

Sportingbet (IT Services) Limited

Company number: 05214498

Report and Financial Statements

Year ended

31 July 2012



SPORTINGBET (IT SERVICES) LIMITED

Annual report and financial statements for the year ended 31 July 2012

Contents

Directors

Page:

1	Report of the directors
4	Report of the independent auditor
6	Profit and loss account
7	Balance sheet
8	Notes forming part of the financial statements

Directors

A R McIver
J H Wilkinson

Secretary and registered office

D J Talisman, 4th 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 2012

The directors present their report together with the audited financial statements for the year ended 31 July 2012

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 (2011 £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 2012 are as follows

- Turnover and gross profit of £13.0m (2011 £12.2m)
- Operating Costs of £25.6m (2011 £11.7m)
- Loss before and after tax of £13.0m (2011 profit £0.3m)
- Net assets at year end of £0.1m (2011 £13.2m)

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

SPORTINGBET (IT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2012 (*continued*)

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 2012 the Company had a trade creditor balance of £2.5m (2011: £1.4m). Trade creditors represented 45 days of purchases (2011: 52 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 and the support provided by the ultimate parent 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 give a true and fair view of the state of affairs and profit or loss of the company. In preparing those financial statements, the directors are required to

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

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

So far as each director is aware,

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

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

SPORTINGBET (IT SERVICES) LIMITED

Report of the directors for the year ended 31 July 2012 (*continued*)

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

On behalf of the Board



J H Wilkinson
Director
Sportingbet (IT Services) Limited
Company number: 05214498

Date: 12 October 2012

SPORTINGBET (IT SERVICES) LIMITED

Report of the independent auditor

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 2012, 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.

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 2012 and its loss 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*)

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 12 October 2012

SPORTINGBET (IT SERVICES) LIMITED**Profit and loss account for the year ended 31 July 2012**

		Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
	Note		
Turnover	2	12,990	12,158
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		12,990	12,158
Operating costs		(25,577)	(11,702)
		<hr/>	<hr/>
Operating (loss) / profit	3	(12,587)	456
<hr/>			
Operating profit before share option charge and exceptional items		545	550
Share option charge	3	(5)	(94)
Exceptional items	5	(13,126)	-
		<hr/>	<hr/>
Operating (loss) / profit	3	(12,587)	456
<hr/>			
Interest payable	6	(421)	(183)
(Loss) / profit on ordinary activities before taxation		(13,008)	273
Taxation	7	-	-
		<hr/>	<hr/>
(Loss) / profit on ordinary activities after taxation	14	(13,008)	273
		<hr/>	<hr/>

All amounts relate to continuing activities

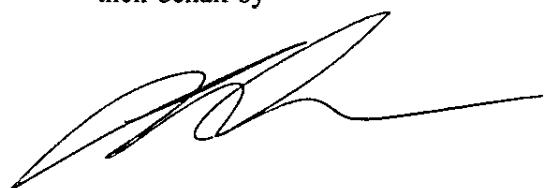
All recognised gains and losses are included in the profit and loss account

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

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

	Note	2012 £000's	2012 £000's	2011 £000's	2011 £000's
Fixed assets					
Tangible assets	8		16,224		18,850
Current assets					
Debtors	9	1,573		2,198	
Cash at bank		8		541	
		<u>1,581</u>		<u>2,739</u>	
Creditors: amounts due within one year	10	<u>(8,485)</u>		<u>(3,023)</u>	
Net current assets			(6,904)		(284)
Total assets less current liabilities			9,320		18,566
Creditors: amounts due in more than one year	11		<u>(9,170)</u>		<u>(5,413)</u>
Net (liabilities) / assets			<u>150</u>		<u>13,153</u>
Capital and reserves					
Called up share capital	13		-		-
Profit and loss account	14		150		13,153
Shareholders' (deficit) / funds	14		<u>150</u>		<u>13,153</u>

The financial statements were approved by the Board and authorised for issue on 12 October 2012 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 2012

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 and the support provided by the ultimate parent 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 net of sales taxes once the service has been provided.

