

# bet365 Group Limited

## REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

27 March 2005



Company Registration No. 4241161

# bet365 Group Limited

## CONTENTS

---

DIRECTORS AND ADVISORS	1
DIRECTORS' REPORT	2
DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS	5
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED	6
CONSOLIDATED PROFIT AND LOSS ACCOUNT	8
CONSOLIDATED BALANCE SHEET	9
BALANCE SHEET	10
CONSOLIDATED CASH FLOW STATEMENT	11
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	12
ACCOUNTING POLICIES	13
NOTES TO THE FINANCIAL STATEMENTS	16

---

# bet365 Group Limited

## DIRECTORS AND ADVISORS

---

### DIRECTORS

P Coates  
JF Coates  
D Coates  
WW Roseff

### SECRETARY

SJ Adlington

### REGISTERED OFFICE

Hillside  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5SH

### AUDITORS

Baker Tilly  
Chartered Accountants  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5BB

# bet365 Group Limited

## DIRECTORS' REPORT

---

The directors submit their report and the group financial statements of bet365 Group Limited for the 52 week period ended 27 March 2005.

### PRINCIPAL ACTIVITIES

The principal activities of the group are the operation of licensed betting offices, the provision of telephone betting, internet betting (including games), mobile betting operations, software development and an on-line casino and poker room.

### RESULTS AND DIVIDENDS

The group trading profit for the period, before taxation, was £3,800,269 (2004: £3,177,323).

The directors do not recommend the payment of a dividend (2004: £nil) which leaves a profit of £2,543,392 (2004: £5,998,504) to be retained.

### REVIEW OF THE BUSINESS

The results for the period are shown in the profit and loss account.

The group has had a successful period in developing its betting and gaming businesses, and the directors are confident that the group will meet the challenge of changes in legislation and continue adding to the value of the bet365 brand.

### MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of property at 27 March 2005 would exceed the net book value included in the financial statements, but they are unable to quantify this excess in the absence of a professional valuation, the costs of which are not considered justifiable in view of the group's intention to retain ownership of its existing property for use in its business for the foreseeable future.

### DIRECTORS

The following directors have held office since 29 March 2004:

P Coates  
JF Coates  
D Coates  
WW Roseff

# bet365 Group Limited

## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

Directors' interests in the shares of the company were as follows:

	Class of shares	Interest at beginning and end of period Number
P Coates	Ordinary shares of 1pence each	94,700
	"A" Ordinary shares of 1 pence each	17,000
	"B" Ordinary shares of 1 pence each	25,000
JF Coates	Ordinary shares of 1 pence each	12,000
	"B" Ordinary shares of 1 pence each	25,000
D Coates	Ordinary shares of 1 pence each	12,000
	"B" Ordinary shares of 1 pence each	25,000
WW Roseff	"B" Ordinary shares of 1 pence each	25,000

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them during the financial period.

### EMPLOYEES

It is the Group's policy that disabled persons should have the same consideration as others for all job vacancies for which they apply as suitable candidates and, depending entirely on their skills and abilities, they have the same opportunity for training, career development and promotion as other employees. Special attention is paid to the training and other needs of persons who become disabled whilst in the Group's employment.

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through formal team briefings and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made charitable contributions during the period of £8,500 to the NSPCC, £10,000 to the Tsunami appeal, £1,000 to the RSPCA and £1,150 to local charities (2004: £nil). No political contributions have been made in the period (2004: £50,000 to the Labour Party).

# bet365 Group Limited


## DIRECTORS' REPORT

---

### AUDITORS

A resolution for the reappointment of Baker Tilly as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**SJ Adlington**  
Secretary

Hillside  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5SH

1 June 2005

# bet365 Group Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

---

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the 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.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP LIMITED

We have audited the financial statements on pages 8 to 28.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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**

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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the 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. 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.

