

Sportingbet (Product Services) Limited

Company number: 3984719

Report and Financial Statements

Year Ended

31 July 2009

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SPORTINGBET (PRODUCT SERVICES) LIMITED

Annual report and financial statements for the year ended 31 July 2009

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Directors

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Directors

A R McIver
J H Wilkinson

Secretary and registered office

D J Talisman, 4th Floor, 45 Moorfields, London, EC2Y 9AE

Company number

3984719

Auditors

Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square,
London, NW1 2EP

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2009

The directors present their report together with the audited financial statements for the year ended 31 July 2009 (2008 £nil)

Results and dividends

The profit and loss account is set out on page 10 and shows the result for the year. The directors do not recommend the payment of a dividend.

Principal activities

The Company's principal activity is the provision of general product services to fellow Group companies.

Trading review

The financial performance highlights for the year ended 31 July 2009 are as follows:

- Turnover and gross profit increased 44% to £4.9m (2008 £3.4m)
- Administrative expenses of £0.7m credit (2008 £3.4m charge)
- Included in administrative expenses are £5.6m credit (2008 £nil) of exceptional items relating principally to the write off of inter-company debtor and creditor balances
- Profit before and after tax of £5.6m (2008 £0.04m)
- Net assets at year end of £6.3m (2008 £0.5m)

Risk and uncertainties

The supply of betting and gaming services continues to be subject to a complex, inconsistent and often protectionist approach by jurisdictions worldwide. However, action to address this by international trade bodies (such as the World Trade Organisation and the European Commission) has resulted in the censuring of certain nations and, increasingly, the introduction of regulatory regimes for the activity.

The Group continues to provide its services only from jurisdictions where it is licensed and regulated, and that therefore the supply of services from these jurisdictions (where its regulator and applicable local laws deem the gambling transaction to take place) is explicitly legal.

In order to provide its worldwide gambling service, the Group currently maintains licences in Alderney, Antigua and Barbuda, Australia, South Africa and the UK.

Major issues of note in the last 12 months (all of which have been widely reported) include:

- the possibility that the UK will impose financial requirements on offshore operators who target the local gambling market,
- an ongoing move towards liberalisation of the gambling sector in a number of EU jurisdictions, including France, Denmark, Italy (through a wider regulatory regime) and Sweden,
- greater European Commission pressure on EU and EFTA Member States (principally Norway) to justify their national gambling regimes (including proposed new regulatory regimes) in light of the free trade requirements of international law, and
- increasing attempts to impose indirect taxes (via product fees) on gambling operators by certain States in Australia.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2009 (Continued)

Risk and uncertainties (continued)

1. United Kingdom

The Group operates a licence granted by the Alderney Gambling Control Commission, and is therefore permitted to advertise in the UK under the Gambling Act 2005, which permits UK advertising for Alderney licensees on the back of Alderney's whitelisted status

In April 2009, the Department for Culture, Media and Sport ("DCMS") announced that overseas gambling operators who advertise in the UK may face new financial and regulatory requirements to ensure a more even financial treatment of UK operators and non-UK operators who target the UK market. The DCMS is due to report its findings to Parliament before the end of 2009.

2. The European Union (EU)

EU Member States are subject to scrutiny from The European Commission (the "Commission") and, as guardian of the EC Treaty, it closely monitors existing and developing legislation in the EU. The principal method by which the Commission has applied pressure on Member States is through the use of infringement proceedings against EU Member States in contravention of EC law. Through such proceedings, the Commission has asked a number of States to amend their laws restricting the free movement of gambling services. The ongoing pressure from the Commission, and in some cases national court decisions declaring domestic legislation to be incompatible with EC law, has led to a domestic review of prohibitive legislation in a number of jurisdictions, including France, Italy, Sweden and Denmark.

On 9 September 2009, the European Court of Justice (the "ECJ") delivered its judgment in Case C-42/07 between Departamento de Jogos da Santa Casa da Misericórdia de Lisboa ("Santa Casa") and Bwin, and effectively upheld the Portuguese national law restricting certain betting and gaming activities to the State monopoly, Santa Casa. While the ECJ maintained the need for restrictions on gambling services to be justified in the public interest, the judgment is unambiguous in its vindication of State monopolies as an effective method for doing so.

3. France

France has historically been a staunch opponent of the provision of online gambling services by operators without a French licence.

