

# bet365 Group Limited

## REPORT AND FINANCIAL STATEMENTS

30 March 2008



Company Registration No. 04241161

# bet365 Group Limited

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# bet365 Group Limited

## DIRECTORS AND ADVISORS

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### 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 UK Audit LLP

Chartered Accountants

Festival Way

Stoke-on-Trent

Staffordshire

ST1 5BB

# bet365 Group Limited

## DIRECTORS' REPORT

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The directors submit their report and the financial statements of bet365 Group Limited for the 53 week period ended 30 March 2008.

### PRINCIPAL ACTIVITIES

The principal activities of the Group are the provision of internet and telephone betting along with an online casino, games and poker room, mobile betting operations and software development. The Group is also the majority shareholder in Stoke City Football Club and Stoke City (Property) Limited, a company owning the stadium of the football club.

### RESULTS AND DIVIDENDS

The Group's profit before taxation for the period comprised of £33,681,005 (2007: £15,039,952) from its gambling operations and a loss of £3,226,254 (2007: £2,373,072) on the football club and football stadium, resulting in a combined Group profit of £30,454,751 (2007: £12,666,880) for the year.

The directors do not recommend the payment of a dividend (2007: nil) which leaves a profit of £20,255,977 (2007: £9,564,922) to be retained.

### REVIEW OF THE BUSINESS

The Group's remote gambling business continued to experience significant growth during the year across its range of Sports and Gaming products, and in the size of its UK and international customer base.

As in the previous year, most of the increased contribution for Sports came from the growth in the number of transactions, amounts wagered per transaction being broadly stable. The majority of bets continued to be placed via the internet, with increasing propensity for In-Play betting using the Group's in-house software. The higher levels of In-Play betting, combined with the Group's 'Best Odds Guaranteed' horseracing offer, whereby customers are paid out at the higher of the actual price they took and the starting price, resulted in a reduction of gross margin to 4.9% (2007: 6.3%).

The strength of the Group's 'bet365' brand along with a dedicated team in Gibraltar helped ensure continued growth in its online Casino, Games and Poker room, again benefiting from high levels of customer service, competitive promotional offers, effective customer loyalty and reactivation programmes, combined with strong product offerings.

The Group carefully budgets its cost base and through effective cost review processes ensures that any variances are analysed and explained.

The Group's share of Stoke City Football Club's losses for the year was £3,226,254. The Group is pleased to announce that the Club was successfully promoted to the Premiership for the 2008/09 season.

The key performance indicators used by senior management are as follows:

Sports – amounts wagered, number of bets, average stake per bet and margin. These KPIs are further split according to location of customer, the source of bet (internet, telephone or mobile) and whether the bet is placed pre-match or In-Play.

Casino, Games and Poker – gross win or rake by game/table type, further analysed by numbers and locations of players.

Customers – active customer numbers are analysed by country and by payment methods. Other KPIs include the amount of marketing spend per depositing customer.

# bet365 Group Limited

## DIRECTORS' REPORT

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### RISKS AND UNCERTAINTIES

There are a number of material risks and uncertainties which are common to all the major providers of remote gambling services. These include:

1. Volume risks – Competitors could attract away bet365's customers and/or bet365's marketing spend may not sufficiently attract new customers.
2. Margin risk – Although bet365's Trading team are experienced in managing risk, there is always a range of profit/loss for different outcomes of an individual event. This means that a run of poor results could adversely affect margin over a period. However, historically, the Group has found that margins revert to normal levels over a longer time period.
3. Regulatory risk – Regulatory, legislative and fiscal regimes for betting and gaming in bet365's key markets can change, sometimes at short notice. Such changes could have an affect on the results of bet365 and additional costs might be incurred in order to comply with any new laws or regulations. bet365 monitors legislative and regulatory developments in all of its key markets allowing it to quickly assess and adapt to changes in the environment and minimise risks to the business.
4. Technology risk – the majority of the Group's business is transacted over the internet. The Group is continually investing at a high level to minimise technology risk, but there remains the possibility that a technology failure could adversely affect the Group's ability to trade for a period, and therefore affect its profits.

### FUTURE DEVELOPMENTS

The directors intend that the business will continue to improve existing products and introduce new products where appropriate. The business launched its new bingo product post year end. The changing worldwide gambling and leisure industries may or may not provide opportunities for further acquisitions by the Group.

### FINANCIAL INSTRUMENTS

The Group's cash flow fluctuates according to the timing of payments out, the amounts of client balances and Group profitability. The directors manage deposits to gain the best possible interest rates commensurate with having funds available to meet requirements on demand. Although interest received will vary according to interest rate levels, the differences to Group results arising are not sufficient to warrant the Group using derivatives or other methods to manage interest rates in any way.

### HEDGING FOREIGN EXCHANGE TRANSACTIONS

The Group accepts bets in different currencies. Its exposure to forex risk is limited to the liability to repay client balances in the currency deposited, less the amounts held by the Group on bank deposit in that currency. The Group's policy is to hedge this risk where significant.

### RESEARCH AND DEVELOPMENT

The Group encourages innovation in its product offerings, both by improving existing products and introducing new opportunities. Some bet offerings and games are unique to bet365, others have been imitated by other firms. Successful innovation attracts new customers to bet365 and encourages others to remain with bet365.

# bet365 Group Limited

## DIRECTORS' REPORT

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### MARKET VALUE OF LAND AND BUILDINGS

The directors are of the opinion that the market value of property at 30 March 2008 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 26 March 2007:

P Coates  
JF Coates  
D Coates  
WW Roseff

### 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. 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 £91,759 (2007: £31,444) consisting of £7,500 to the NSPCC, £25,000 to the Responsibility in Gambling Trust and £59,259 to local charities. The group made political contributions of £nil (2007: £50,000) to the Labour Party.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, that as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

# bet365 Group Limited

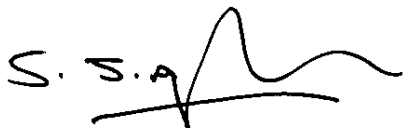
## DIRECTORS' REPORT

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### AUDITORS

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

By order of the board

A handwritten signature in black ink, appearing to be 'S. S. A.' followed by a stylized flourish.