## **Basis of opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BET365 GROUP  
LIMITED (continued)

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 27 March 2005 and of the group profit for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

*Baker Tilly*

Registered Auditor  
Chartered Accountants  
Festival Way  
Stoke-on-Trent  
Staffordshire  
ST1 5BB

*June* 2005

# bet365 Group Limited

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 52 week period ended 27 March 2005

	Note	52 week period ended 27 March 2005			52 week period ended 28 March 2004
		Before goodwill and exceptional items	Goodwill and exceptional items	Total	
		£	£	£	£
TURNOVER – CONTINUING OPERATIONS	1	604,803,165	-	604,803,165	446,038,259
Direct costs		(565,097,220)	-	(565,097,220)	(416,414,908)
GROSS PROFIT		39,705,945	-	39,705,945	29,623,351
Administrative expenses		(34,937,036)	(403,865)	(35,340,901)	(25,622,686)
Other operating income		34,661	-	34,661	41,857
OPERATING PROFIT – CONTINUING OPERATIONS		4,803,570	(403,865)	4,399,705	4,042,522
Other interest receivable	2			211,441	-
Interest payable and similar charges	3			(810,877)	(865,199)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1-5			3,800,269	3,177,323
Taxation	6			(1,256,877)	2,821,181
RETAINED PROFIT FOR THE PERIOD				2,543,392	5,998,504

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

**bet365 Group Limited**  
**CONSOLIDATED BALANCE SHEET**  
**At 27 March 2005**

	Note	27 March 2005		28 March 2004	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	7	22,613,341		23,011,206	
Tangible assets	8	9,752,520		6,995,552	
		<u>32,365,861</u>		<u>30,006,758</u>	
<b>CURRENT ASSETS</b>					
Deferred tax asset due within one year		1,194,300		1,013,986	
Deferred tax asset due in more than one year		2,133,904		2,834,916	
	12	3,328,204		3,848,902	
Stocks	10	17,161		15,753	
Debtors	11	1,527,464		1,001,688	
Cash at bank and in hand		10,865,899		2,431,717	
		<u>15,738,728</u>		<u>7,298,060</u>	
<b>CREDITORS: Amounts falling due within one year</b>	13	(21,519,177)		(16,117,798)	
<b>NET CURRENT LIABILITIES</b>		<u>(5,780,449)</u>		<u>(8,819,738)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>26,585,412</u>		<u>21,187,020</u>	
<b>CREDITORS: Amounts falling due in more than one year</b>	14	(7,855,000)		(5,000,000)	
<b>NET ASSETS</b>		<u>18,730,412</u>		<u>16,187,020</u>	
<b>CAPITAL AND RESERVES</b>					
Called up share capital	15	2,607		2,607	
Share premium account	16	18,997,394		18,997,394	
Profit and loss account	17	(269,589)		(2,812,981)	
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>18,730,412</u>		<u>16,187,020</u>	

Approved by the board on *June* 2005

**JF Coates**  
 Director

# bet365 Group Limited

## BALANCE SHEET

At 27 March 2005

	Note	27 March 2005 £	28 March 2004 £
FIXED ASSETS			
Investments	9	19,000,001	19,000,001
NET ASSETS		19,000,001	19,000,001
CAPITAL AND RESERVES			
Called up share capital	15	2,607	2,607
Share premium account	16	18,997,394	18,997,394
Profit and loss account	17	-	-
EQUITY SHAREHOLDERS' FUNDS		19,000,001	19,000,001

Approved by the board on 1 June 2005

JF Coates  
Director

**bet365 Group Limited**  
**CONSOLIDATED CASH FLOW STATEMENT**  
For the 52 week period ended 27 March 2005

	Note	52 week period ended 27 March 2005 £	52 week period ended 28 March 2004 £
CASH FLOW FROM OPERATING ACTIVITIES	18	10,352,436	10,741,360
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		211,441	-
Interest paid		(638,023)	(865,199)
NET CASH OUTFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(426,582)	(865,199)
TAXATION		(1,005,099)	(429,883)
CAPITAL EXPENDITURE			
Purchase of intangible assets		(6,000)	(80,000)
Purchase of tangible fixed assets		(4,862,618)	(3,298,841)
Sale of tangible fixed assets		97,045	6,450
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE		(4,771,573)	(3,372,391)
FINANCING			
Additional bank loan		5,000,000	-
Repayment of bank loan		(715,000)	(4,700,000)
NET CASH INFLOW/(OUTFLOW) FOR FINANCING		4,285,000	(4,700,000)
INCREASE IN CASH IN THE PERIOD	20	8,434,182	1,373,887