In light of this approach, the Commission has put substantial pressure on France's domestic regulation of online gambling, stating that its laws are not compatible with EC law. As a result of such pressure, France is to regulate the online gambling sector. Specifically, France will liberalise the online sports betting and skill gaming market (including poker), but will not liberalise online gaming. The draft online gambling law produced by France was subject to a number of critical comments by the Commission, but it is understood that the licensing system it introduces will be in force prior to the World Cup 2010. The Commission is certain to monitor the draft law as it progresses through the French legislature, and it is understood that it will carry out a full assessment of the final version to determine its compatibility with EC law.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2009 (*Continued*)

Risk and uncertainties (*continued*)

4. Spain

As a result of the uncertainty over the legality of the provision of online gambling, which is not expressly prohibited by Spanish law, Spain has historically adopted a tolerant approach to the supply of foreign gambling services into the jurisdiction

Madrid and the Basque Region have both introduced licensing regimes for online betting, which has led to the Spanish government taking steps towards a nationwide system of regulation which will permit operators to obtain a Spanish gambling licence. The draft legislative process is ongoing, and has been subject to criticisms, including accusations of a lack of transparency and failure to consult stakeholders. As a result, other Spanish regions, including Castilla-Leon and La Rioja, have announced their intention to regulate the sector on a regional basis.

5. Italy

Italy has changed its monopoly-orientated stance on online gambling and has started to permit a number of non-Italian bookmakers to obtain licences to operate online betting offerings from certain outlets such as newsagents, bars and cafes.

In addition, Italy has recently announced that it is to legislate for the licensing of online poker cash games, casino games, betting exchanges and betting on virtual events during the course of 2009. The draft legislation will be submitted to the Commission during the course of 2009, with the intention to commence licensing by the end of 2009.

6. Germany

Despite criticism from the Commission, the Interstate Gambling Treaty remains in force in Germany. The Treaty effectively provides that all forms of online gambling are unlawful where they are targeted at German residents.

While the current official position in Germany is that the Treaty is not to be amended, we understand that the German government is under intense pressure from the Commission and at a political level internally to amend the legislation. Furthermore, enforcement action against operators where they actively target German residents (including through local marketing) has been curbed due to the lack of clarity in the legal position.

In our view, therefore, legislation that was intended to almost comprehensively block online gambling has had only limited effect and the general inability of the German government to block online gambling websites, coupled with the questionable legality of the legislation, has led to a continued supply of online gambling services, and an absence of extra-territorial enforcement against the activity.

7. Norway

Outside of the EU, the EFTA Surveillance Authority (the "Authority") has held that draft Norwegian legislation prohibiting the processing of payments for gambling infringes EFTA laws on the freedom to provide services and the free movement of capital. Norway is legally obliged to take account of the Authority's comments and, if it fails to reflect them in the legislation, the Authority is likely to instigate infringement proceedings, formally requiring that the legislation is changed. In our view, such infringement proceedings, if not complied with, may ultimately result in the Norwegian legislation being referred to the EFTA Court by the Authority.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2009 (Continued)

Risk and uncertainties (continued)

8. Australia

The lack of consistency in the approach and implementation of state and federal legislation across Australia has resulted in uneven regulation of the online gambling sector. This is particularly evident in the protectionist legislation in relation to the payment of fees for the use of sports products (e.g. race fields and sporting fixtures) which is levied against betting operators in Australia in a supposed bid to prevent illegal gambling and to police the dissemination of information in this field. Such fees are levied on operators licensed in Australia, in addition to taxes they pay in their licensing state.

Race fields legislation exists in every Australian state except the Australian Capital Territory and the Northern Territory, in addition no fees are currently payable in Western Australia and Tasmania as the relevant legislation has not yet come into effect. The race fields legislation, however, is subject to ongoing legal challenge, principally on the grounds that it is an unconstitutional violation of Australian free trade principles. The High Court has already ruled against such fees on the grounds that they are an unfair (and unconstitutional) restriction on competition.

Unlike race fields, and with the exception of Victoria, no state or territory has legislation that specifically requires betting operators to pay fees for the use of sporting fixture information. However, a general principle has developed under which corporate bookmakers enter into direct commercial agreements with the national administrative bodies for each sport. Such agreements typically provide for a fee equivalent to 5% of revenue to be paid to the administrative bodies.

9. United States

The US continues to prohibit online gambling supplied from offshore.

Despite the current prohibitive position, there have been suggestions that, in light of the economic downturn in the US and the resultant loss of revenue for land-based casino operators, liberalisation may occur in the online gambling market. Increasing pressure from consumers and lobby groups has also resulted in legislative proposals. To date these have not amounted to a change in the existing prohibitive regime.