**SJ Adlington**  
Secretary

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

20 November 2008

# bet365 Group Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with 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 9 to 39.

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 (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 March 2008 and of the group's profit for the 53 week period then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

*Baker Tilly UK Audit LLP*

**BAKER TILLY UK AUDIT LLP**

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

*20 November* 2008

**bet365 Group Limited**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the 53 week period ended 30 March 2008**

		53 week period ended 30 March 2008			52 week period ended 25 March 2007
	Note	Sports and gaming	Football Club and stadium	Total	
		£	£	£	£
AMOUNTS WAGERED		1,849,926,182	-	1,849,926,182	985,818,968
TURNOVER	1	149,372,522	10,326,127	159,698,649	97,873,850
Operating expenses	2	(118,427,118)	(18,149,623)	(136,576,741)	(87,925,075)
<b>OPERATING PROFIT/(LOSS)</b>					
- Continuing operations	2	30,945,404	(7,926,378)	23,019,026	13,427,642
- Acquisition	2	-	102,882	102,882	(3,478,867)
OPERATING PROFIT/(LOSS)	2	30,945,404	(7,823,496)	23,121,908	9,948,775
Income from interests in associated undertakings	11	-	874,142	874,142	131,490
Profit on disposal of players' registrations		-	3,757,510	3,757,510	950,175
Interest receivable and similar income	3	2,735,601	13,491	2,749,092	1,669,458
Interest payable and similar charges	4	-	(47,901)	(47,901)	(33,018)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	1-6	33,681,005	(3,226,254)	30,454,751	12,666,880
Taxation	7			(10,198,774)	(3,101,958)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	21			20,255,977	9,564,922

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 30 March 2008**

	Note	30 March 2008		25 March 2007	
		£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	8		24,428,653		19,415,226
Tangible assets	9		34,246,000		7,410,041
Interest in associated undertaking	11		-		5,157,833
			<u>58,674,653</u>		<u>31,983,100</u>
<b>CURRENT ASSETS</b>					
Deferred tax asset due within one year	13	-		645,303	
			<u>-</u>	<u>645,303</u>	
Stocks	14	94,214		135,013	
Debtors	15	9,770,439		4,125,470	
Cash at bank and in hand		68,387,783		46,766,485	
		<u>78,252,436</u>		<u>51,672,271</u>	
<b>CREDITORS: Amounts falling due within one year</b>	16	(57,870,603)		(27,913,108)	
<b>NET CURRENT ASSETS</b>			<u>20,381,833</u>		<u>23,759,163</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>79,056,486</u>		<u>55,742,263</u>
<b>CREDITORS: Amounts falling due in more than one year</b>	17		(6,948,864)		(5,748,093)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	18		(7,980,551)		(2,120,420)
<b>NET ASSETS</b>			<u>64,127,071</u>		<u>47,873,750</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		3,013		3,214
Capital redemption reserve	20		201		-
Share premium account	20		18,997,394		18,997,394
Profit and loss reserve	21		45,126,463		28,873,142
<b>SHAREHOLDERS' FUNDS</b>			<u>64,127,071</u>		<u>47,873,750</u>

The financial statements on pages 9 to 39 were approved by the board of directors and authorised for issue on 20 November 2008 and are signed on its behalf by:

**JF Coates**  
 Director

# bet365 Group Limited

## BALANCE SHEET

At 30 March 2008

	Note	30 March 2008		25 March 2007	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	9	6,057,805		-	
Investments	10	10,000,002		2	
		16,057,807		2	
<b>CURRENT ASSETS</b>					
Debtors	15	22,839,624	41,474,825		
<b>CREDITORS: Amounts falling due within one year</b>	16	(490,721)	(464,175)		
<b>NET CURRENT ASSETS</b>		22,348,903	41,010,650		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		38,406,710	41,010,652		
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(7,140)	-		
<b>NET ASSETS</b>		38,399,570	41,010,652		
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19	3,013	3,214		
Capital redemption reserve	20	201	-		
Share premium account	20	18,997,394	18,997,394		
Profit and loss reserve	21	19,398,962	22,010,044		
<b>SHAREHOLDERS' FUNDS</b>		38,399,570	41,010,652		

The financial statements on pages 9 to 39 were approved by the board of directors and authorised for issue on 20 November 2008 and are signed on its behalf by:

JF Coates  
Director

# bet365 Group Limited

## CONSOLIDATED CASH FLOW STATEMENT

For the 53 week period ended 30 March 2008

	Note	53 week period ended 30 March 2008		52 week period ended 25 March 2007	
		£	£	£	£
CASH FLOW FROM OPERATING ACTIVITIES	23	43,557,767		15,927,361	
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		2,749,092		1,302,337	
Interest paid		(47,901)		(33,018)	
Dividends received		653,333		-	
NET CASH INFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		3,354,524		1,269,319	
TAXATION		(602,234)		(376,006)	
CAPITAL EXPENDITURE					
Purchase of intangible assets		(6,419,433)		(1,445,667)	
Sale of intangible assets		4,405,845		1,199,153	
Purchase of tangible fixed assets		(14,950,321)		(2,458,659)	
Sale of tangible fixed assets		48,245		18,349	
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE		(16,915,664)		(2,686,824)	
ACQUISITIONS AND DISPOSALS					
Acquisition of a trade		(1,060,413)		(3,323,929)	
Acquisition of a subsidiary		(2,297,870)		(5,076,300)	
Cash acquired with subsidiary undertakings		26,996		-	
NET CASH OUTFLOW FOR ACQUISITIONS AND DISPOSALS		(3,331,287)		(8,400,229)	
FINANCING					
Share buy back		(4,002,868)		-	
Issue of shares		212		-	
Loans repaid		(150,063)		-	
NET CASH OUTFLOW FOR FINANCING		(4,152,719)		-	
INCREASE IN CASH EQUIVALENTS IN THE PERIOD	24	21,910,387		5,733,621	