# bet365 Group Limited

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 52 week period ended 27 March 2005

	Group		Company	
	52 week period ended 27 March 2005 £	52 week period ended 28 March 2004 £	52 week period ended 27 March 2005 £	52 week period ended 28 March 2004 £
PROFIT FOR THE FINANCIAL PERIOD	2,543,392	5,998,504	-	-
NET ADDITION TO SHAREHOLDERS' FUNDS	2,543,392	5,998,504	-	-
Opening shareholders' funds	16,187,020	10,188,516	19,000,001	19,000,001
CLOSING SHAREHOLDERS' FUNDS	18,730,412	16,187,020	19,000,001	19,000,001

# bet365 Group Limited

## ACCOUNTING POLICIES

---

### BASIS OF ACCOUNTING

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

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of bet365 Group Limited.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of bet365 Group Limited and all of its subsidiary undertakings for the year. Subsidiaries acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised. Provision is made for any impairment. All financial statements are made up to 27 March 2005.

As permitted by Section 230(4) of the Companies Act 1985, the company has not presented its own profit and loss account.

### INTANGIBLE FIXED ASSETS

Purchased goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised.

The directors have considered each constituent component of intangible assets separately to determine the appropriate amortisation in order that the financial statements provide a true and fair view:

- The goodwill supportable by the strength of the brand acquired is considered to have an indefinite useful economic life and will not be amortised but subject to an annual impairment review, with any permanent diminution in value being charged directly to the profit and loss account in the period in which it occurs.
- The goodwill attributable to software development costs is amortised over three years, recognising the shorter life of these assets.
- Licences acquired with licensed betting offices and capitalised are not amortised as the directors consider these have an indefinite useful life and will be subject to an annual impairment review, permanent diminutions in value being charged to the profit and loss account in the period they arise.

The Companies Act 1985 requires goodwill and its constituent components to be amortised over a finite period. If the departure from the Companies Act 1985 had not been made the profit for the financial period may have been decreased by amortisation. The amount of this amortisation is considered not material because of the indefinite life of these assets and the directors have invoked a true and fair override.

# bet365 Group Limited

## ACCOUNTING POLICIES

---

### TANGIBLE FIXED ASSETS

Depreciation is provided on 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 and fittings	-	15% per annum straight line
Computer equipment	-	33.3% per annum straight line
Motor vehicles	-	25% per annum straight line

No depreciation is provided on freehold land and buildings used for the purpose of carrying on the company's business. It is the company's practice to maintain these assets in a continual state of sound repair and to extend and make improvements thereto from time to time and accordingly the directors consider that the lives of these assets are so long and residual values (based on prices prevailing at the time of acquisition) are so high that their depreciation is not material. An annual impairment review of the value of such properties is performed and any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

### INVESTMENTS

Fixed asset investments are stated at cost. Provision is made for any impairment in the value of fixed asset investments.

### RESEARCH AND DEVELOPMENT EXPENDITURE

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

### SOFTWARE DEVELOPMENT

Post acquisition software development is written off to the profit and loss account in the period in which it is incurred.

### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value.

### FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

### DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.



# bet365 Group Limited

## ACCOUNTING POLICIES

---

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into a lease are accounted for over the period of the lease so as to spread the benefit received over the lease term.

### RETIREMENT BENEFITS

The group operates a defined contribution pension scheme. 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 period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### TURNOVER

In accordance with Application Note G to Financial Reporting Standard 5 "Reporting the substance of transactions", revenue is recognised under an exchange transaction with a customer, and to the extent that the group obtain the right to consideration in exchange for its performance.