The Group continues in its discussions with the US Department of Justice to seek clarification of the position of the US Authorities with respect to the Group's previous activities and whether a mutually acceptable resolution is possible. These talks continue and are productive and amicable in their nature. The Board continues to be optimistic of reaching a settlement but has little visibility of the likely timing or quantum.

10. Asia

The regulatory regime in many Asian countries is currently prohibitive and, at present, the Group has no operations or activities in Asia.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2009 (*Continued*)

Risk and uncertainties (*continued*)

11. Turkey

Anti-online gambling legislation was introduced in Turkey in February 2007 to underpin the State monopoly, although it remains legal for customers to transact with offshore online operators. The Group continues to accept bets from Turkish residents, although it does not have employees, nor does it conduct advertising in the territory.

Future developments

The Company intends to continue to provide general product services to other Group companies.

Directors

The directors of the Company during the year were

A R McIver
J H Wilkinson

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2009 (*Continued*)

Treasury management

The Company'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 Company's treasury exposure to reduce risk in accordance with policies approved by the Board.

It is not the policy of the Company 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 Company's reported profits, net assets and cash flows are all affected by foreign exchange rate movements.

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 Company's operations.

Policy and practice of payment of suppliers

It is the policy of the Company to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are made in accordance with these terms and conditions. At 31 July 2009 the Company had a trade creditor balance of £0.3m (2008: £0.5m). Trade creditors represented 36 days of purchases (2008: 40 days).

Going concern

The directors have considered the implications of the potential impact of regulatory uncertainties discussed in note 16. The directors have reviewed the cash flow projections for the Company in light of these uncertainties and have considered the financial resources available to the Company. Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2009 (*Continued*)

Directors' responsibilities (*continued*)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware. Each of the directors has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Grant Thornton UK LLP have expressed their willingness to continue in office. In accordance with Section 485(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the next Annual General Meeting.

By order of the Board



D J Talisman
Secretary
Sportingbet (Product Services) Limited
Company number: 3984719

Date 20 November 2009

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the independent auditor

To the members of Sportingbet (Product Services) Limited

We have audited the financial statements of Sportingbet (Product Services) Limited for the year ended 31 July 2009, which comprise the profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view, of the state of the Company's affairs as at 31 July 2009 and its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – regulatory uncertainty

In forming our opinion on the financial statements, which is not qualified, we have considered the accuracy of, and draw attention to, the disclosures made in Note 15 regarding the implications of, and uncertainties arising from, regulatory developments concerning on-line gambling and related activities in the United States, Turkey and parts of Europe. There is uncertainty as to the impact of such regulatory developments may have on the company. Note 15 includes a statement that the Board does not consider it probable that a material liability or impairment in the carrying value of assets will arise as a result of any potential action.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the independent auditor (*continued*)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Paul Etherington

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date *5 March 2010*

SPORTINGBET (PRODUCT SERVICES) LIMITED**Profit and loss account for the year ended 31 July 2009**

		Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
	Note		
Turnover	2	4,926	3,432
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		4,926	3,432
Administrative expenses		695	(3,392)
		<hr/>	<hr/>
Operating profit	3	5,621	40
Operating profit before share option charge	3	199	512
Share option charge		(202)	(472)
Exceptional items	5	5,624	-
		<hr/>	<hr/>
Operating profit	3	5,621	40
Taxation	6	-	-
		<hr/>	<hr/>
Profit on ordinary activities after taxation	11	5,621	40
		<hr/>	<hr/>

All amounts relate to continuing activities

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

The notes on pages 12 to 19 form part of these financial statements

SPORTINGBET (PRODUCT SERVICES) LIMITED**Balance sheet at 31 July 2009**

	Note	2009 £000's	2009 £000's	2008 £000's	2008 £000's
Fixed assets					
Tangible assets	7		619		651
Current assets					
Debtors	8	6,219		4,702	
Cash at bank		391		-	
		<u>6,610</u>		<u>4,702</u>	
Creditors: amounts falling due within one year	9	<u>(894)</u>		<u>(4,841)</u>	
Net current assets/ (liabilities)			<u>5,716</u>		<u>(139)</u>
Net assets			<u>6,335</u>		<u>512</u>
Capital and reserves					
Called up share capital	10		-		-
Profit and loss account	11		6,335		512
Shareholders' funds	11		<u>6,335</u>		<u>512</u>

The financial statements were approved by the Board and authorised for issue on 20 November 2009 and signed on their behalf by



J H Wilkinson
Director

The notes on pages 12 to 19 form part of these financial statements

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009

1 Accounting policies

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

The principal accounting policies are summarised below. They have all been applied consistently throughout the financial year and the preceding year. The directors have reviewed the principal accounting policies and consider that they remain the most appropriate for the Company.