# bet365 Group Limited

## RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the 53 week period ended 30 March 2008

	Group		Company	
	53 week period ended 30 March 2008 £	52 week period ended 25 March 2007 £	53 week period ended 30 March 2008 £	52 week period ended 25 March 2007 £
PROFIT FOR THE FINANCIAL PERIOD	20,255,977	9,564,922	1,391,574	1,057,407
Purchase of own shares	(4,002,656)	-	(4,002,656)	-
NET ADDITION TO/(REDUCTION IN) TO SHAREHOLDERS' FUNDS	16,253,321	9,564,922	(2,611,082)	1,057,407
Opening shareholders' funds	47,873,750	38,308,828	41,010,652	39,953,245
CLOSING SHAREHOLDERS' FUNDS	64,127,071	47,873,750	38,399,570	41,010,652

# bet365 Group Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

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

The group 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 the bet365 Group Limited group.

Financial Reporting Standard 20 – Accounting for Share Options, the adoption of this standard has not had a material impact on the financial statements and therefore only the disclose elements of this standard have been adopted.

### BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of bet365 Group Limited and all of its subsidiary undertakings for the period. Subsidiaries are consolidated using the acquisition method. 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 30 March 2008 except for Stoke City Holdings Limited and Stoke City Football Club Limited which have a 31 May 2008 year end as it wishes to align the financial year end with the commercial considerations of the individual entities. Detailed management accounts at 31 March 2008 have been used as a basis for the consolidation of these subsidiaries.

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 bet365 brand and Stoke City Football Club are 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 arising on the acquisition of the trade of Bowmans International Sports (IOM) Limited is written off evenly over 5 years as in the opinion of the directors this represents the period over which the goodwill is effective.
- The third party costs associated with the acquisition of players' registrations and coaching staff are capitalised and amortised on a straight line basis over the period of their respective contracts. Any transfer fees payable as a result of the occurrence of one or more uncertain future events are capitalised when it is probable such an event will occur. Provision for impairment is made when it becomes clear that any diminution in value has occurred. In accordance with FRS 10, no amounts are included for players developed within the Club.

The Companies Act 1985 requires goodwill and its constituent components to be amortised over a finite period. If the above departures 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

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### 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:

Freehold land and buildings	-	No depreciation charged
Leasehold land and buildings	-	No depreciation charged or over the life of the lease
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 and certain long leasehold used for the purpose of carrying on the group's business. It is the group'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.

The Companies Act 1985 requires fixed assets 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 additional depreciation. The amount of this depreciation is considered not material because of the indefinite life of these assets and the directors have invoked a true and fair override.

### INVESTMENTS

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

Undertakings in which the group has a participating interest of not less than 20% in the voting capital and over which it exerts significant influence are defined as associated undertakings. The financial statements include the appropriate share of the results and reserves of these undertakings. The associated undertaking has a 31 March financial year end. On 21 December 2007 the associate undertaking became a subsidiary of the group and has been equity accounted for from that date.

### SOFTWARE DEVELOPMENT

Expenditure on 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.

The functional and presentational currency of the overseas subsidiary is Sterling. No exchange differences therefore arise on retranslation.

# bet365 Group Limited

## ACCOUNTING POLICIES

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### DEFERRED TAXATION

Deferred tax is recognised in respect of 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 group'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 assets are only recognised when their recoverability can be assessed with certainty in the foreseeable future.

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.

### GRANTS

Grants received by Stoke City Football Club from the Football Trust in respect of the building costs of Britannia Stadium, the freehold of which is owned by Stoke City (Property) Limited, are treated as deferred income and released to the profit and loss account over a period of 50 years.

Grants received from The Football Trust and other awarding bodies in respect of other capital expenditure are treated as deferred income and released to profit and loss account over the expected useful lives of the related assets.

Grants received in respect of revenue expenditure and financial support are recognised in the profit and loss account in the year in which the relevant expenditure was incurred.

### DEFERRED INCOME

Deferred income relates to Stoke City Football Club and consists of season tickets, sponsorship and other elements of income which have been received prior to the year end in respect of future football seasons.

### LEASED ASSETS AND OBLIGATIONS

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

### RETIREMENT BENEFITS

The group contributes to a number of schemes.

A defined contribution (money purchase) pension scheme whose assets are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable for the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Certain of the employees of the Group participate in the Football League Pension and Life Assurance scheme and the Football League Players' Benefit scheme. Both schemes are defined benefit schemes co-sponsored by the FA Premier League and the Football League. The Group makes contributions to the schemes in accordance with the recommendations of the actuaries to the schemes.

As Stoke City Football Club Limited is one of a number of participating employers in the schemes, it is not possible to allocate that part of any actuarial rights or deficit owing to the club's employees. Consequently, contributions are charged to the profit and loss account as they become payable. In addition a provision has been established for future enhanced contributions following instruction from the actuaries of the schemes.

# bet365 Group Limited

## ACCOUNTING POLICIES

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### RETIREMENT BENEFITS (continued)

Contributions are also paid to individuals' money purchase pension schemes. The contributions are charged to profit and loss account in the year in which they become payable.

The assets of all the pension schemes are held separately from those of the Group in independently administered funds.

### AMOUNTS WAGERED

Amounts wagered represents the gross takings receivable from customers in respect of individual bets placed in the period on the telephone and interactive sports businesses, net winnings on gaming activity for on line casino and games and net "rake" earned from poker.

### TURNOVER

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

Turnover is the revenue resulting from exchange transactions under which the group supplies to customers the services that it is in the business to provide and is recognised as set out below:

In the case of internet, telephone and mobile betting operations and on line casino operations (including games), it represents gains and losses from betting activity in the period.

In the case of the online poker room, turnover represents the net income "rake" earned from poker activities in the period.

Turnover recognition is stated on a gross win basis for the sports, internet and telephone betting operations, in line with current industry practice.

