

**Sportingbet (IT Services) Limited**

**Company number: 05214498**

**Report and Financial Statements**

**Year ended**

**31 July 2011**

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# **SPORTINGBET (IT SERVICES) LIMITED**

**Annual report and financial statements for the year ended 31 July 2011**

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Directors

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## **Directors**

A R McIver  
J H Wilkinson

## **Secretary and registered office**

D J Talisman, 4<sup>th</sup> Floor, 45 Moorfields, London, EC2Y 9AE

## **Company number**

05214498

## **Auditor**

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

## **SPORTINGBET (IT SERVICES) LIMITED**

### **Report of the directors for the year ended 31 July 2011**

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The directors present their report together with the audited financial statements for the year ended 31 July 2011

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows the result for the year. The directors do not recommend the payment of a dividend (2010 £nil)

#### **Principal activities**

The Company's principal activity is the provision of IT Services to other Group companies

#### **Trading review**

The financial performance highlights for the year ended 31 July 2011 are as follows

- Turnover and gross profit of £12.2m (2010 £10.4m)
- Administrative expenses of £11.7m (2010 £10.3m)
- Profit before and after tax of £0.3m (2010 loss £0.0m)
- Net assets at year end of £13.2m (2010 £12.8m)

#### **Future developments**

The Company intends to continue to provide general IT services to other Group companies

#### **Directors**

The directors of the Company during the year were

A R McIver  
J H Wilkinson

#### **Treasury management**

The Company's Treasury function provides a centralised service for the provision of finance and the management and control of liquidity, foreign exchange and interest rates. The function operates as a cost centre and manages the Company's treasury exposure to reduce risk in accordance with policies approved by the Board.

It is not the policy of the Company to trade in or enter into speculative transactions. Authorities, procedures and reporting responsibilities are documented and regularly reviewed.

Due to the international nature of its core activities, the Company's reported result, net assets and cash flows are all affected by foreign exchange rate movements.

Operations are financed by a mixture of retained profits, bank borrowings and long term loans. In addition, various financial instruments, such as trade debtors and trade creditors, arise directly from the Company's operations.

## **SPORTINGBET (IT SERVICES) LIMITED**

### **Report of the directors for the year ended 31 July 2011 (*continued*)**

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#### **Policy and practice of payment of suppliers**

It is the policy of the Company to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard written terms to individually negotiated contracts. Payments are made in accordance with these terms and conditions. At 31 July 2011 the Company had a trade creditor balance of £1.4m (2010: £1.6m). Trade creditors represented 52 days of purchases (2010: 81 days).

#### **Going concern**

The directors have considered the implications of the potential impact of regulatory uncertainties discussed in note 18. The directors have reviewed the cash flow projections for the Company in light of these uncertainties and have considered the financial resources available to the Company. Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **Directors' responsibilities**

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

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

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

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

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

So far as each director is aware,

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

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

## **SPORTINGBET (IT SERVICES) LIMITED**

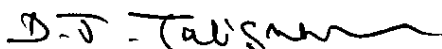
**Report of the directors for the year ended 31 July 2011 (*continued*)**

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### **Auditors**

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006

### **By order of the Board**



**D J Talisman**  
**Secretary**  
**Sportingbet (IT Services) Limited**  
**Company number: 05214498**

Date 4 October 2011

## **SPORTINGBET (IT SERVICES) LIMITED**

### **Report of the independent auditor**

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#### **To the members of Sportingbet (IT Services) Limited**

We have audited the financial statements of Sportingbet (IT Services) Limited financial statements for the year ended 31 July 2011, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

#### *Respective responsibilities of directors and auditor*

As explained more fully in the Directors' Responsibilities Statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### *Opinion on financial statements*

In our opinion the financial statements

- give a true and fair view, of the state of the Company's affairs as at 31 July 2011 and its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### *Opinion on other matter prescribed by the Companies Act 2006*

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

## **SPORTINGBET (IT SERVICES) LIMITED**

### **Report of the independent auditor (*continued*)**

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#### *Matters on which we are required to report by exception*

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

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



**Paul Etherington BSc FCA CF**

*Senior Statutory Auditor*

for and on behalf of Grant Thornton UK LLP

*Statutory Auditor, Chartered Accountants*

London

Date 4 October 2011

**SPORTINGBET (IT SERVICES) LIMITED****Profit and loss account for the year ended 31 July 2011**

	Note	Year ended 31 July 2011 £000's	Year ended 31 July 2010 £000's
Turnover	2	12,158	10,356
Cost of sales		-	-
<b>Gross profit</b>		<b>12,158</b>	<b>10,356</b>
Administrative expenses		(11,702)	(10,316)
<b>Operating profit</b>	3	<b>456</b>	<b>40</b>
Operating profit before share option charge and exceptional items		550	496
Share option charge	3	(94)	(74)
Exceptional items	5	-	(382)
<b>Operating profit</b>	3	<b>456</b>	<b>40</b>
Interest payable	6	(183)	(47)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>273</b>	<b>(7)</b>
Taxation	7	-	-
<b>Profit/(loss) on ordinary activities after taxation</b>	14	<b>273</b>	<b>(7)</b>