Turnover is the revenue resulting from exchange transactions and is recognised as set out below:

In the case of internet and telephone betting operations turnover represents the amounts receivable from customers for bets settled in the accounting period.

In the case of licensed betting office operations turnover represents the amounts receivable from customers for bets taken in the accounting period.

In the case of Fixed Odds Betting Terminals (FOBTs), turnover represents the net winnings from customers in respect of individual bets placed by the period end.

In the case of Amusements With Prizes (AWPs), the online casino, the poker room and internet games, turnover represents the net winnings from customers on gaming/betting activity completed by the period end.

### CASH

Cash for the purpose of the cashflow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

---

### 1 TURNOVER

The analysis of turnover and profit before taxation by class of business and the geographical analysis of turnover have not been given as in the opinion of the directors such disclosure would be severely prejudicial to the interests of the group.

### 2 OTHER INTEREST RECEIVABLE

	<b>52 week period ended 27 March 2005 £</b>	<b>52 week period ended 28 March 2004 £</b>
Bank interest	<b>211,441</b>	-

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	<b>52 week period ended 27 March 2005 £</b>	<b>52 week period ended 28 March 2004 £</b>
On bank loans and overdrafts	<b>571,213</b>	580,288
Other interest	<b>239,664</b>	284,911
	<b>810,877</b>	865,199

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

4	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	52 week period ended 27 March 2005 £	52 week period ended 28 March 2004 £
	Profit on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the period		
	Owned assets	2,069,393	1,538,686
	Amortisation of intangible assets	403,865	1,004,315
	Profit on sale of fixed asset	(60,788)	(936)
	Operating lease rentals:		
	Plant and machinery	727,411	657,216
	Rent receivable	(34,661)	-
	Auditors' remuneration:		
	Audit - Group	28,585	27,750
	- Company	-	-
	Other services - Group	18,379	7,600
	- Company	-	-
		<hr/>	<hr/>
5	EMPLOYEES	52 week period ended 27 March 2005 Number	52 week period ended 28 March 2004 Number
	The average monthly number of persons (including directors) employed by the group during the period was:		
	Managers and supervisors	174	160
	Operations staff	595	564
		<hr/>	<hr/>
		769	724
		<hr/>	<hr/>

**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 52 week period ended 27 March 2005**

---

**5 EMPLOYEES (continued)**

	<b>52 week period ended 27 March 2005 £</b>	<b>52 week period ended 28 March 2004 £</b>
Staff costs for the above persons:		
Wages and salaries	<b>12,030,009</b>	8,705,648
Social security costs	<b>1,108,018</b>	788,194
Other pension costs	<b>141,060</b>	91,354
	<b>13,279,087</b>	9,585,196

<b>DIRECTORS' REMUNERATION</b>	<b>52 week period ended 27 March 2005 £</b>	<b>52 week period ended 28 March 2004 £</b>
Emoluments	<b>624,468</b>	619,463

Directors' emoluments disclosed above include the following payments:

	<b>Highest paid director 52 week period ended 27 March 2005 £</b>	<b>52 week period ended 28 March 2004 £</b>
Emoluments	<b>193,132</b>	258,363

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

6	TAXATION	52 week period ended 27 March 2005 £	52 week period ended 28 March 2004 £
	Current tax:		
	UK corporation tax on profits of the period	719,671	951,756
	Adjustments in respect of previous period	16,508	-
	Total current tax	736,179	951,756
	Deferred tax:		
	Origination and reversal of timing differences	539,902	(3,783,616)
	Adjustments in respect of previous period	(19,204)	10,679
	Total deferred tax	520,698	(3,772,937)
	Tax on profit on ordinary activities	1,256,877	(2,821,181)

Factors affecting tax charge for the period:

	52 week period ended 27 March 2005 £	52 week period ended 28 March 2004 £
The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit on ordinary activities before tax	3,800,269	3,177,323
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2004: 30%)	1,140,081	953,197
<i>Effects of:</i>		
Expenses not deductible for tax purposes	175,402	370,942
Fixed asset timing differences	(2,345)	160,975
Losses utilised	(329,693)	-
Lower overseas tax rate	(247,399)	(276,161)
Movement in other timing differences	(16,375)	(257,197)
Adjustments in respect of previous period	16,508	-
Current tax charge for the period	736,179	951,756