In respect of Stoke City Football Club, turnover represents net match receipts and other income arising from the Club's activities.

### CASH

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

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 1 SEGMENTAL REPORT

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 ANALYSIS OF CONTINUING AND ACQUIRED OPERATIONS

52 week period ended 25 March 2007

	Continuing Sports and gaming and football club	Acquisition Stoke City (Property) Limited	53 week period ended 30 March 2008 Total	Continuing Sports and gaming	Acquisition Stoke City Football Club Limited	Total
	£	£	£	£	£	£
TURNOVER	159,571,705	126,944	159,698,649	91,313,750	6,560,100	97,873,850
Operating expenses	(136,532,679)	(24,062)	(136,576,741)	(77,886,108)	(10,038,967)	(87,925,075)
OPERATING PROFIT/ (LOSS)	23,019,026	102,882	23,121,908	13,427,642	(3,478,867)	9,948,775

### 3 INTEREST RECEIVABLE AND SIMILAR INCOME

	53 week period ended 30 March 2008 £	52 week period ended 25 March 2007 £
Bank interest	2,749,092	1,669,458

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	53 week period ended 30 March 2008 £	52 week period ended 25 March 2007 £
On bank loans and overdrafts	32,019	33,018
On finance leases and hire purchase contracts	294	-
Other interest	15,588	-
	47,901	33,018

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

5	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	53 week period ended 30 March 2008 £	52 week period ended 25 March 2007 £
	Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting):		
	Depreciation and amounts written off tangible fixed assets:		
	Charge for the period:		
	Owned assets	2,926,534	2,265,700
	Amortisation of player registrations	2,218,060	1,054,742
	Amortisation of goodwill	2,845,754	354,950
	Profit on sale of fixed assets – included in operating expenses	(17,411)	(2,937)
	Operating lease rentals:		
	Plant and machinery	78,698	-
	Land and buildings	756,668	709,519
	Grants released	(55,335)	(47,000)
		<hr/>	<hr/>
	Audit services:		
	Statutory audit	73,750	44,555
	Further assurance services	8,115	5,250
	Tax services:		
	Compliance services	13,000	9,830
	Advisory services	100,184	123,495
		<hr/>	<hr/>
		195,049	183,130
		<hr/>	<hr/>
	Comprising:		
	Audit services	73,750	44,555
	Non-audit services	121,299	138,575
		<hr/>	<hr/>
		195,049	183,130
		<hr/>	<hr/>

Further assurance services includes fees paid in respect of auditing assignments to meet specific industry requirements including industry levy calculations. The group audit fee includes £3,595 (2007: £1,000) in respect of the company audit.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 6 EMPLOYEES

	<b>53 week period ended 30 March 2008 Number</b>	<b>52 week period ended 25 March 2007 Number</b>
The average monthly number of persons (including directors) employed by the group during the period was:		
Managers and supervisors	88	78
Operations staff	637	546
Full time playing staff and scholars	44	46
Other staff	89	88
	<b>858</b>	<b>758</b>

	<b>53 week period ended 30 March 2008 £</b>	<b>52 week period ended 25 March 2007 £</b>
Staff costs for the above persons:		
Wages and salaries	28,751,123	19,579,334
Social security costs	2,865,810	1,928,535
Other pension costs	659,525	789,412
	<b>32,276,458</b>	<b>22,297,281</b>

### DIRECTORS' REMUNERATION

Emoluments	1,565,461	1,303,308
Pension fund contributions	375,000	276,986
	<b>1,940,461</b>	<b>1,580,294</b>

The pension payments in 2007 and 2008 were made to the personal pension plans of the directors. No directors accrue benefits under the money purchase scheme.

	<b>Highest paid director 53 week period ended 30 March 2008 £</b>	<b>52 week period ended 25 March 2007 £</b>
Directors' emoluments disclosed above include the following payments:		
Emoluments	578,728	411,688
Pension fund contributions	225,000	100,000
	<b>803,728</b>	<b>511,688</b>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

7	TAXATION	53 week period ended 30 March 2008		52 week period ended 25 March 2007	
		£	£	£	£
	Current tax:				
	UK corporation tax on profits of the period	4,971,734		659,303	
	Foreign tax	5,134,597		99,443	
	Share of associates tax	1,692		44,657	
	Prior year adjustment	(76,277)		-	
	Total current tax		10,031,746		803,403
	Deferred tax:				
	Origination and reversal of timing differences	98,962		2,302,060	
	Adjustments in respect of previous period	49,174		(3,505)	
	Share of associate tax	18,892		-	
	Total deferred tax		167,028		2,298,555
	Tax on profit on ordinary activities		10,198,774		3,101,958
	Factors affecting tax charge for the period:		53 week period ended 31 March 2008 £		52 week period ended 25 March 2007 £
	The tax assessed for the period is lower than the standard rate of corporation tax in the UK 30% (2007: 30%). The differences are explained below:				
	Profit/(loss) on ordinary activities before tax		30,454,751		12,666,880
	Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2007: 30%)		9,136,425		3,800,064
	Effects of:				
	Expenses not deductible for tax purposes		117,226		33,621
	Fixed asset timing differences		(9,030)		104,870
	Non taxable income		(235,594)		-
	Other timing differences		(56,924)		-
	Losses utilised		-		(2,564,387)
	Lower overseas tax rate		(1,101,633)		(1,450,205)
	Double taxation of overseas profit		2,259,760		-
	Movement in other timing differences		-		9,440
	Adjustments in respect of previous period		(76,277)		-
	Small companies rate relief		(2,207)		-
	Tax on overseas dividend		-		870,000
	Current tax charge for the period		10,031,746		803,403