All amounts relate to continuing activities

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

The notes on pages 8 to 17 form part of these financial statements



**SPORTINGBET (IT SERVICES) LIMITED****Balance sheet at 31 July 2011**

	Note	2011 £000's	2011 £000's	2010 £000's	2010 £000's
<b>Fixed assets</b>					
Tangible assets	8		18,850		12,649
<b>Current assets</b>					
Debtors	9	2,198		2,959	
Cash at bank		541		1,051	
		<u>2,739</u>		<u>4,010</u>	
<b>Creditors: amounts due within one year</b>	10	<u>(3,023)</u>		<u>(3,574)</u>	
<b>Net current assets</b>			(284)		436
<b>Total assets less current liabilities</b>			18,566		13,085
<b>Creditors: amounts due in more than one year</b>	11		<u>(5,413)</u>		<u>(299)</u>
<b>Net assets</b>			<u>13,153</u>		<u>12,786</u>
<b>Capital and reserves</b>					
Called up share capital	13		-		-
Profit and loss account	14		13,153		12,786
<b>Shareholders' funds</b>	14		<u>13,153</u>		<u>12,786</u>

The financial statements were approved by the Board and authorised for issue on 4 October 2011 and signed on their behalf by



**J H Wilkinson**  
**Director**

The notes on pages 8 to 17 form part of these financial statements

## SPORTINGBET (IT SERVICES) LIMITED

### Notes forming part of the financial statements for the year ended 31 July 2011

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#### 1 Accounting policies

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

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

The following principal accounting policies have been applied:

##### *Going concern*

The directors have considered the implications of the potential impact of regulatory uncertainties discussed in note 18. The directors have reviewed the cash flow projections of the Company in light of these uncertainties and have considered the financial resources available to the Company. Accordingly, the directors have a reasonable expectation that the Company has adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

##### *Cash flow statement*

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

##### *Turnover*

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

##### *Tangible fixed assets*

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

Furniture and fittings	25% on a straight line basis
Computer equipment and software	20-33% on a straight line basis

##### *Computer software*

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

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (*Continued*)

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### 1 Accounting policies (*continued*)

#### *Foreign currencies*

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

#### *Deferred taxation*

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

#### *Leased assets*

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

#### *Pension costs*

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

#### *Share-based payments*

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

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

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### 1 Accounting policies (*continued*)

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

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

#### *Financial liabilities and equity*

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

### 2 Turnover

The turnover and profit (2010 loss) in the year arose from the company's principal activity This activity is carried out in the United Kingdom

### 3 Operating profit

	Year ended 31 July 2011 £000's	Year ended 31 July 2010 £000's
This has been arrived at after charging/(crediting)		
Depreciation on owned fixed assets	3,892	2,193
Depreciation on finance lease assets	786	213
Operating lease costs	431	368
Share option charge (see note 15)	94	74
Exceptional items (see note 5)	-	382
Foreign exchange (gain)/loss	(6)	21

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

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

### 4 Employees

Employees' remuneration and related costs during the year amounted to

	Year ended 31 July 2011 £000's	Year ended 31 July 2010 £000's
Wages and salaries	5,476	5,040
Social security costs	626	567
Pension contributions (defined contribution scheme)	338	283
	<u>6,440</u>	<u>5,890</u>

No director received any emoluments in respect of his services to the Company (2010 £nil)

The average monthly number of full-time persons (including directors) employed by the Company during the year was 90 (2010 64)

### 5 Exceptional items

Included in administrative expenses is an exceptional charge of £nil (2010 £0.4m), a breakdown of which is set out below

	Year ended 31 July 2011 £000's	Year ended 31 July 2010 £000's
Write off of inter-company debtor and creditor balances	-	(382)
	<u>-</u>	<u>(382)</u>

### 6 Interest payable

	Year ended 31 July 2011 £000's	Year ended 31 July 2010 £000's
Finance lease charges	104	47
Intercompany interest	79	-
	<u>183</u>	<u>47</u>

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

### 7 Taxation

	Year ended 31 July 2011 £000's	Year ended 31 July 2010 £000's
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#### *Current tax*

UK corporation tax on profit/(loss) for the year

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The tax assessed for the year is higher (2010 higher) than the standard rate of corporation tax in the UK  
The differences are explained below

	Year ended 31 July 2011 £000's	Year ended 31 July 2010 £000's
Profit/(loss) on ordinary activities before tax	273	(7)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 27.3% (2010 – 28%)	75	(2)
Effects of		
Expenses disallowed	5	51
Imputed interest on inter-company balances	179	55
Group relief	(259)	(104)
Current tax charge for year	-	-

