  
London EC1Y 2BJ

BY ORDER OF THE BOARD

*D. J. Talsman*

D Talsman  
Company Secretary

### Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders on the register of members of the Company as at 6pm on Tuesday 21 October 2003 or, if the meeting is adjourned, on the register of members of the Company 48 hours before the time fixed for the adjourned meeting, shall be entitled to attend or vote at the above general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register after 6pm on Tuesday 21 October 2003 or, if the meeting is adjourned, on the register of members of the Company 48 hours before the time fixed for the adjourned meeting, shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2. 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, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Issuer's agent (ID RA10) 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 Applications Host) from which the Issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. 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. 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 system and timings.

3. A member of the Company eligible to attend and vote at the meeting is entitled to appoint one or more proxies to attend, and on a poll, to vote in his stead. A proxy need not be a member of the Company. A Form of Proxy accompanies this document for your use. To be valid, Forms of Proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the offices of the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. A Form of Proxy must be returned in either of the following methods:

- a) in hard copy form by post, by courier or by hand to the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU; or
  - b) in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.
- Deposit of a Form of Proxy will not prevent a member from attending and voting in person should he so wish.
4. In accordance with the Companies Act 1985 and with the requirements of the London Stock Exchange, a register of Directors' Interests in the share capital and Debentures of the Company, together with copies of service agreements under which Directors of the Company are employed, is available for inspection at the Company's registered office during normal business hours and will also be available for inspection at the Annual General Meeting for at least 15 minutes prior to and during the meeting.

#### Explanatory notes to resolutions:

**Resolution 1:** The Directors must lay the financial statements and the respective reports of the Directors and auditors before shareholders at a General Meeting.

**Resolution 2:** At each General Meeting at which accounts are laid before the members, the Company is required to appoint auditors to stand until the next such meeting. This resolution also authorises the Directors to determine the auditors remuneration.

**Resolution 3:** Under the Company's Articles of Association each Director who was appointed during the year must stand for election at the next Annual General Meeting.

**Resolutions 4 and 5:** Under the Company's articles of Association, each Director must stand for re-election every three years. The Directors listed fall under these provisions and, being eligible, seek re-election.

**Resolution 6:** By Resolution 6, your Directors are seeking authority to allot share capital under section 80 of the Companies Act 1985. The aggregate nominal amount of £261,347 represents the aggregate of (i) one third of the issued share capital of the Company as at 31 August 2003, being in accordance with the guidelines issued by the Investment Protection Committees of the Association of British Insurers and the National Association of Pension Funds, and (ii) were your Directors required to allot and issue shares in the Company in full to the respective vendors of the businesses of Number One Betting Shop and Sportsbook.com for the purposes as set out in the Directors' Report.

**Resolution 7:** By Resolution 7, your Directors are seeking renewal of the power to allot shares in the Company for cash. The aggregate nominal amount of £10,389 represents five percent of the issued share capital of the Company as at 31 August 2003 and is in accordance with the guidelines issued by the Investment Protection Committees of the Association of British Insurers and the National Association of Pension Funds.

## Five year financial summary

	1999 2000	2000 2000	2001 2000	2002 2000	2003 2000
<b>Turnover</b>	<b>614</b>	<b>27,420</b>	<b>324,671</b>	<b>991,522</b>	<b>1,150,289</b>
<b>Gross profit/(loss)</b>	<b>(153)</b>	<b>842</b>	<b>14,679</b>	<b>60,281</b>	<b>74,084</b>
<b>Operating profit/(loss) before exceptional items and goodwill amortisation</b>	<b>(997)</b>	<b>(3,262)</b>	<b>(2,075)</b>	<b>14,258</b>	<b>14,555</b>
<b>Exceptional items</b>	<b>-</b>	<b>(1,790)</b>	<b>(500)</b>	<b>(1,487)</b>	<b>(1,418)</b>
<b>Goodwill amortisation</b>	<b>-</b>	<b>-</b>	<b>(1,036)</b>	<b>(6,318)</b>	<b>(9,588)</b>
<b>Profit/(loss) on ordinary activities before interest</b>	<b>(997)</b>	<b>(5,052)</b>	<b>(3,611)</b>	<b>6,473</b>	<b>3,551</b>
<b>Interest and other finance charges</b>	<b>(2)</b>	<b>45</b>	<b>(567)</b>	<b>(1,431)</b>	<b>(2,143)</b>
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>(999)</b>	<b>(5,007)</b>	<b>(4,198)</b>	<b>5,042</b>	<b>1,408</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(37)</b>	<b>(55)</b>
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>(999)</b>	<b>(5,007)</b>	<b>(4,200)</b>	<b>5,005</b>	<b>1,353</b>
<b>Minority Interests</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14</b>
<b>Retained profit/(loss) for the year</b>	<b>(999)</b>	<b>(5,007)</b>	<b>(4,200)</b>	<b>5,005</b>	<b>1,367</b>
<b>Basic earnings/(loss) per share</b>	<b>(3.0p)</b>	<b>(4.8p)</b>	<b>(3.6p)</b>	<b>3.4p</b>	<b>0.8p</b>

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