**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the 53 week period ended 30 March 2008

**8 INTANGIBLE FIXED ASSETS**

	Goodwill – Football club and stadium £	Goodwill – Sports and gaming £	Player registrations £	Total £
<b>GROUP</b>				
<i>Cost</i>				
At beginning of period	8,648,048	9,497,426	2,363,617	20,509,091
Additions	-	6,678,712	6,419,433	13,098,145
Disposals	-	-	(2,348,485)	(2,348,485)
Fair value adjustment	(2,372,569)	-	-	(2,372,569)
At end of period	6,275,479	16,176,138	6,434,565	28,886,182
<i>Amortisation</i>				
At beginning of period	-	354,950	738,915	1,093,865
Charge for period	-	2,845,754	2,218,060	5,063,814
On disposals	-	-	(1,700,150)	(1,700,150)
At end of period	-	3,200,704	1,256,825	4,457,529
<i>Net book value</i>				
<b>At 30 March 2008</b>	<b>6,275,479</b>	<b>12,975,434</b>	<b>5,177,740</b>	<b>24,428,653</b>
At 25 March 2007	8,648,048	9,142,476	1,624,702	19,415,226



**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the 53 week period ended 30 March 2008

**9 TANGIBLE FIXED ASSETS**

	Freehold land and buildings	Leasehold land and buildings	Fixtures, fittings, and computer equipment	Motor vehicles	Total
	£	£	£	£	£
<b>GROUP</b>					
<i>Cost</i>					
At beginning of period	2,526,074	612,193	10,486,028	883,338	14,507,633
Acquisitions	14,685,338	-	157,668	-	14,843,006
Additions	2,597,176	6,476,263	4,628,407	1,248,475	14,950,321
Disposals	(3,000)	-	-	(137,626)	(140,626)
At end of period	19,805,588	7,088,456	15,272,103	1,994,187	44,160,334
<i>Depreciation</i>					
At beginning of period	-	60,923	6,669,597	367,072	7,097,592
Charged in the period	-	88,805	2,472,370	365,359	2,926,534
On disposals	-	-	-	(109,792)	(109,792)
At end of period	-	149,728	9,141,967	622,639	9,914,334
<i>Net book value</i>					
<b>At 30 March 2008</b>	<b>19,805,588</b>	<b>6,938,728</b>	<b>6,130,136</b>	<b>1,371,548</b>	<b>34,246,000</b>
At 25 March 2007	2,526,074	551,270	3,816,431	516,266	7,410,041

The net book value of leasehold land and buildings comprises:

	30 March 2008 £
Long leasehold	6,196,832
Short leasehold	741,896
	<u>6,938,728</u>

Depreciation in respect of long leasehold properties in the period was £22,584 (2007: £4,936) and £66,221 (2007: £55,987) in respect of short leasehold properties.

Long leasehold of £6,057,805 has not been depreciated in the year.

**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 53 week period ended 30 March 2008**

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**9 TANGIBLE FIXED ASSETS (continued)**

	Leasehold land and buildings £
<b>COMPANY</b>	
<i>Cost</i>	
At beginning of period	-
Additions	6,057,805
	<hr/>
At end of period	6,057,805
	<hr/>
<i>Net book value</i>	
<b>At 30 March 2008</b>	<b>6,057,805</b>
	<hr/> <hr/>
At 25 March 2007	-
	<hr/> <hr/>
 The net book value of leasehold land and buildings comprises:	
	30 March 2008 £
Long leasehold	6,057,805
Short leasehold	-
	<hr/>
	<b>6,057,805</b>
	<hr/> <hr/>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 10 FIXED ASSET INVESTMENTS

Shares in  
group  
undertakings  
£

#### COMPANY

*Cost and net book value:*

At beginning of period

2

Addition

10,000,000

At end of period

10,000,002

On 13 September 2007 bet365 Group Limited capitalised a loan to Stoke City Holdings Limited into 10,000,001, £1 shares.

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

	<i>Country of registration</i>	<i>Principal activity</i>	<i>Percentage of ordinary shares held</i>	
			<i>Group</i>	<i>Company</i>
<i>Subsidiary undertaking:</i>				
Hillside (New Media Holdings) Limited	UK	Holding company	100%	100%
Hillside (New Media) Limited	UK	Provision of telephone, internet and mobile betting and software development	100%	-
Hillside (Gibraltar) Limited	Gibraltar	Provision of on-line casino and poker room	100%	-
bet365 International NV	Netherlands Antilles	Dormant	100%	-
Hillside (Leisure) Limited	UK	Dormant	100%	-
Stoke City Holdings Limited	UK	Holding company	-	100%
Stoke City Football Club Limited	UK	Football Club	84.4%	-
Stoke City (Property) Limited	UK	Provision of Stadium facility	92.356%	-
Hillside (Alderney) Limited	Alderney	Dormant	100%	-
Hillside (Malta Holdings) Limited	Malta	Dormant	100%	0.1%
Hillside (Malta) Limited	Malta	Dormant	100%	0.1%

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 11 INTEREST IN ASSOCIATED UNDERTAKING

The group's share in the profit and loss account and balance sheet of its associate Stoke City (Property) Limited can be summarised as follows:

	<b>30 March 2008 £</b>	<b>25 March 2007 £</b>
Profit before taxation	<b>220,809</b>	131,490
Dividends	<b>653,333</b>	-
	<hr/>	<hr/>
Taxation	<b>874,142 (20,584)</b>	131,490 (44,657)
	<hr/>	<hr/>
Profit after taxation and dividends	<b>853,558</b>	86,833
	<hr/>	<hr/>
Share capital	-	1,960,000
Share premium	-	7,040,000
Profit and loss reserve	-	86,833
	<hr/>	<hr/>
Provision for impairment	-	9,086,833 (3,929,000)
	<hr/>	<hr/>
Capital commitments – contracted	-	5,157,833
	<hr/>	<hr/>

On 21 December 2007 the group acquired a further 51% of the called up share capital of the associated company and it became a subsidiary of the bet365 Group Limited (see note 12).

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 12 ACQUISITIONS

On 11 December 2006 the group acquired part of the trade of Bowmans International Sports (IOM) Limited for initial consideration of £3,323,929 and estimated deferred consideration of £2,000,000. The estimated deferred consideration has been revised by the directors at the year ended 31 March 2008 and this resulted in an increase of £6,678,712. The fair value of consideration paid will be finalised in the financial statements up to March 2012.