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

### 8 Tangible fixed assets

	Fixtures & fittings £000's	Computer equipment & software £000's	Total £000's
<i>Cost</i>			
At 1 August 2010	1,139	19,566	20,705
Additions	35	10,844	10,879
	<hr/>	<hr/>	<hr/>
At 31 July 2011	1,174	30,410	31,584
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 August 2010	725	7,331	8,056
Charge for the period	201	4,477	4,678
	<hr/>	<hr/>	<hr/>
At 31 July 2011	926	11,808	12,734
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 July 2011	248	18,602	18,850
	<hr/>	<hr/>	<hr/>
At 31 July 2010	414	12,235	12,649
	<hr/>	<hr/>	<hr/>

Included in the net book value of £18.9m is £1.9m (2010: £0.5m) in respect of assets purchased under finance lease. Amounts due in respect of finance leases are secured on the respective assets.

**SPORTINGBET (IT SERVICES) LIMITED**Notes forming part of the financial statements for the year ended 31 July 2011 *(continued)*

<b>9 Debtors</b>	<b>2011</b>	<b>2010</b>
	<b>£000's</b>	<b>£000's</b>
Other debtors	105	445
Prepayments and accrued income	1,563	1,698
Amounts owed by group undertakings	530	816
	<u>2,198</u>	<u>2,959</u>

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

<b>10 Creditors: amounts falling due within one year</b>	<b>2011</b>	<b>2010</b>
	<b>£000's</b>	<b>£000's</b>
Amounts owed to group undertakings	131	1,010
Finance lease obligations	1,028	247
Trade creditors	1,377	1,588
Accruals and deferred expenses	487	729
	<u>3,023</u>	<u>3,574</u>

<b>11 Creditors: amounts falling due after one year</b>	<b>2011</b>	<b>2010</b>
	<b>£000's</b>	<b>£000's</b>
Finance lease obligations	1,064	299
Amounts owed to group undertakings	4,349	-
	<u>5,413</u>	<u>299</u>

**12 Obligations under finance leases**

Amounts included in creditors in respect of finance leases are repayable as follows

	<b>2011</b>	<b>2010</b>
	<b>£000's</b>	<b>£000's</b>
In one year or less or on demand	1,028	247
In more than one year but not more than two years	1,064	299
	<u>2,092</u>	<u>546</u>



# SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

<b>13 Share capital</b>	<b>2011 £</b>	<b>2010 £</b>
<i>Authorised</i>		
1,000 ordinary shares of £1 each	<b>1,000</b>	1,000
<i>Allotted, issued and fully paid</i>		
1 ordinary £1 share	<b>1</b>	1
<b>14 Shareholders' funds</b>		
	<b>Share capital £000's</b>	<b>Profit and loss account £000's</b>
		<b>Total £000's</b>
At 1 August 2009	-	12,719
Retained loss for the year	-	(7)
Share option charge	-	74
At 31 July 2010	-	12,786
At 1 August 2010	-	12,786
Retained profit for the year	-	273
Share option charge	-	94
At 31 July 2011	-	13,153

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (continued)

### 15 Share-based payments

The ultimate parent company operates four equity-settled share-based remuneration schemes for employees of the Company. All employees are eligible to participate in these schemes, the vesting conditions being that the individual still remains in employment at the date of the release of the option and that the 2005, 2006 and 2009 share plans satisfy certain performance criteria. The terms of these schemes are discussed in more detail in the Group annual report.

	2011 Weighted average exercise price (p)	2011 No.	2010 Weighted average exercise price (p)	2010 No.
Outstanding at the beginning of the year	-	1,601,749	-	2,026,918
Granted during the year	-	-	-	703,334
Transferred during the year	-	-	-	-
Exercised during the year	-	(320,350)	-	(315,226)
Lapsed during the year	-	(80,988)	-	(813,277)
Outstanding at the end of the year	-	1,200,411	-	1,601,749

The exercise price of options outstanding at the end of the year was 0p (2010: 0p) and their weighted average contractual life was 465 days (2010: 830 days).

Of the total number of options outstanding at the end of the year, nil share options (2010: nil) had vested and were exercisable.

The weighted average share price (at the date of exercise) of options exercised during the year was 58.2p (2010: 74.4p).

The weighted average fair value of each option granted during the year was 0p (2010: 56.27p).

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

	2011	2010
<b>Equity-settled</b>		
Options pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	61.70	59.75
Exercise price (pence)	-	-
Weighted average contractual life (days)	724	830
Expected volatility	50%	50%
Expected dividend growth rate	2%	2%
Risk-free interest rate	5%	5%

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

## SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2011 (*continued*)

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### 15 Share-based payments (*continued*)

The share-based remuneration expense comprises

	2011 £'000	2010 £'000
Equity-settled schemes	94	74

### 16 Related party transactions

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

### 17 Parent company

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

### 18 Contingent liabilities

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

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

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