

Sportingbet (Product Services) Limited

Company number: 03984719

Report and Financial Statements

Period ended

31 December 2013

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SPORTINGBET (PRODUCT SERVICES) LIMITED

Annual report and financial statements for the period ended 31 December 2013

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SPORTINGBET (PRODUCT SERVICES) LIMITED

Board of Directors and professional advisors

Directors

K A Alexander
R Q M Cooper

Secretary and registered office

D J Talisman, 3rd Floor, 45 Moorfields, London, EC2Y 9AE

Company number

03984719

Auditor

Grant Thornton UK LLP, Chartered Accountants & Statutory Auditors
1020 Eskdale Road, IQ Winnersh, Wokingham, Berkshire, RG41 5TS

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the period ended 31 December 2013

The directors present their report together with the audited financial statements for the period ended 31 December 2013.

Directors

The directors of the Company during the period were:

| | |
|---------------|---|
| A R McIver | (resigned 19 th March 2013) |
| J H Wilkinson | (resigned 19 th March 2013) |
| K A Alexander | (appointed 19 th March 2013) |
| R Q M Cooper | (appointed 19 th March 2013) |

Principal Risks and Certainties

The directors consider the risks detailed below as inherent to the company and the Group:

Economic Risk

The risk of foreign exchange losses, increased interest rates and or inflation having an adverse impact the Group on served markets.

Competitor Risk

The directors of the company manage competition through close attention to market research, benchmarking with competition, and recruitment of highly skilled professional staff.

Financial Risk

The company has budgetary and financial reporting procedures, supported by appropriate key performance indicators to manage credit, liquidity and other financial risk.

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 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 Report of the directors, the Strategic Report and 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).

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the directors for the period ended 31 December 2013 (*continued*)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company. 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 UK 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 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.

So far as each director is aware;

- there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

On behalf of the Board



R Q M Cooper

Director

Sportingbet (Product Services) Limited

Company number: 03984719

Date: 30th September 2014

SPORTINGBET (PRODUCT SERVICES) LIMITED

Strategic Report for the period ended 31 December 2013

The directors present their Strategic Report for the period ended 31st December 2013.

Principal activities

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

Results and dividends

The profit and loss account is set out on page 7 and shows the result for the period. The directors do not recommend the payment of a dividend.

Review of Business

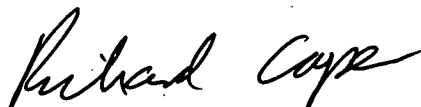
The key performance indicator highlights for the period ended 31 December 2013 are as follows:

- Turnover £6.5m (2012: £6.6m) and gross profit £6.1m (2012: £6.6m).
- Administrative expenses of £7.1m charge (2012: £7.1m charge).
- Loss before and after tax of £1.1m (2012: £0.5m).
- Net assets at year end of £0.6m (2012: £1.7m).

Future developments

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

On behalf of the Board



R Q M Cooper
Director
Sportingbet (Product Services) Limited
Company number: 03984719

Date: 30th September 2014

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 period ended 31 December 2013, which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the 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 Chapter 3 of Part 16 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 auditor

As explained more fully in the Directors' Responsibilities Statement set on pages 2 and 3, 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 and express an opinion on 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/private.cfm

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 December 2013 and of its loss for the period 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Report of the independent auditor (*continued*)

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.

Grant Thornton UK LLP

Paul Creasey

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Reading

Date: *6 October 2014*

SPORTINGBET (PRODUCT SERVICES) LIMITED**Profit and loss account for the period ended 31 December 2013**

| | | Period ended 31 December 2013 £000's | Year ended 31 July 2012 £000's |
|---|-------------|---|---|
| | Note | | |
| Turnover | 2 | 6,528 | 6,620 |
| Cost of sales | | (468) | - |
| Gross profit | | 6,060 | 6,620 |
| Administrative expenses | | (7,146) | (7,095) |
| Operating loss | 3 | (1,086) | (475) |
| Operating profit before share option charge and exceptional items | 3 | 718 | 256 |
| Share option charge | | - | (11) |
| Exceptional items | 5 | (1,804) | (720) |
| Operating loss | 3 | (1,086) | (475) |
| Interest receivable | | - | 13 |
| Loss before taxation | | (1,086) | (462) |
| Taxation | 6 | - | - |
| Loss on ordinary activities after taxation | 11 | (1,086) | (462) |

All amounts relate to continuing activities.