	Initial book at date of acquisition £	Fair value adjustment £	Fair value at date of acquisition £
Acquired goodwill split by subsidiary undertakings:			
Hillside (New Media) Limited	4,308,850	5,627,648	9,936,498
bet365 International NV	1,015,079	1,051,064	2,066,143
	<u>          </u>	<u>          </u>	<u>          </u>
Total goodwill	5,323,929	6,678,712	12,002,641
	<u>          </u>	<u>          </u>	<u>          </u>

The consideration is analysed as follows:

	£
Cash	1,914,680
Opening client balances	1,409,249
	<u>          </u>
	3,323,929
Payments made during the year	1,060,413
Estimated deferred consideration – see note 18	
– due by Hillside (New Media) Limited	5,540,581
– due by bet365 International NV	2,077,718
	<u>          </u>
<b>Total consideration</b>	<b>12,002,641</b>
	<u>          </u>

On 22 May 2006 the group acquired 100% of the called up share capital of Stoke City Holdings Limited. Stoke City Holdings Limited then acquired shares amounting to 60.34% of Stoke City Football Club Limited for consideration of £1,732,360. On 13 July 2006 Stoke City Holdings Limited converted its intercompany debt of £8,267,640 into ordinary £1 shares increasing its total shareholding in Stoke City Football Club Limited to 84.4%. The fair value of the consideration paid will be finalised in the financial statements for the year ended 31 March 2009.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 12 ACQUISITIONS (continued)

	Initial book value and fair value at date of acquisition £
Intangible fixed assets	1,482,755
Tangible fixed assets	755,727
Investments	5,071,000
Stocks	194,000
Debtors	823,000
<b>TOTAL ASSETS</b>	<b>8,326,482</b>
Creditors: Amounts falling due within one year	(5,866,230)
Creditors: Amounts falling due in more than one year	(5,901,000)
Provisions for liabilities and charges	(131,000)
<b>TOTAL LIABILITIES</b>	<b>(11,898,230)</b>
<b>NET LIABILITIES</b>	<b>(3,571,748)</b>

Positive goodwill of £9,569,674 (2007: £8,648,048), being the difference between the fair value of net assets acquired and consideration paid, arises from this transaction.

The consideration is analysed as follows:

	£	£
Share acquisition – cash	1,732,360	
Loan repaid to previous owners - cash	3,267,640	
Professional fees	76,300	
Consideration paid to date		5,076,300
Deferred consideration – see note 18		980,000
Consideration refundable		(58,374)
<b>Total consideration</b>		<b>5,997,926</b>

The total consideration paid of £5,997,926 to the previous owners, together with additional inter group financing of £10,000,000 equates to a total amount invested by the group in Stoke City Football Club Limited of £15,997,926.

**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the 53 week period ended 30 March 2008**

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**12 ACQUISITIONS (continued)**

On 21 December 2007 the group acquired a further 51% of the called up share capital of Stoke City (Property) Limited which increases the group's total shareholding in the company to 92.356%. The fair value of the consideration paid has been finalised in these financial statements.

	Initial book value at date of acquisition £
Tangible fixed assets	14,843,006
Debtors	371,769
Cash	26,996
<b>TOTAL ASSETS</b>	<b>15,241,771</b>
Bank overdraft	(457,828)
Creditors: Amounts falling due within one year	(565,650)
Provisions for liabilities and charges	(768,169)
<b>TOTAL LIABILITIES</b>	<b>(1,791,647)</b>
<b>NET ASSETS</b>	<b>13,450,124</b>
Less share of assets already held	(5,358,059)
	<b>8,092,065</b>

Negative goodwill of £3,294,195, being the difference between the fair value of net assets acquired and consideration paid, arises from this transaction.

The consideration is analysed as follows:

	£	£
Cash	2,297,870	
Consideration paid to date		2,297,870
Deferred consideration – see note 18		2,500,000
<b>Total consideration</b>		<b>4,797,870</b>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 13 DEFERRED TAXATION

	Group £	Company £
<b>GROUP</b>		
At beginning of period	645,303	-
Charge for the period	(167,028)	(7,140)
Acquired in year	(768,169)	-
<b>At end of period (see note 18)</b>	<b>(289,894)</b>	<b>(7,140)</b>

The elements of the deferred tax asset/(liability), which is carried within provisions for liabilities and charges, are as follows:

	Group		Company	
	30 March 2008 £	25 March 2007 £	30 March 2008 £	25 March 2007 £
Accelerated capital allowances	(296,626)	597,303	7,140	-
Other timing differences	6,732	48,000	-	-
	<b>(289,894)</b>	<b>645,303</b>	<b>7,140</b>	<b>-</b>

There are unprovided tax losses of £2.4m (2007: £2.6m) relating to Stoke City Football Club Limited as there is uncertainty over the recovery of this asset in the foreseeable future.



# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

14	STOCKS	Group		Company	
		30 March 2008 £	25 March 2007 £	30 March 2008 £	25 March 2007 £
	Finished goods	<b>94,214</b>	135,013	-	-
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
15	DEBTORS	Group		Company	
		30 March 2008 £	25 March 2007 £	30 March 2008 £	25 March 2007 £
	<i>Due within one year:</i>				
	Trade debtors	<b>2,826,025</b>	361,972	-	-
	Amounts owed by group undertakings	-	-	<b>22,839,624</b>	41,474,825
	Other debtors	<b>2,449,318</b>	951,614	-	-
	Prepayments and accrued income	<b>4,495,096</b>	2,811,884	-	-
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		<b>9,770,439</b>	4,125,470	<b>22,839,624</b>	41,474,825
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
16	CREDITORS: Amounts falling due within one year	Group		Company	
		30 March 2008 £	25 March 2007 £	30 March 2008 £	25 March 2007 £
	Bank loans and overdrafts	<b>676,632</b>	761,437	-	-
	Trade creditors	<b>24,654,245</b>	16,822,927	-	-
	Corporation tax	<b>7,948,111</b>	776,667	<b>479,721</b>	453,174
	Other taxation and social security costs	<b>1,060,164</b>	605,962	-	-
	Other creditors	<b>4,638,322</b>	2,289,818	<b>11,000</b>	11,001
	Accruals and deferred income	<b>16,663,129</b>	6,656,297	-	-
	Deferred consideration	<b>2,230,000</b>	-	-	-
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
		<b>57,870,603</b>	27,913,108	<b>490,721</b>	464,175
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the 53 week period ended 30 March 2008