The following principal accounting policies have been applied:

Going concern

The directors have considered the implications of the potential impact of regulatory uncertainties discussed in note 15. The directors have reviewed the cash flow projections of the Company in light of these uncertainties and have considered the financial resources available to the Company. Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement

The Company is exempt from the requirement under Financial Reporting Standard 1 (Revised) "Cash Flow Statements" to prepare a cash flow statement as its cash flows are consolidated into the financial statements of Sportingbet plc which are publicly available.

Turnover

Turnover represents amounts from other Group companies for the provision of general product services and is recognised once the service has been provided, net of sales taxes.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis to write off the cost, less any estimated residual value, of all fixed assets over their expected useful lives. It is calculated at the following rates per annum:

Computer equipment and software	33% on a straight line basis
---------------------------------	------------------------------

Computer software

Where the Company'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 licence agreements in existence during the period.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (*Continued*)

1 Accounting policies (*continued*)

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

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 tax authority and/or the Company anticipates making sufficient suitable taxable profits in the future. Deferred tax balances are not discounted.

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.

Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms of the options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with the fair value of goods and services received.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (*Continued*)

2 Turnover

The Company has taken the exemption as permitted by SSAP 25 'Segmental Reporting' not to disclose segmental information, on the basis that such information is disclosed in the Group's annual report

3 Operating profit

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
This has been arrived at after charging/ (crediting)		
Auditor's remuneration	37	20
Depreciation	477	316
Share-based payments (see note 12)	202	472
Exceptional items (see note 5)	(5,624)	-
Foreign exchange	36	5
	<u> </u>	<u> </u>

The Company has taken the exemption not to disclose non-audit remuneration services on the grounds that this information is disclosed in the accounts of the ultimate parent company which are publicly available

4 Employees

Employees' remuneration and related costs (including executive directors) during the year amounted to

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
Wages and salaries	1,675	1,335
Social security costs	165	123
Pension contributions (defined contribution scheme)	60	52
	<u> </u>	<u> </u>
	1,900	1,510
	<u> </u>	<u> </u>

No director received any emoluments in respect of his services to the Company (2008 £nil)

The average monthly number of full-time persons (including directors) employed by the Company during the year was 30 (2008 25)

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

5 Exceptional items

Included in administrative expenses are exceptional items of £5 6m credit (2008 £nil), a breakdown of which is set out below

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
Restructure of inter-company debtor and creditor balances	(a) (5,624)	-
	<u>(5,624)</u>	<u>-</u>

(a) The net impact of the write off of inter-company debtor and creditor balances

6 Taxation

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
<i>Current tax</i>		
UK corporation tax on profits of the year	-	-

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

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
Profit on ordinary activities before tax	5,655	40
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 28%)	1,583	11
Effects of		
Expenses disallowed	(1,547)	132
Movement on share options, including transfers in from other Group companies	-	(263)
Unprovided deferred tax asset acquired on intra-group transfer in of assets	-	(160)
Imputed interest on inter-company balances	52	-
Movement in unprovided deferred tax	-	400
Group relief claimed	(88)	(120)
Current tax charge for year	-	-

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (*Continued*)

7 Tangible fixed assets

	Computer equipment & software £000's
<i>Cost</i>	
At 1 August 2008	1,502
Additions	445
	<hr/>
At 31 July 2009	1,947
	<hr/>
<i>Depreciation</i>	
At 1 August 2008	851
Charge for the period	477
	<hr/>
At 31 July 2009	1,328
	<hr/>
<i>Net book value</i>	
At 31 July 2009	619
	<hr/>
At 31 July 2008	651
	<hr/>

8 Debtors

	2009 £000's	2008 £000's
Other debtors	138	346
Prepayments and accrued income	178	3
Amounts owed by group undertakings	5,903	4,353
	<hr/>	<hr/>
	6,219	4,702
	<hr/>	<hr/>

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

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (*Continued*)

9 Creditors: amounts falling due within one year	2009 £000's	2008 £000's
Trade creditors	337	485
Amounts owed to group undertakings	37	3,866
Accruals and deferred expenses	520	490
	<u>894</u>	<u>4,841</u>

10 Share capital	2009 £	2008 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>1,000</u>	<u>1,000</u>
<i>Allotted, issued and fully paid</i>		
1 ordinary £1 share	1	1
	<u>1</u>	<u>1</u>