The notes on pages 10 to 17 form part of these financial statements.

SPORTINGBET (PRODUCT SERVICES) LIMITED.**Statement of total recognised gains and losses for the period ended 31 December 2013**

| | Note | Period ended 31 December 2013 £000's | Year ended 31 July 2012 £000's |
|--|------|---|---|
| Loss for the period/year after taxation | | (1,086) | (462) |
| Share option movement | | - | 11 |
| Total loss recognised in the period/year | | <u>(1,086)</u> | <u>(451)</u> |

The notes on pages 10 to 17 form part of these financial statements.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Company Number: 03984719

Balance sheet at 31 December 2013

| | Note | 2013 £000's | 2013 £000's | 2012 £000's | 2012 £000's |
|---|------|----------------|-------------------|----------------|---------------------|
| Fixed assets | | | | | |
| Tangible assets | 7 | | - | | 1,446 |
| Current assets | | | | | |
| Debtors | 8 | 6,610 | | 910 | |
| Cash at bank | | 6 | | 6 | |
| | | <u>6,616</u> | | <u>916</u> | |
| Creditors: amounts falling due within one year | 9 | <u>(5,996)</u> | | <u>(656)</u> | |
| Net current assets | | | 620 | | 260 |
| Net assets | | | <u>620</u> | | <u>1,706</u> |
| Capital and reserves | | | | | |
| Called up share capital | 10 | | - | | - |
| Profit and loss account | 11 | | 620 | | 1,706 |
| Shareholders' funds | 11 | | <u>620</u> | | <u>1,706</u> |

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



R Q M Cooper
Director

Date: 30th September 2014

The notes on pages 10 to 17 form part of these financial statements.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the period ended 31 December 2013

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 period 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 GVC Holdings PLC which are publicly available.

Turnover

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

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 | 20-33% 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 five 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 period ended 31 December 2013 (*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.

Operating Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term

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 period. 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 period ended 31 December 2013 (*continued*)

2 Turnover

The turnover and loss (2012: loss) in the period arose from the company's principal activity. The activity is carried out exclusively in the United Kingdom.

3 Operating profit

| | Period ended 31 December 2013 £000's | Year ended 31 July 2012 £000's |
|---|---|---|
| This has been arrived at after charging/ (crediting): | | |
| Depreciation | 390 | 510 |
| Operating lease costs | 122 | 251 |
| Share option charge (see note 13) | - | 11 |
| Exceptional items (see note 5) | 1,804 | 720 |
| Foreign exchange gain | 2 | (4) |
| | <u> </u> | <u> </u> |

The Company has taken the exemption not to disclose auditor's remuneration for non-audit 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 during the year amounted to:

| | Period ended 31 December 2013 £000's | Year ended 31 July 2012 £000's |
|---|---|---|
| Wages and salaries | 4,088 | 3,726 |
| Social security costs | 370 | 476 |
| Pension contributions (defined contribution scheme) | 206 | 225 |
| | <u> </u> | <u> </u> |
| | 4,635 | 4,427 |
| | <u> </u> | <u> </u> |

No director received any emoluments in respect of his services to the Company (2012: £nil).

The average monthly number of full-time persons (including directors) employed by the Company during the year was 23 (2012: 68).

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the period ended 31 December 2013 (*continued*)

5 Exceptional items

Included in administrative expenses are exceptional items of £1.8million (2012: £0.7m), a breakdown of which is set out below:

| | Period ended 31 December 2013 £000's | Year ended 31 July 2012 £000's |
|-----------------------------------|---|---|
| Costs arising on exit from Turkey | - | 720 |
| Redundancies | 608 | - |
| Impairment of fixed assets | <u>1,196</u> | <u>-</u> |
| | <u>1,804</u> | <u>720</u> |

6 Taxation

| | Period ended 31 December 2013 £000's | Year ended 31 July 2012 £000's |
|--|---|---|
| <i>Current tax</i> | | |
| UK corporation tax on loss for the period / year | <u>-</u> | <u>-</u> |

The tax assessed for the period is higher (2012: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

| | Period ended 31 December 2013 £000's | Year ended 31 July 2012 £000's |
|--|---|---|
| Loss on ordinary activities before tax | <u>(1,086)</u> | <u>(462)</u> |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 23.47% (2012 – 26.67%) | (254) | (123) |
| Effects of: | | |
| Non- deductible items for tax purposes | 299 | 7 |
| Capital Allowances in excess of depreciation for period / year | (65) | (3) |
| Tax losses carried forward | 20 | 125 |
| Share option timing differences | | (6) |
| | <u>-</u> | <u>-</u> |
| Current tax charge for period / year | <u>-</u> | <u>-</u> |

The company has trading losses carried forward of £98,000 (2012: £nil). No deferred tax asset has been recognised as the timing over which the company will utilise the losses is uncertain.