Tangible fixed assets

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

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 2012 (*Continued*)

1 Accounting policies (*continued*)

Foreign currencies

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

Deferred taxation

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

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.

Operating Leases

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

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the 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 2012 (*continued*)

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 loss (2011 profit) in the year arose from the company's principal activity This activity is carried out in the United Kingdom

3 Operating (loss) / profit

	Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
This has been arrived at after charging/(crediting)		
Depreciation on owned fixed assets	4,075	3,892
Depreciation on finance lease assets	903	786
Operating lease costs	448	431
Share option charge (see note 15)	5	94
Exceptional items (see note 5)	13,126	-
Foreign exchange (loss) / gain	10	(6)
	<hr/>	<hr/>

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 2012 (continued)

4 Employees

Employees' remuneration and related costs during the year amounted to

	Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
Wages and salaries	4,817	5,476
Social security costs	576	626
Pension contributions (defined contribution scheme)	293	338
	<u>5,686</u>	<u>6,440</u>

No director received any emoluments in respect of his services to the Company (2011 £nil)

The average monthly number of full-time persons (including directors) employed by the Company during the year was 75 (2011. 90)

5 Exceptional items

Included in administrative expenses is an exceptional charge of £13,126k (2011 nil), a breakdown of which is set out below

	Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
Property, plant, equipment and software impairment (a)	7,576	-
Costs arising on exit from Turkey (b)	5,550	-
	<u>13,126</u>	<u>-</u>

(a) Following the disposal of the Turkish language website, an impairment charge was recognised on assets no longer in use. The charge did not have a cash impact.

(b) The company incurred various transactions and professional costs upon exit from Turkey.

SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2012 (continued)

6 Interest payable

	Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
Finance lease charges	88	104
Intercompany interest	333	79
	<u>421</u>	<u>183</u>

7 Taxation

	Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
<i>Current tax</i>		
UK corporation tax on (loss) / profit for the year	-	-

The tax assessed for the year is lower (2011: higher) than the standard rate of corporation tax in the UK
The differences are explained below

	Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
Profit/(loss) on ordinary activities before tax	<u>(16,298)</u>	<u>273</u>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 26.67% (2011 – 27.3%)	(4,346)	75
Effects of:		
Expenses not deductible	2	5
Capital Allowances for period in excess of depreciation	1,795	179
Utilisation of tax losses	2,580	(259)
Share option timing differences	(31)	-
	<u>-</u>	<u>-</u>
Current tax charge for year	-	-

SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2012 (*continued*)

8 Tangible fixed assets

	Fixtures & fittings £000's	Computer equipment & software £000's	Total £000's
<i>Cost</i>			
At 1 August 2011	1,174	30,410	31,584
Additions	46	9,881	9,927
Amounts written off	(166)	(10,007)	(10,173)
	<hr/>	<hr/>	<hr/>
At 31 July 2012	1,054	30,284	31,338
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 August 2011	926	11,808	12,734
Charge for the period	96	4,882	4,978
On amounts written off	(99)	(2,498)	(2,597)
	<hr/>	<hr/>	<hr/>
At 31 July 2012	923	14,192	15,115
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 July 2012	131	16,092	16,223
	<hr/>	<hr/>	<hr/>
At 31 July 2011	248	18,602	18,850
	<hr/>	<hr/>	<hr/>

Included in the net book value of £16.223k is £1,856k (2011 £1 945k) in respect of assets purchased under finance lease. Amounts due in respect of finance leases are secured on the respective assets.