*Factors that may affect future tax charges*

Based on current capital investment plans, the group expects that depreciation will continue to exceed capital allowances in future years.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

### 7 INTANGIBLE FIXED ASSETS

	Goodwill	Development costs	Licences	Total
	£	£	£	£
<b>GROUP</b>				
<i>Cost</i>				
At beginning of period	4,173,497	2,856,667	18,433,844	25,464,008
Additions	-	-	6,000	6,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of period	4,173,497	2,856,667	18,439,844	25,470,008
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Amounts written off</i>				
At beginning of period	-	2,452,802	-	2,452,802
Charged in the period	-	403,865	-	403,865
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At end of period	-	2,856,667	-	2,856,667
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<i>Net book value</i>				
<b>At 27 March 2005</b>	<b>4,173,497</b>	<b>-</b>	<b>18,439,844</b>	<b>22,613,341</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 28 March 2004	4,173,497	403,865	18,433,844	23,011,206
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

8	TANGIBLE FIXED ASSETS	Freehold land and buildings	Fixtures, fittings, tools and equipment	Motor vehicles	Total
		£	£	£	£
	<b>GROUP</b>				
	<i>Cost</i>				
	At beginning of period	1,269,603	8,158,861	403,987	9,832,451
	Additions	1,086,045	3,532,260	244,313	4,862,618
	Disposals	(35,787)	(470)	-	(36,257)
		<hr/>	<hr/>	<hr/>	<hr/>
	At end of period	2,319,861	11,690,651	648,300	14,658,812
		<hr/>	<hr/>	<hr/>	<hr/>
	<i>Depreciation</i>				
	At beginning of period	-	2,678,954	157,945	2,836,899
	Charged in the period	-	1,952,413	116,980	2,069,393
	Disposals	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
	At end of period	-	4,631,367	274,925	4,906,292
		<hr/>	<hr/>	<hr/>	<hr/>
	<i>Net book value</i>				
	<b>At 27 March 2005</b>	<b>2,319,861</b>	<b>7,059,284</b>	<b>373,375</b>	<b>9,752,520</b>
		<hr/>	<hr/>	<hr/>	<hr/>
	At 28 March 2004	1,269,603	5,479,907	246,042	6,995,552
		<hr/>	<hr/>	<hr/>	<hr/>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

### 9 FIXED ASSET INVESTMENTS

Shares in  
group  
undertakings  
£

#### COMPANY

*Cost and net book value:*

At beginning and end of period

19,000,001

The company holds more than 20% of the equity (and no other share or loan capital) of the following undertakings:

<i>Subsidiary undertaking</i>	<i>Country of registration</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>	
			<i>Group</i>	<i>Company</i>
Hillside (New Media Holdings) Limited (formerly bet365 (New Media Holdings) Limited)	UK	Holding company	100%	100%
Hillside (LBO Holdings) Limited (formerly bet365 (LBO Holdings) Limited)	UK	Holding company	100%	100%
Hillside (New Media) Limited (formerly bet365 (New Media) Limited)	UK	Provision of telephone, internet and mobile betting and software development	100%	-
bet365 (Cash Betting) Limited	UK	Operation of licensed betting offices	100%	-
bet365 International NV	Netherlands Antilles	Provision of on-line casino and poker room	100%	-
Hillside (Leisure) Limited (formerly bet365 Ventures Limited)	UK	Dormant	100%	-

### 10 STOCKS

	<i>Group</i>		<i>Company</i>	
	<i>27 March 2005</i>	<i>28 March 2004</i>	<i>27 March 2005</i>	<i>28 March 2004</i>
	£	£	£	£
Consumables	17,161	15,753	-	-



# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

11	DEBTORS	Group		Company	
		27 March 2005 £	28 March 2004 £	27 March 2005 £	28 March 2004 £
	<i>Due within one year:</i>				
	Other debtors	403,366	224,830	-	-
	Prepayments and accrued income	1,124,098	776,858	-	-
		<u>1,527,464</u>	<u>1,001,688</u>	<u>-</u>	<u>-</u>

12	DEFERRED TAXATION ASSET	
		Deferred taxation asset £
	GROUP	
	At beginning of period	3,848,902
	Charge for the period	(520,698)
	<b>At end of period</b>	<b><u>3,328,204</u></b>

The elements of the deferred tax asset, which is carried within current assets, are as follows:

	27 March 2005 £	28 March 2004 £
Accelerated capital allowances	(29,107)	(92,983)
Other timing differences	7,998	8,550
Tax losses	3,349,313	3,933,335
	<u>3,328,204</u>	<u>3,848,902</u>

The deferred tax asset has been recognised based on the group's future profitability.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

### 13 CREDITORS: Amounts falling due within one year

	Group		Company	
	27 March 2005	28 March 2004	27 March 2005	28 March 2004
	£	£	£	£
Bank loans and overdrafts	1,430,000	-	-	-
Trade creditors	12,691,436	8,707,128	-	-
Corporation tax	252,953	521,873	-	-
Other taxation and social security costs	329,136	215,994	-	-
Other creditors	3,661,541	3,942,182	-	-
Accruals and deferred income	3,154,111	2,730,621	-	-
	<u>21,519,177</u>	<u>16,117,798</u>	<u>-</u>	<u>-</u>

### 14 CREDITORS: Amounts falling due in more than one year

	Group		Company	
	27 March 2005	28 March 2004	27 March 2005	28 March 2004
	£	£	£	£
Bank loans	<u>7,855,000</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>

### ANALYSIS OF DEBT MATURITY

	Group		Company	
	27 March 2005	28 March 2004	27 March 2005	28 March 2004
	£	£	£	£
<i>Amounts payable</i>				
In one year or less	1,430,000	-	-	-
In more than one year but not more than two years	1,430,000	5,000,000	-	-
In more than two years but not more than five years	4,290,000	-	-	-
In five years or more	2,135,000	-	-	-
	<u>9,285,000</u>	<u>5,000,000</u>	<u>-</u>	<u>-</u>

The bank loan is secured by way of a legal mortgage on certain property held and a fixed charge on fixtures and fittings, computer equipment and motor vehicles. Interest is charged at LIBOR plus 2.00%.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

15	SHARE CAPITAL	27 March 2005 £	28 March 2004 £ (Restated)
	Authorised:		
	Equity: 880,000 Ordinary shares of 1 pence each	8,800	8,800
	17,000 "A" ordinary shares of 1 pence each	170	170
	100,000 "B" ordinary shares of 1 pence each	1,000	1,000
	3,000 "C" ordinary shares of 1 pence each	30	30
		<u>10,000</u>	<u>10,000</u>
	Allotted, called up and fully paid:		
	Equity: 143,700 Ordinary shares of 1 pence each	1,437	1,437
	17,000 "A" ordinary shares of 1 pence each	170	170
	100,000 "B" ordinary shares of 1 pence each	1,000	1,000
		<u>2,607</u>	<u>2,607</u>

On the 13 March 2003 the authorised share capital was converted from £1 shares to 1pence shares and 3000 ordinary shares converted to "C" shares.

The ordinary shares, the "A" shares and the "B" shares carry the same rights and rank pari passu except for the following:

In the event of winding up the "B" ordinary shareholders shall only be entitled to an amount equivalent to the amount realised (after all relevant costs) on the shares of Hillside (New Media Holdings) Limited (formerly bet365 (New Media Holdings) Limited).

The "B" ordinary shareholders shall only be entitled to dividends to the extent that the company has received dividends, which have not been previously distributed, from its shareholding in Hillside (New Media Holdings) Limited.

Distributions received from Hillside (New Media Holdings) Limited are only available to the "B" ordinary shareholders.