17 CREDITORS: Amounts falling due in more than one year

	Group		Company	
	30 March 2008	25 March 2007	30 March 2008	25 March 2007
	£	£	£	£
Bank loans and overdrafts	236,192	133,000	-	-
Corporation tax	2,259,760	-	-	-
Other creditors	-	2,263,428	-	-
Accruals and deferred income	3,202,912	3,351,665	-	-
Deferred consideration	1,250,000	-	-	-
	<u>6,948,864</u>	<u>5,748,093</u>	<u>-</u>	<u>-</u>

ANALYSIS OF DEBT MATURITY

	Group		Company	
	30 March 2008	25 March 2007	30 March 2008	25 March 2007
	£	£	£	£
Amounts payable:				
In one year or less or on demand	2,918,732	761,437	-	-
In more than one year but not more than two years	257,809	133,000	-	-
In more than two years but not more than five years	-	-	-	-
In five years or more	-	2,263,428	-	-
	<u>3,176,541</u>	<u>3,157,865</u>	<u>-</u>	<u>-</u>

**Bank loans and overdrafts**

Included within amounts repayable within one year are bank loans of £324,427 (2007: £472,348). Although technically repayable upon demand a schedule of repayments has been agreed, over the remaining periods up to 6¼ years.

The bank loans are secured by way of a fixed and floating charge over all the assets of Stoke City Football Club Limited and a legal charge over the Club's leasehold interest in Britannia Stadium.

**Other creditors**

Included within other creditors is £2.5m in respect of deferred consideration payable on the acquisition of Stoke City (Property) Limited and £980,000 payable if Stoke City Football Club Limited remain in the premiership for more than one year.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 17 CREDITORS: Amounts falling due in more than one year (continued)

#### DEFERRED GRANTS

Included within accruals and deferred income are deferred grants received from various awarding bodies to fund the acquisition or construction of certain assets in Stoke City Football Club Limited, including Britannia Stadium as follows:

	Group		Company	
	30 March 2008 £	25 March 2007 £	30 March 2008 £	25 March 2007 £
At start of period	2,282,000	-	-	-
Acquired in the period	-	2,329,000	-	-
Grants released to the profit and loss account	(55,335)	(47,000)	-	-
At end of period	2,226,665	2,282,000	-	-

	Group		Company	
	30 March 2008 £	25 March 2007 £	30 March 2008 £	25 March 2007 £
Amounts to be released relating to periods ending:				
In one year or less or on demand	55,370	55,370	-	-
In more than one year but not more than two years	55,370	55,370	-	-
In more than two years but not more than five years	166,110	166,110	-	-
In five years or more	1,949,815	2,005,150	-	-
	2,226,665	2,282,000	-	-

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 18 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred consideration £	Pension obligations £	Total £
<b>GROUP</b>			
At start of period	2,000,000	120,420	2,120,420
Charge for the period	6,678,712	(48,062)	6,630,650
Paid in the year	(1,060,413)	-	(1,060,413)
<b>At end of period</b>	<b>7,618,299</b>	<b>72,358</b>	<b>7,690,657</b>
Deferred taxation (see note 13)			<b>289,894</b>
			<b>7,980,551</b>
	<b>Deferred consideration 30 March 2008 £</b>	<b>Deferred consideration 25 March 2007 £</b>	
Within one year	2,077,718	55,000	
Between two and five years	5,540,581	1,945,000	
	<b>7,618,299</b>	<b>2,000,000</b>	

#### *Deferred consideration*

The deferred consideration relates to the directors' estimate of the present value of future consideration payments in relation to the acquisition of the trade of Bowmans International Sports (IOM) Limited as disclosed in note 12. Deferred consideration is based upon the level of net revenue of the acquired Bowmans trade, up to 2012.

Under the terms of the Stoke City Holdings Limited and Stoke City Football Club Limited sale and purchase agreement, additional payments may need to be made contingent on the outcome of future events. A provision of £980,000 has been made to cover a potential liability of the group.

#### *Pension obligations*

Certain staff of the Group are members of either the Football League Limited Players Retirement Income Scheme, a defined contribution scheme, or the Football League Limited Pension and Life Assurance Scheme ("FLLPLAS"), a defined benefit scheme. As the Group is one of a number of participating employers in the FLLPLAS, it is not possible to allocate any actuarial surplus or deficit on a meaningful basis and consequently contributions are expensed in the profit and loss account as they become payable. The assets of the scheme are held separately from those of the group, being invested with insurance companies.

**bet365 Group Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the 53 week period ended 30 March 2008

19	SHARE CAPITAL	30 March 2008 £	25 March 2007 £
	Authorised:		
	Equity: 980,000 ordinary shares of 1 pence each	9,800	9,800
	17,000 "A" ordinary shares of 1 pence each	170	170
	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: 284,313 (2007: 304,400) ordinary shares of 1 pence each	2,843	3,044
	17,000 "A" ordinary shares of 1 pence each	170	170
	Nil "C" ordinary shares of 1 pence each	-	-
		<u>3,013</u>	<u>3,214</u>

The ordinary shares and the "A" shares carry the same rights and rank *pari passu*.

In 2008, 27 "C" ordinary share were issued at £7.88 per share and immediately bought back by the company for £2,868.

During the year the company also purchased 20,087 of the company's own ordinary shares for £4,000,000.