SPORTINGBET (IT SERVICES) LIMITEDNotes forming part of the financial statements for the year ended 31 July 2012 (*continued*)

9 Debtors	2012 £000's	2011 £000's
Other debtors	458	105
Prepayments	1,115	1,563
Amounts owed by group undertakings	-	530
	<u>1,573</u>	<u>2,198</u>
All amounts shown under debtors fall due for payment within one year		
10 Creditors: amounts falling due within one year	2012 £000's	2011 £000's
Amounts owed to group undertakings	-	131
Finance lease obligations	947	1,028
Trade creditors	2,451	1,377
Accruals	5,087	487
	<u>8,485</u>	<u>3,023</u>
11 Creditors: amounts falling due after one year	2012 £000's	2011 £000's
Finance lease obligations	550	1,064
Amounts owed to group undertakings	8,620	4,349
	<u>9,170</u>	<u>5,413</u>
12 Obligations under finance leases		
Amounts included in creditors in respect of finance leases are repayable as follows		
	2012 £000's	2011 £000's
In one year or less or on demand	947	1,028
In more than one year but not more than two years	550	1,064
	<u>1,497</u>	<u>2,092</u>

SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2012 *(continued)*

13 Share capital

	2012 £	2011 £
<i>Authorised</i>		
1,000 ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
<i>Allotted, issued and fully paid</i>		
1 ordinary £1 share	1	1
	<hr/>	<hr/>

14 Shareholders' funds

	Share capital £000's	Profit and loss account £000's	Total £000's
At 1 August 2010	-	12,786	12,786
Retained profit for the year	-	273	273
Share option charge	-	94	94
	<hr/>	<hr/>	<hr/>
At 31 July 2011	-	13,153	13,153
	<hr/>	<hr/>	<hr/>
At 1 August 2011	-	13,153	13,153
Retained loss for the year	-	(13,008)	(13,008)
Share option charge	-	5	5
	<hr/>	<hr/>	<hr/>
At 31 July 2012	-	150	150
	<hr/>	<hr/>	<hr/>

SPORTINGBET (IT SERVICES) LIMITED

Notes forming part of the financial statements for the year ended 31 July 2012 (continued)

15 Share-based payments

The ultimate parent company operates five 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, 2009 and 2011 share plans satisfy certain performance criteria. The terms of these schemes are discussed in more detail in the Group annual report.

	2012 Weighted average exercise price (p)	2012 No.	2011 Weighted average exercise price (p)	2011 No.
Outstanding at the beginning of the year	-	1,200,411	-	1,601,749
Granted during the year	0.1	1,110,694	-	-
Transferred during the year	-	-	-	-
Exercised during the year	-	(370,099)	-	(320,350)
Lapsed during the year	-	(292,621)	-	(80,988)
Outstanding at the end of the year	0.1	1,648,385	-	1,200,411

The exercise price of options outstanding at the end of the year was 0.1p (2011: nil) and their weighted average contractual life was 402 days (2011: 465 days).

Of the total number of options outstanding at the end of the year, nil share options (2011: nil) had vested and were exercisable.

The weighted average share price (at the date of exercise) of options exercised during the year was 31.5p (2011: 58.2p).

The weighted average fair value of each option granted during the year was 35.0p (2011: nil).

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:

	2012	2011
Equity-settled		
Options pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	36.71	61.70
Exercise price (pence)	-	-
Weighted average contractual life (days)	547	724
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 2012 (*continued*)

15 Share-based payments (*continued*)

The share-based remuneration expense comprises:

	2012 £'000	2011 £'000
Equity-settled schemes	5	94

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 4th 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

19 Annual commitments under non cancellable operating leases

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

	2012 £'000	2011 £'000
Within 2-5 years Inclusive	100	100

SPORTINGBET (IT SERVICES) LIMITED

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

SPORTINGBET (IT SERVICES) LIMITED**Detailed profit and loss account for the year ended 31 July 2012**

	Year ended 31 July 2012 £000's	Year ended 31 July 2011 £000's
Administrative expenses		
Employment costs	2,804	2,398
IT expenses	3,527	3,289
Depreciation	4,978	4,678
Rent and rates	448	431
Exceptional items	12,616	-
Share option charge	5	94
Recruitment and training	247	273
Telephone	165	142
Travel and entertainment	96	195
Postage and stationery	26	53
Professional fees	12	9
Bank charges	3	3
Exchange difference	10	(6)
Sundry expenses	1	22
Other establishment costs	129	121
	<hr/>	<hr/>
Total	25,067	11,702
	<hr/>	<hr/>