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the period ended 31 December 2013 (*continued*)

7 Tangible fixed assets

| | Computer equipment & software £000's |
|-----------------------|---|
| <i>Cost</i> | |
| At 1 August 2012 | 4,162 |
| Disposals | (4,162) |
| | <hr/> |
| At 31 December 2013 | - |
| | <hr/> |
| <i>Depreciation</i> | |
| At 1 August 2012 | 2,716 |
| Charge for the period | 390 |
| Disposals | (3,106) |
| | <hr/> |
| At 31 December 2013 | - |
| | <hr/> |
| <i>Net book value</i> | |
| At 31 December 2013 | - |
| | <hr/> |
| At 31 July 2012 | 1,446 |
| | <hr/> |

8 Debtors

| | 2013 £000's | 2012 £000's |
|------------------------------------|----------------|----------------|
| Other debtors | 9 | 39 |
| Prepayments | 735 | 21 |
| Amounts owed by group undertakings | 5,866 | 850 |
| | <hr/> | <hr/> |
| | 6,610 | 910 |
| | <hr/> | <hr/> |

All amounts shown under debtors fall due for payment within one year. No interest has been charged on amounts owed to group undertakings.

9 Creditors: amounts falling due within one year

| | 2013 £000's | 2012 £000's |
|---|----------------|----------------|
| Amounts owed to parent and group undertakings | 5,767 | - |
| Trade creditors | 100 | 396 |
| Accruals | 129 | 260 |
| | <hr/> | <hr/> |
| | 5,996 | 656 |
| | <hr/> | <hr/> |

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the period ended 31 December 2013 (*continued*)

10 Share capital

| | 2013 £ | 2012 £ |
|--|-----------|-----------|
| <i>Allotted, issued and fully paid</i> | | |
| 1 ordinary £1 share | 1 | 1 |

11 Shareholders' funds

| | Share capital £000's | Profit and loss account £000's | Total £000's |
|------------------------------|----------------------------|---|-----------------|
| At 1 August 2011 | - | 2,157 | 2,157 |
| Retained loss for the year | - | (462) | (462) |
| Share option charge | - | 11 | 11 |
| At 31 July 2012 | - | 1,706 | 1,706 |
| At 1 August 2012 | - | 1,706 | 1,706 |
| Retained loss for the period | - | (1,086) | (1,094) |
| At 31 December 2013 | - | 620 | 620 |

SPORTINGBET (PRODUCT SERVICES) LIMITED

Notes forming part of the financial statements for the period ended 31 December 2013 *(continued)*

12 Share-based payments

The former ultimate parent company operated four equity-settled share-based remuneration schemes for employees of the Company. All employees were 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, 2006 2009 and 2011 share plans satisfied certain performance criteria. The terms of these schemes are discussed in more detail in the 31 July 2012 Sportingbet Plc Group annual report. All options vested when GVC Holdings PLC purchased 100% of the share capital of Sportingbet PLC.

The share-based remuneration expense comprises:

| | 2013 £000's | 2012 £000's |
|------------------------|-------------------|-------------------|
| Equity-settled schemes | - | 11 |
| | <u> </u> | <u> </u> |

13 Parent company and controlling related party

The Company's immediate parent company is Sportingbet Holdings Limited, a company incorporated in England and Wales. The Company's ultimate parent company and controlling related party is GVC Holdings PLC, a company incorporated in the Isle of Man.

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.

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

SPORTINGBET (PRODUCT SERVICES) LIMITED**Notes forming part of the financial statements for the period ended 31 December 2013 (continued)**

16 Annual commitments under non cancellable operating leases

Annual commitments under operating leases are in respect of land and buildings .

| | 2013 £'000 | 2012 £'000 |
|----------------------------|-----------------------------|-----------------------------|
| Within 2-5 years Inclusive | 100 | 100 |