*bet365 Group Limited Option Plan*

bet365 Group Limited's share option plan was adopted on 13 March 2003. Options granted under this scheme may be exercised, subject to certain restrictions, from 13 March 2006 up to ten years from grant for eligible employees.

Options over bet365 Group Limited shares outstanding at 30 March 2008 were as follows:

Options at 25 March 2007	Options granted in year	Options lapsed in year	Options exercised in year	Options at 30 March 2008	Exercise price £	Market price at date of exercise £
2,268	-	-	(27)	2,241	7.88	N/A

The options outstanding at 30 March 2008 had a remaining weighted average contractual life of 9 years (2007:10 years).

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

20	RESERVES	Capital redemption reserve £	Share premium account £
	GROUP AND COMPANY		
	At beginning of period	-	18,997,394
	Issue of shares	-	212
	Purchase of own shares	201	(212)
	At end of period	201	18,997,394
21	PROFIT AND LOSS RESERVE	Group £	Company £
	At beginning of period	28,873,142	22,010,044
	Profit for the period	20,255,977	1,391,574
	Purchase of own shares	(4,002,656)	(4,002,656)
	At end of period	45,126,463	19,398,962
22	MINORITY INTEREST	30 March 2008 £	25 March 2007 £
	Minority interest acquired with the acquisition of Stoke City (Property) Limited	-	-
	Minority interest acquired with the acquisition of Stoke City Football Club Limited	-	(1,213,545)
	Fair value provision for minority interest in net liabilities	(275,950)	1,213,545
	Minority share of losses for the year	-	(386,837)
	Creation of provision against minority interest	275,950	386,837
		-	-

The directors have made a provision against the minority interest balance as they consider the group has an obligation to provide finance that may not be recoverable in respect of the accumulated losses attributable to the minority interest.

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 23 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	53 week period ended 30 March 2008	52 week period ended 25 March 2007
	£	£
Operating profit	23,121,908	9,948,775
Depreciation	2,926,534	2,265,700
Amortisation of player registrations	2,218,060	1,054,742
Amortisation of goodwill	2,845,754	354,950
Profit on sale of fixed assets	(17,411)	(2,937)
Decrease in stock	40,799	58,987
Increase in debtors	(5,214,826)	(1,466,741)
Increase in creditors	17,685,011	3,713,885
Increase in provisions	(48,062)	-
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>43,557,767</b>	<b>15,927,631</b>

### 24 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£
Increase in cash in the period	21,910,387
Cash inflow from increase in debt	(307,765)
<b>MOVEMENT IN NET FUNDS IN THE PERIOD</b>	<b>21,602,622</b>
<b>NET FUNDS AT 25 March 2007</b>	<b>43,608,620</b>
<b>NET FUNDS AT 30 March 2008</b>	<b>65,211,242</b>

25 ANALYSIS OF NET FUNDS	At 25 March 2007 £	Acquired in the year £	Cash flow £	Non cash adjustment £	At 30 March 2008 £
Cash in hand and at bank	46,766,485	26,996	21,594,302	-	68,387,783
Bank overdraft	(289,089)	-	289,089	-	-
	46,477,396	26,996	21,883,391	-	68,387,783
Debt due within one year	(472,348)	(221,636)	38,680	(2,263,428)	(2,918,732)
Debt due after one year	(2,396,428)	(236,192)	111,383	2,263,428	(257,809)
<b>Total</b>	<b>43,608,620</b>	<b>(430,832)</b>	<b>22,033,454</b>	<b>-</b>	<b>65,211,242</b>

# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 26 CAPITAL COMMITMENTS

	Group		Company	
	30 March 2008	25 March 2007	30 March 2008	25 March 2007
	£	£	£	£
Capital expenditure contracted for but not provided in the financial statements	<b>222,857</b>	110,915	-	-

### 27 COMMITMENTS UNDER OPERATING LEASES

	Group		Company	
	30 March 2008	25 March 2007	30 March 2008	25 March 2007
	£	£	£	£
At the period end the group was committed to making the following payments during the next year under non-cancellable operating leases as follows:				
Land and buildings				
Expiring within one year	-	14,260	-	-
Expiring between two and five years	<b>30,000</b>	149,733	-	-
Expiring after five years	<b>340,698</b>	679,519	-	-
Other				
Expiring within one year	<b>29,892</b>	21,704	-	-
Expiring between two and five years	<b>51,000</b>	-	-	-
Expiring after five years	-	68,952	-	-
	<b>451,590</b>	934,168	-	-

#### Ground safety grants

When a facility which has attracted a grant ceases to be used or is sold, The Football Trust reserves the right to call for repayment of all or a proportion of any grant made.



# bet365 Group Limited

## NOTES TO THE FINANCIAL STATEMENTS

For the 53 week period ended 30 March 2008

### 28 PENSION COMMITMENTS

The group operates a number of defined contribution pension schemes whose assets are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £659,525 (2007: £789,412). Contributions amounting to £44,691 (2007: £28,131) were payable to the scheme at the period end and are included in creditors. A provision amounting to £72,358 (2007: £120,420) is included in provisions (note 18).

### 29 RELATED PARTY TRANSACTIONS

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

<i>Name of related party</i>	<i>Description of relationship</i>	<i>Description of transactions</i>	<i>30 March 2008</i>		<i>25 March 2007</i>	
			<i>Aggregate value for financial period</i>	<i>Net amount owed to / (by) the group</i>	<i>Aggregate value for financial period</i>	<i>Net amount owed to / (by) the group</i>
			£	£	£	£
Stoke-on-Trent Community Stadium Development Company Limited	Associated undertaking up to 21 December 2007	Rent payable to associate	216,905	(1,389,929)	287,283	(14,000)

### 30 POST BALANCE SHEET EVENT

On 30 May 2008 the group entered into an agreement to acquire two properties with a total cost of £3,722,857.

### 31 CONTROLLING INTEREST

bet365 Group Limited is under the control of Denise Coates and family.