11 Reserves	Profit and loss account £000's
At 1 August 2008	512
Retained profit for the year	5,621
Share options charge	202
	<u>6,335</u>
At 31 July 2009	<u>6,335</u>

The movement in shareholders' funds of £5.8m (2008 £0.5m) is wholly represented by the movements shown in reserves above

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (Continued)

12 Share-based payments

The ultimate parent company operates three equity-settled share-based remuneration schemes for employees of the Company. All employees are eligible to participate in these schemes, the vesting conditions being that the individual still remains in employment at the date of the release of the option and that the 2005 and 2006 share plans satisfy certain performance criteria. The terms of these schemes are discussed in more detail in the Group annual report.

	2009 Weighted average exercise price (p)	2009 No.	2008 Weighted average exercise price (p)	2008 No.
Outstanding at the beginning of the year	1.1	2,195,154	-	-
Granted during the year	-	293,935	-	991,426
Transferred during the year	-	-	1.3	1,891,440
Exercised during the year	-	(987,638)	-	(492,303)
Lapsed during the year	-	-	-	(195,409)
Outstanding at the end of the year	1.6	1,501,451	1.1	2,195,154

The exercise price of options outstanding at the end of the year ranged between 0p and 49p (2008: 0p and 49p) and their weighted average contractual life was 344 days (2008: 471 days).

Of the total number of options outstanding at the end of the year, 48,750 (2008: 48,750) had vested and were exercisable.

The weighted average share price (at the date of exercise) of options exercised during the year was 27.3p (2008: 45.0p).

The weighted average fair value of each option granted during the year was 32.49p (2008: 45.75p).

The following information is relevant in the determination of the fair value of options granted during the year under the equity- and cash-settled share-based remuneration schemes operated by the ultimate parent company:

	2009	2008
Equity-settled		
Options pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	34.50p	45.75p
Exercise price (pence)	nil	nil
Weighted average contractual life (days)	1,287	471
Expected volatility	50%	50%
Expected dividend growth rate	2%	2%
Risk-free interest rate	5%	5%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2009 (*Continued*)

12 Share-based payments (*continued*)

The share-based remuneration expense comprises

	2009 £'000	2008 £'000
Equity-settled schemes	202	472

13 Parent company

The Company's immediate and ultimate parent company is Sportingbet plc, a company incorporated in England and Wales. Copies of the Group accounts prepared by that company are available from 4th floor, 45 Moorfields, London EC2Y 9AE.

14 Related party transactions

The Company has taken advantage of the exemption in Financial Reporting Standard 8 "Related Party Disclosures" from the requirement to disclose transactions with Group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

15 Contingent liabilities

From time to time the Group is subject to legal claims and actions. The Group takes legal advice as to the likelihood of success of the claims and actions and no provision or disclosure is made where the Directors feel, based on that advice, that action is unlikely to result in a material loss or a sufficiently reliable estimate of the potential obligation cannot be made.

As part of the ongoing operational risk assessment process adopted by the Group, there is continued monitoring of the legal and regulatory developments and their potential impact on the business. Appropriate advice continues to be taken in respect of these developments.

As noted within the Directors' report there have been certain adverse regulatory developments within Turkey and parts of Europe. In addition, the Group as a whole has been impacted by the enactment of the Unlawful Internet Gambling Enforcement Act in the US, in October 2006. Although the Group has ceased taking bets from US resident customers potentially there remains a residual risk associated with the Group's historic US transactions.

There is uncertainty as to what actions, if any, may occur from the above noted events, and any impact such action may have on the Group. However, the Board does not consider it probable that a material impairment in the carrying value of assets will arise as a result of any potential action.

SPORTINGBET (PRODUCT SERVICES) LIMITED

The page which follows does not
form part of the statutory
financial statements of the Company

SPORTINGBET (PRODUCT SERVICES) LIMITED**Detailed profit and loss account for the year ended 31 July 2009**

	Year ended 31 July 2009 £000's	Year ended 31 July 2008 £000's
Administrative expenses		
Employment costs	1,900	1,510
IT costs	2,065	865
Share option charge	202	472
Depreciation	476	316
Recruitment and training	131	147
Travel and entertainment	57	42
Audit fees	33	20
Telephone	7	2
Postage and stationery	5	3
Professional fees	2	2
Bank charges	2	1
Exchange difference	36	5
Sundry expenses	13	7
Exceptional charges	(5,624)	-
	<hr/>	<hr/>
Total	(695)	3,392
	<hr/>	<hr/>