The "C" ordinary shares have no voting rights, but receive dividends in the same proportion as the "A" shares.

16	RESERVES	Share premium account £
	GROUP	
	At beginning and end of period	18,997,394
	COMPANY	
	At beginning and end of financial period	18,997,394

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

17	PROFIT AND LOSS ACCOUNT	Group £	Company £
	At beginning of period	(2,812,981)	-
	Retained profit for the financial period	2,543,392	-
	<b>At end of period</b>	<b>(269,589)</b>	-

18	RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	52 week period ended 27 March 2005 £	52 week period ended 28 March 2004 £
	Operating profit	4,399,705	4,042,522
	Depreciation	2,069,393	1,538,686
	Amortisation	403,865	1,004,315
	Profit on sale of fixed assets	(60,788)	(936)
	Increase in stock	(1,408)	(3,700)
	Increase in debtors	(525,776)	(134,908)
	Increase in creditors	4,067,445	4,294,445
	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>10,352,436</b>	<b>10,741,360</b>

19	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	£
	Increase in cash in the period	8,434,182
	Cash inflow from increase in debt and lease financing	(4,285,000)
	<b>MOVEMENT IN NET DEBT IN THE PERIOD</b>	<b>4,149,182</b>
	<b>NET DEBT AT 28 MARCH 2004</b>	<b>(5,852,757)</b>
	<b>NET DEBT AT 27 MARCH 2005</b>	<b>(1,703,575)</b>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

20	ANALYSIS OF NET DEBT	At 28 March 2004 £	Cash flow £	At 27 March 2005 £
	Cash in hand and at bank	2,431,717	8,434,182	10,865,899
	Debt due within one year	-	(1,430,000)	(1,430,000)
	Debt due after one year	(5,000,000)	(2,855,000)	(7,855,000)
	Other loans	(3,284,474)	-	(3,284,474)
	Total	(5,852,757)	4,149,182	(1,703,575)

## 21 CAPITAL COMMITMENTS

There were no capital commitments at the beginning or end of the financial period.

## 22 COMMITMENTS UNDER OPERATING LEASES

	Group		Company	
	27 March 2005 £	28 March 2004 £	27 March 2005 £	28 March 2004 £
At 27 March 2005 the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:				
Plant and machinery				
Expiring between two and five years	653,288	623,456	-	-
Land and building				
Expiring within one year	51,520	51,659	-	-
Expiring between two and five years	103,240	55,140	-	-
Expiring after five years	768,065	678,133	-	-
	1,576,113	1,408,388	-	-

## 23 CONTINGENT LIABILITIES

The company has cross-guaranteed the overdraft and loans of its fellow group companies; the amount outstanding at the period end was £9,285,000 (2004: £5,000,000).

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 52 week period ended 27 March 2005

---

### 24 PENSION COMMITMENTS

The group operates a defined contribution pension scheme whose assets are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group and amounted to £141,060 (2004: £91,354). Contributions amounting to £20,310 (2004: £13,501) were payable to the scheme at the period end and are included in creditors.

### 25 RELATED PARTY TRANSACTIONS

During the financial year the company had the following transactions with related parties as defined by Financial Reporting Standard 8:

H Backhouse (Baker Street) Limited is a related party in which WW Roseff is a director.

At 27 March 2005 £1,016,974 was outstanding (2004: £1,016,974) to H Backhouse (Baker Street) Limited. Interest of £193,941 has been accrued.

#### *Directors' loans*

The following directors had loans to the company during the period. The amounts outstanding during the period were as follows:

	P Coates £	JF Coates £	D Coates £	W Roseff £
<i>Amounts outstanding:</i>				
At beginning of period	2,299,706	75,998	215,795	17,500
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	2,249,323	47,998	219,731	17,821
	<hr/>	<hr/>	<hr/>	<hr/>
Highest balance in period	2,299,706	75,998	219,731	17,821
	<hr/>	<hr/>	<hr/>	<hr/>

Interest is accruing on these amounts on an arms length basis. Interest of £594,056 has been accrued.